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## THE SOCIAL SECURITY BILL

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APRIL 5, 1935.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

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Mr. DOUGHTON, from the Committee on Ways and Means, submitted the following

### REPORT

[To accompany H. R. 7260]

The Committee on Ways and Means, to whom was referred the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws, to establish a Social Security Board, to raise revenue, and for other purposes, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

### PART I. GENERAL STATEMENT

#### CONTENTS OF BILL

This bill provides for various grants-in-aid to the States; establishes a Federal old-age benefit system and a Social Security Board; and imposes certain taxes, hereinafter described.

Title I: Grants-in-aid are to be made to the States for old-age pensions to persons who have reached the age of 65. In making these grants the Federal Government will match what the States put up, within certain limits.

Title II: A system of Federal old-age benefits, payable to people who have reached the age of 65, will begin in 1942. These benefits are to be measured by wages, and are payable wholly regardless of the need of the recipient.

Title III: Grants-in-aid are made to the States, to pay the administrative costs of State unemployment compensation systems. The

amounts authorized should be sufficient to meet these costs, and no matching is required.

Title IV: Grants-in-aid are to be made to the States to assist them in giving aid to dependent children. In making these grants, the Federal Government will, within certain limits, put up one-third of the total amount paid in the State for aid to dependent children.

Title V: Grants-in-aid are made to the States for aid in their services relating to maternal and child welfare, the care of crippled children, and vocational rehabilitation. Most of these grants are to be made on an equal matching basis.

Title VI: Grants-in-aid are to be made to the States for developing their public-health services, and authorization is made for the Public Health Service to carry on its investigatory work.

Title VII: A Social Security Board, which is to be an independent agency in the executive branch of the Government, is established. The board is to have three members, holding office for 6-year terms.

Title VIII: An income tax, measured by a certain percentage of wages (beginning with 1 percent in 1937 and increasing to 3 percent by 1949), is levied on most wage earners, with certain large groups, such as domestic servants and agricultural laborers, exempted. An excise tax, measured at the same rates on wages paid, is levied on employers, with similar exemptions. These taxes first take effect on January 1, 1937.

Title IX: An excise tax is levied on employers of 10 or more persons (with certain exemptions), measured by 1 percent of wages payable for 1936 and increasing to 3 percent by 1938. This tax goes into effect on January 1, 1936, and is first payable a year later. Credits against the tax are allowed for contributions which the taxpayer may have made to State unemployment funds under State unemployment compensation laws.

Title X: This title contains general definitions and miscellaneous provisions applying to the whole act.

## HISTORY OF LEGISLATION

Legislation on the subject of social security was promised the country in a Presidential message of June 8, 1934, in which he said:

Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the means and details are in some instances new, the objectives are as permanent as human nature.

Among our objectives I place the security of the men, women, and children of the Nation first.

This security for the individual and for the family concerns itself primarily with three factors. People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes which cannot be wholly eliminated in this man-made world of ours.

Subsequently, the President (by Executive order) created the Committee on Economic Security, composed of the Secretary of Labor (chairman), the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator, instructing the committee to study the entire problem and to make recommendations which might serve as the basis for consideration of legislation by the present Congress.

The Committee on Economic Security devoted 6 months to this study in which it was assisted by a staff of specialists and by 14

advisory groups, representative of every interest concerned with the problems of economic security, including capital, labor, and the general public. For personnel of advisory committees, see the appendix of this report. The committee made a unanimous report to the President in January of this year, which the President transmitted to both Houses of the Congress, with his endorsement of the legislation recommended therein, in a special message on January 17, 1935, the concluding paragraphs of which were as follows:

The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation.

We pay now for the dreadful consequence of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives sought in this report.

These recommendations were incorporated in H. R. 4120 on which this committee held extended hearings from January 21 to February 12, at which more than 1,000 pages of testimony were taken. Since the conclusion of the hearings the measure has received the constant attention of the committee until the present moment, and numerous changes in the content and form were agreed upon. These changes involved a complete revision resulting in the drafting and introduction of H. R. 7260, herewith recommended for passage.

#### PURPOSE AND SCOPE

The need for legislation on the subject of social security is apparent at this time. On every hand the lack of such security is evidenced by human suffering, weakened morale, and increased public expenditures.

This situation necessitates two complementary courses of action: We must relieve the existing distress and should devise measures to reduce destitution and dependency in the future.

Thus far in the depression, we have merely attempted to relieve existing distress, but the time has come for a more comprehensive and constructive attack on insecurity. The foundations of such a program are laid in the present bill.

Work for the employables on relief is contemplated in the work-relief bill; a second vital part of the program for security is presented in this bill. The bill is designed to aid the States in taking care of the dependent members of their population, and to make a beginning in the development of measures which will reduce dependency in the future. It deals with four major subjects: Old-age security, unemployment compensation, security for children, and public health. These subjects are all closely related, all being concerned with major causes of dependency. Together they constitute an important step in a well-rounded, unified, long-range program for social security.

#### OLD-AGE SECURITY

There are now approximately 7,500,000 men and women over 65 years of age in the United States, and for decades the number and percentage of old people in the population have been increasing. This

tendency is almost certain to continue throughout the century. Statisticians estimate that by 1970 there will be 15,000,000 people over 65 years of age and by the end of the century, about 19,000,000. In contrast with less than 6 percent of the entire population now over 65, more than 10 percent will fall in this age group in 1970, and above 12 percent by the end of the century. These, moreover, are minimum estimates, which may be greatly exceeded if cures are discovered for the major causes of death among old people.

TABLE I.—Actual and estimated number of persons aged 65 and over compared to total population, 1860 to 2000

Year	Total population	Number aged 65 and over	Percent aged 65 and over	Year	Total population	Number aged 65 and over	Percent aged 65 and over
1860	31,443,000	849,000	2.7	1940	132,000,000	8,311,000	6.3
1870	38,558,000	1,154,000	3.0	1950	141,000,000	10,863,000	7.7
1880	50,156,000	1,723,000	3.4	1960	146,000,000	13,590,000	9.3
1890	62,622,000	2,424,000	3.9	1970	149,000,000	15,066,000	10.1
1900	75,995,000	3,089,000	4.1	1980	150,000,000	17,001,000	11.3
1910	91,972,000	3,958,000	4.3	1990	151,000,000	19,102,000	12.6
1920	105,711,000	4,940,000	4.7	2000	151,000,000	19,338,000	12.7
1930	122,775,000	6,634,000	5.4				

Source: Data for years 1860 to 1930 from the United States censuses.

Approximately 1,000,000 men and women over 65 years of age are dependent upon the public for support, the great majority of them on relief. This number is certain to increase in the future due to (1) the rapid increase of persons over 65 years of age, (2) the fact that many of the older workers now unemployed will never be steadily employed again, (3) the disappearance during the depression of the lifetime savings of many families approaching old age, and (4) the lessened ability of children to support their parents. The social problem of old age dependency, great as it is today, is certain to become more acute in the future unless adequate measures are taken now.

Experience, both in this country and in other lands, has demonstrated that the best way to provide for old people who are dependent upon the public for support is through old-age-assistance grants, more commonly called "old-age pensions." Twenty-nine States and the Territories of Alaska and Hawaii have old-age pension laws. Approximately 200,000 old people are now in receipt of old-age assistance under these laws, and while the grants are often inadequate, the lot of the pensioners is distinctly less hard than that of old people on relief. But due in part to restrictive provisions in the State laws, and still more to the financial embarrassment of many State and local governments, the old-age pension laws are limited in their application and do not provide adequately for all old people who are dependent upon the public for support.

To encourage States to adopt old-age pension laws and to help them carry the burden of providing support for their aged dependents, this bill proposes that the Federal government shall match the expenditures of the State and local governments for old-age pensions, except that the Federal share is not to exceed \$15 per month per individual. A few standards are prescribed which the States must meet to entitle them to Federal aid, but these impose only reasonable conditions and leave the States free of arbitrary interference from Washington.

TABLE II.—Operation of old-age pension laws of the United States, 1934

State	Type of law	Number of pensioners	Number of eligible age, 1930	Percent-age of pensioners to number of eligible age	Average pension	Yearly cost
Alaska.....	Mandatory	446	3,437	11.1	\$20.82	\$95,702
Arizona.....	do.	1,974	9,118	21.6	9.01	200,927
California.....	do.	19,300	210,379	9.2	21.16	3,502,000
Colorado.....	do.	8,705	61,787	14.1	8.59	172,481
Delaware.....	do.	1,610	16,678	9.7	9.79	188,740
Hawaii.....	Optional	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Idaho.....	Mandatory	1,275	22,310	5.7	8.85	114,521
Indiana.....	do.	23,418	138,426	16.9	6.13	1,254,169
Iowa.....	do.	3,000	184,239	1.6	13.50	475,500
Kentucky.....	Optional	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Maine.....	Mandatory	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Maryland.....	Optional	141	92,972	.2	29.90	50,217
Massachusetts.....	Mandatory	20,023	156,590	12.8	24.35	5,411,723
Michigan.....	do.	2,660	148,653	1.8	9.59	305,098
Minnesota.....	Optional	2,655	94,401	2.8	13.20	420,536
Montana.....	do.	1,781	14,377	12.4	7.23	155,525
Nebraska.....	Mandatory	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Nevada.....	Optional	23	4,814	.5	15.00	3,320
New Hampshire.....	Mandatory	1,423	25,714	5.5	19.06	298,732
New Jersey.....	do.	10,560	112,594	9.4	12.72	1,375,693
New York.....	do.	51,228	373,878	13.7	22.16	13,592,080
North Dakota.....	do.	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )
Ohio.....	do.	24,000	414,836	5.8	13.99	3,000,000
Oregon.....	do.	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Pennsylvania.....	do.	( <sup>7</sup> )	( <sup>7</sup> )	( <sup>7</sup> )	( <sup>7</sup> )	( <sup>7</sup> )
Utah.....	do.	930	22,665	4.1	8.56	95,590
Washington.....	do.	2,239	101,503	2.2	( <sup>8</sup> )	( <sup>8</sup> )
West Virginia.....	Optional	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )
Wisconsin.....	do.	1,969	112,112	1.8	16.75	395,707
Wyoming.....	Mandatory	643	8,707	7.4	10.79	83,231
Total.....		180,003	2,330,390		16.48	31,192,492

<sup>1</sup> No information available or not computed.<sup>2</sup> Not in operation.<sup>3</sup> Not yet in effect.<sup>4</sup> Not much being done due to lack of funds.<sup>5</sup> No pensions being paid now.<sup>6</sup> Administered by counties; no information available for State.<sup>7</sup> Law just being put into effect.

Source: Data collected by the Committee on Economic Security.

The provisions for Federal aid, included in title I, are designed for the support of people now old and dependent. They do not, however, furnish a completely satisfactory solution of the problem of old-age support, considered from a long-time point of view. If no other provisions are made, the cost of gratuitous old-age pensions is bound to increase very rapidly, due to the growing number of the aged and the probable increasing rate of dependency. Unless a Federal benefit system is provided, the cost of old-age pensions under title I, shared equally by the Federal Government and the States, would by 1960 amount annually to more than \$2,000,000,000 and by 1980 to nearly \$2,600,000,000, on the basis of an average monthly pension of \$25.

To keep the cost of Federal-aided State pensions under title I from becoming extremely burdensome in future years, and to assure support for the aged as a right rather than as public charity, and in amounts which will insure not merely subsistence but some of the comforts of life, title II of the bill establishes a system of old-age benefits, paid out of the Federal Treasury, and administered directly by the Federal Government. The benefits provided for workers who have been employed during substantially all their working life, will probably be considerably larger than any Federal-aided State pen-

sions could be. The benefits to be paid are related to the wages earned, but there are adjustments favoring the lower paid employees and those approaching old age. The minimum monthly benefit payable is \$10, and the maximum is \$85. An employee whose total wages, as defined in the act, prior to the age of 65 amount to less than \$2,000 will not qualify for benefits, but he will receive 3½ percent of his wages in a lump sum at the age of 65. He may be eligible also for a Federal-aided State pension under title I.

TABLE III.—Illustrative monthly Federal old-age benefits under title II

Average monthly salary	Years of employment								
	5	10	15	20	25	30	35	40	45
\$25.....	(1)	\$15.00	\$16.25	\$17.50	\$18.75	\$20.00	\$21.25	\$22.50	\$23.75
\$50.....	\$15.00	17.50	20.00	22.50	25.00	27.50	30.00	32.50	35.00
\$75.....	16.25	20.00	23.75	27.50	31.25	35.00	38.75	42.50	46.25
\$100.....	17.50	22.50	27.50	32.50	37.50	42.50	47.50	51.25	53.75
\$125.....	18.75	25.00	31.25	37.50	43.75	50.00	53.13	56.25	59.38
\$150.....	20.00	27.50	35.00	42.50	50.00	53.75	57.50	61.25	65.00
\$175.....	21.25	30.00	38.75	47.50	53.13	57.50	61.88	66.25	70.63
\$200.....	22.50	32.50	42.50	51.25	56.25	61.25	66.25	71.25	76.23
\$225.....	23.75	35.00	46.25	53.75	59.38	65.00	70.63	76.25	81.88
\$250.....	25.00	37.50	50.00	56.25	62.50	68.75	75.00	81.25	85.00

1 Lump sum payment of \$52.50.

The establishment of the Federal old-age benefit system will materially reduce the cost of Federal-aided State pensions under title I in future years. It will not entirely replace that system, because not all persons will be under the Federal old-age benefit plan. It will operate, however, to reduce the total cost of old-age pensions under title I to the Federal and State Governments in the future by more than \$1,000,000,000 annually.

TABLE IV.—Estimated appropriations, benefit payments, and reserves under title II

[In millions of dollars]

Fiscal year ending June 30—	Appropriation	Interest on reserve	Benefit payments	Amount carried forward to reserve	Reserve
1937.....	255.5	0.0	1.8	253.6	253.6
1938.....	513.5	7.6	7.2	514.0	767.6
1939.....	518.5	23.0	14.4	526.9	1,294.5
1940.....	662.2	38.8	22.0	679.1	1,973.6
1941.....	807.2	59.2	29.7	836.7	2,810.3
1942.....	814.8	84.4	60.4	838.7	3,649.0
1943.....	970.0	109.5	114.2	965.3	4,614.3
1944.....	1,126.6	138.5	173.1	1,091.9	5,706.2
1945.....	1,137.0	171.2	231.4	1,076.4	6,782.6
1946.....	1,291.0	203.5	302.0	1,192.9	7,975.5
1947.....	1,447.1	239.3	381.2	1,305.2	9,280.7
1948.....	1,460.1	278.5	457.5	1,281.1	10,561.8
1949.....	1,621.0	316.8	535.8	1,402.1	11,963.9
1950.....	1,733.3	358.9	612.6	1,529.6	13,493.5
1955.....	1,861.3	579.3	1,076.0	1,364.5	20,672.6
1960.....	1,939.1	765.6	1,672.7	1,032.0	26,561.8
1965.....	2,016.9	896.0	2,235.1	677.8	30,543.8
1970.....	2,094.8	975.2	2,792.1	277.9	32,782.9

It is important to note that by the investment of the large reserve on hand in the old-age reserve account, the Treasury will be able to withdraw from the market outstanding Federal bonds and hold them in the account. Their withdrawal will prevent the loss in income-



tax receipts, which is now annually incurred due to the presence of these tax-exempt bonds in the hands of private owners.

### UNEMPLOYMENT COMPENSATION

Unemployment is an even more prevalent cause of dependency than old age; in fact, it is the most serious of all hazards confronting industrial workers. During the years 1922 to 1929 an average of 8 percent of the industrial workers in this country were unemployed, and in the four depression years, 1930 to 1933, the unemployment rate was above 25 percent. Of all urban families now on relief, more than four-fifths are destitute because of unemployment.

Unemployment is due to many causes and there is no one safeguard that is all-sufficient. It can be dealt with in a reasonably adequate fashion only through a twofold approach, similar to that recommended for dealing with the old-age problem. Provisions must be made for the relief of those now unemployed, and there should also be devised a method for dealing with the unemployment problem in a less costly and more intelligent way in future years. It should be clearly understood that State unemployment compensation plans made possible by this bill cannot take care of the present problem of unemployment. They will be designed rather to afford security against the large bulk of unemployment in the future.

For those now unemployed the best measure of protection is to give them employment, as is contemplated in the work-relief bill. To provide something better than relief on a needs basis for the unemployed of the future, the establishment by the States of unemployment compensation systems is urgently to be desired. Titles III and IX seek to encourage States to set up such systems and to keep them from being handicapped if they do so.

The essential idea in unemployment compensation, more commonly but less accurately called "unemployment insurance" is the accumulation of reserves in times of employment from which partial compensation may be paid to workers who become unemployed and are unable to find other work. Unemployment insurance cannot give complete and unlimited compensation to all who are unemployed. Any attempt to make it do so confuses unemployment insurance with relief, which it is designed to replace in large part. It can give compensation only for a limited period and for a percentage of the wage loss.

Unemployment compensation, nevertheless, is of real value to the industrial workers who are brought under its protection. In normal times it will enable most workers who lose their jobs to tide themselves over, until they get back to their old work or find other employment, without having to resort to relief. Even in depressions it will cover a considerable part of all unemployment and will be all that many workers will need. Unemployed workmen who cannot find other employment within reasonable periods will have to be cared for through work relief or other forms of assistance, but unemployment compensation will greatly reduce the necessity for such assistance. Unemployment compensation is greatly preferable to relief because it is given without any means test. It is in many respects comparable to workmen's compensation, except that it is designed to meet a different and greater hazard.

Unemployment compensation is valuable to the public as well as to the industrial workers themselves. It is a measure tending to maintain purchasing power, upon which business and industry are dependent. Had there been a system of unemployment compensation throughout the country in the years from 1922 on, with a 3-percent contribution rate, not only would practically all unemployment of the prosperity period have been compensated, but it is estimated that \$2,500,000,000 would have been available for payment of benefits with the beginning of the depression in 1929. Such an amount paid to unemployed workmen at that time would unquestionably have had a most wholesome, stabilizing effect upon business.

Unemployment compensation has behind it an extensive European experience. No country which has experimented with unemployment insurance has ever abandoned it. In this country it has been endorsed by numerous Federal and State commissions and committees, but prior to this year only one State enacted such a law, and this came into operation less than a year ago.

The failure of the States to enact unemployment insurance laws is due largely to the fact that to do so would handicap their industries in competition with the industries of other States. The States have been unwilling to place this extra financial burden upon their industries. A uniform, Nation-wide tax upon industry, thus removing this principal obstacle in the way of unemployment insurance, is necessary before the States can go ahead. Such a tax should make it possible for the States to enact this socially desirable legislation.

This is one of the purposes of title IX of this bill. In this title a tax is imposed upon employers throughout the country against which a credit is allowed of up to 90 percent of the tax for contributions made by employers to unemployment compensation funds established pursuant to State law.

That this tax is imposed on employers is indicative of the conviction that employers should bear at least a part of the cost of unemployment compensation, just as they bear the cost of workmen's compensation. Each State is, of course, free to assess not only employers but employees; and in this connection it may be noted that in European countries, and under the law recently passed by the State of Washington, employees are required to contribute.

The amount of benefits payable for unemployment from contributions amounting to 3 percent of pay roll would vary from State to State. The maximum period for which benefits may be paid depends not only upon the rate of unemployment, but also upon the percentage of wages paid as benefits, the length of the required waiting period, the ratio of weeks of employment to weeks of benefits, and other provisions. The scale of benefits which States will be able to pay from a 3-percent rate of contributions on pay rolls will carry the great majority of unemployed workers through normal years until they are able to secure employment again. While the Federal tax is limited to 3 percent (1 percent in 1936 and 2 percent in 1937), some States will probably increase the benefits payable by requiring also contributions from the employees or the State government. Under a reasonable scale of benefits, reserves would accumulate in normal years to carry the fund through minor depressions or the first years of a major depression.

The bill permits the States wide discretion with respect to the unemployment compensation laws they may wish to enact. The

standards prescribed in this bill, which are described in part II of this report, are designed merely to insure that employers will receive credit against the Federal pay-roll tax only for payments made under genuine unemployment compensation laws.

Yet the Federal Government, under this bill, has important functions to perform in order to make it possible for the States to have unemployment insurance laws and to facilitate their operation. It equalizes competitive conditions through the imposition of the employment excise tax provided for in title IX. The bill further provides that the Social Security Board, which is created in title VII to administer all parts of the social security program other than aids coming within the scope of operation of existing bureaus, shall have the duty of studying and making recommendations with respect to the broad problems of economic security. This Board will be able to render important actuarial and scientific services to the States in connection with their unemployment insurance systems. In title III financial aid is given the States by the Federal Government to defray their costs in administering unemployment insurance. Finally, the Federal Government is to handle all unemployment reserve funds, in a trust account in the United States Treasury for the benefit of the States to which they belong.

This last provision will not only afford maximum safety for these funds but is very essential to insure that they will operate to promote the stability of business rather than the reverse. Unemployment reserve funds have the peculiarity that the demands upon them fluctuate considerably, being heaviest when business slackens. If, in such times, the securities in which these funds are invested are thrown upon the market for liquidation, the net effect is likely to be increased deflation. Such a result is avoided in this bill through the provision that all reserve funds are to be held by the United States Treasury, to be invested and liquidated by the Secretary of the Treasury in a manner calculated to promote business stability. When business conditions are such that investment in securities purchased on the open market is unwise, the Secretary of the Treasury may issue special nonnegotiable obligations exclusively to the unemployment trust fund. When a reverse situation exists and heavy drains are made upon the fund for payment of unemployment benefits, the Treasury does not have to dispose of the securities belonging to the fund in open market but may assume them itself. With such a method of handling the reserve funds, it is believed that this bill will solve the problem often raised in discussions of unemployment compensation, regarding the possibility of transferring purchasing power from boom periods to depression periods. It will in fact operate to sustain purchasing power at the onset of a depression without having any counteracting deflationary tendencies.

#### SECURITY FOR CHILDREN

Titles IV and V of the bill deal with another important aspect of economic security, that of security for children. Children are, perhaps, the most tragic victims of the depression. More than 40 percent of all persons on relief—approximately 9,000,000 individuals—are children under 16, in contrast to 28 percent of the entire population falling in this age group. In less than a generation these children will constitute a large part of the adults who must carry the burdens

of our social system and the responsibilities of our Government. As was well stated by the Committee on Economic Security, "the core of any social plan must be the child." And with so many children now growing up under the abnormal conditions involved in relief and the many hardships created through the depression, it is imperative that everything possible be done to offset the demoralizing and deteriorating effects of the great disaster that has befallen this country.

## DEPENDENT CHILDREN

One clearly distinguishable group of children, now cared for through emergency relief, for whom better provision should be made, are those in families lacking a father's support. Nearly 10 percent of all families on relief are without a potential breadwinner other than a mother whose time might best be devoted to the care of her young children. Last fall it was estimated that there were above 350,000 families on relief the head of which was a widowed, separated, or divorced mother and whose other members were children under 16. Above 700,000 children under 16 belong to such families, and, with the increase in relief lists since then, this number has probably increased proportionately.

It has long been recognized in this country that the best provision that can be made for families of this description is public aid with respect to dependent children in their own homes. Forty-five States now have laws providing such aid, but in many of these States the laws are only partially operative or not at all so. With the financial exhaustion of State and local governments a situation has developed in which there are more than three times as many families eligible for such aid as are actually in receipt of it, and they are now being supported by emergency relief.

TABLE V.—*Estimated number of families and children receiving aid with respect to dependent children under State laws and estimated expenditures for this purpose*

[Based on figures available Nov. 15, 1934]

State	Number of families receiving aid	Number of children benefiting from aid	Estimated present annual expenditures for aid, local and State		
			Total	Local	State
Total.....	109,036	280,565	\$37,487,479	\$31,621,957	\$5,865,522
Alabama <sup>1</sup> .....					
Arizona.....	106	379	20,940		20,940
Arkansas <sup>1</sup> .....					
California.....	7,066	17,642	2,133,999	224,252	1,909,747
Colorado.....	552	1,435	149,688	149,688	
Connecticut.....	1,271	3,276	734,627	489,752	244,875
Delaware.....	348	855	93,000	46,500	46,500
District of Columbia.....	209	720	143,997	143,997	
Florida.....	2,564	6,104	222,286	222,286	
Georgia <sup>1</sup> .....					
Idaho.....	230	619	36,315	36,315	
Illinois.....	6,217	14,802	1,837,012	1,633,217	303,795
Indiana.....	1,332	3,856	352,224	352,224	
Iowa.....	3,527	9,170	719,772	719,772	
Kansas.....	768	1,997	75,721	75,721	
Kentucky.....	137	356	62,889	62,889	
Louisiana.....	88	229	9,312	9,312	
Maine.....	817	2,124	310,000	155,000	155,000
Maryland.....	267	694	117,459	117,459	
Massachusetts.....	3,939	11,817	2,450,000	1,400,000	1,050,000
Michigan.....	6,938	18,039	2,448,962	2,448,962	
Minnesota.....	3,597	9,152	1,138,176	1,138,176	

Footnotes at end of table.

TABLE V.—Estimated number of families and children receiving aid with respect to dependent children under State laws and estimated expenditures for this purpose—Continued

State	Number of families receiving aid	Number of children benefiting from aid	Estimated present annual expenditures for aid, local and State		
			Total	Local	State
Mississippi <sup>1</sup> .....					
Missouri.....	338	874	\$93,440	\$93,440	
Montana.....	839	1,989	213,623	213,623	
Nebraska.....	1,654	4,300	272,036	272,036	
Nevada.....	200	520	44,035	44,035	
New Hampshire.....	260	781	82,440		\$32,440
New Jersey.....	7,711	18,789	2,445,564	2,445,564	
New Mexico <sup>1</sup> .....					
New York.....	23,493	56,524	11,731,176	11,731,176	
North Carolina.....	314	947	58,706	29,353	29,353
North Dakota.....	978	2,644	238,314	238,314	
Ohio.....	8,923	24,470	2,116,908	2,116,908	
Oklahoma.....	1,896	5,166	123,314		
Oregon.....	1,040	2,259	247,140	247,140	
Pennsylvania.....	7,700	22,587	3,197,640	1,598,820	1,598,820
Rhode Island.....	513	1,666	267,252	133,626	133,626
South Carolina <sup>1</sup> .....					
South Dakota.....	1,280	3,324	285,986	285,986	
Tennessee.....	241	627	71,328	71,328	
Texas.....	332	863	43,987	43,987	
Utah.....	622	1,617	78,651	78,651	
Vermont.....	206	461	46,976	23,488	23,488
Virginia.....	136	545	33,876	16,938	16,938
Washington.....	3,013	7,834	519,538	519,538	
West Virginia.....		108	16,086	16,086	
Wisconsin.....	7,173	17,932	2,180,790	1,930,790	250,000
Wyoming.....	95	279	22,294	22,294	

<sup>1</sup> No State law.  
<sup>2</sup> Law not in operation.  
 Source: The U. S. Children's Bureau.

TABLE VI.—Extent to which aid to dependent children is provided: Per capita expenditures and percentages of counties granting aid

State	Percentage of counties granting aid	Per capita expenditures	State	Percentage of counties granting aid	Per capita expenditures
Alabama.....	No mothers' aid law.		Missouri.....	10 <sup>1</sup>	\$0.03
Alaska.....	( <sup>1</sup> )	( <sup>1</sup> )	Montana.....	82 <sup>1</sup>	.46
Arizona.....	State-wide.....	\$0.05	Nebraska.....	86.....	.20
Arkansas.....	Mothers' aid discontinued.		Nevada.....	71.....	.41
California.....	State-wide.....	.35	New Hampshire.....	State-wide.....	.18
Colorado.....	54.....	.14	New Jersey.....	do.....	.61
Connecticut.....	State-wide.....	.46	New Mexico.....	Law not in operation.	
Delaware.....	do.....	.39	New York.....	81.....	.93
District of Columbia.....		.30	North Carolina.....	74.....	.02
Florida.....	67.....	.15	North Dakota.....	77.....	.39
Georgia.....	No mothers' aid law.		Ohio.....	96.....	.31
Hawaii.....	( <sup>1</sup> )	( <sup>1</sup> )	Oklahoma.....	62 <sup>1</sup>	.05
Idaho.....	76.....	.10	Oregon.....	69.....	.26
Illinois.....	81.....	.20	Pennsylvania.....	85.....	.34
Indiana.....	75.....	.11	Puerto Rico.....	Law not in operation.	
Iowa.....	98.....	.29	Rhode Island.....	State-wide.....	.39
Kansas.....	36.....	.04	South Carolina.....	No mothers' aid law.	
Kentucky.....	( <sup>1</sup> )	.02	South Dakota.....	78.....	.47
Louisiana.....	5.....	.004	Tennessee.....	4.....	.03
Maine.....	State-wide.....	.30	Texas.....	3.....	.008
Maryland.....	33.....	.07	Utah.....	48.....	.15
Massachusetts.....	State-wide.....	.58	Vermont.....	State-wide.....	.13
Michigan.....	43.....	.51	Virginia.....	44.....	.01
Minnesota.....	91.....	.44	Washington.....	92.....	.36
Mississippi.....	Mothers' aid discontinued.		West Virginia.....	4.....	.007
			Wisconsin.....	89.....	.74
			Wyoming.....	43 <sup>1</sup>	.10

<sup>1</sup> No report.    <sup>2</sup> Less than 1 percent.    <sup>3</sup> Based on number of counties granting aid June 30, 1931.

For the welfare of the many young children involved, it is highly desirable that these families should be taken care of through public aid. This will not be possible, however, unless the Federal Government aids the States in carrying this burden. Such aid is proposed in title IV of this bill, under which the Federal Government will assume one-third of the cost of aid to dependent children paid under State laws. This does not involve any larger expenditures than the Federal government has been making for the support of these families on relief, but will very materially aid the States in caring for this group of their unemployables, for whom they must now assume responsibility.

#### MATERNAL AND CHILD WELFARE

In title V it is proposed that aid be given the States for other services very essential to the security of children. The first of these is aid for maternity and infancy welfare, particularly in rural areas, and in areas suffering from severe economic distress. The need for such services has increased with the depression, and the fact that the maternal mortality rate in this country is much higher than in nearly all other progressive countries is certainly not to our credit.

In title V, Federal aid is also made available for the development of local child-care services. These services are concerned with the 300,000 dependent and neglected children, the 200,000 children who annually come as delinquents before the courts, and the 70,000 illegitimate children born each year. These groups are in many respects the most unfortunate of all children, as their lives have already been impaired. To repair these damaged lives as far as possible, and to keep these children from becoming a permanent burden to society, child-care services have been established in most urban centers, but in less populous areas they are exceedingly limited or nonexistent. As with other welfare services, there has been an actual retrogression in these child-care services during the depression, although the need has greatly increased. To stimulate the development of such services in rural areas, where they are now almost totally nonexistent, a small appropriation is proposed in this bill, to be allotted to the States for payment of part of the expense of county and local child-welfare services.

Federal aid is also given for hospitalization and aftercare of crippled children. There are between 300,000 and 500,000 physically handicapped children in this country, a large percentage of them, the victims of infantile paralysis. Through surgical and therapeutic treatment the physical condition of many of these children can be very materially improved, particularly if this cure is provided early enough. Eighteen States are now using public funds for this purpose and a number of private agencies are doing most notable work in this field. In proportion to the great need which exists, however, the provisions for crippled children are still very limited. To stimulate an expansion of such work the bill gives Federal aid to the States for this purpose. Such aid is amply justified by the fact that it should operate to reduce materially the number of dependents in future years.

## VOCATIONAL REHABILITATION

Closely related to the appropriation for crippled children is the appropriation, also provided for in title V, for aid to the States for vocational rehabilitation. This concerns adults rather than children, but has a similar purpose of helping the physically handicapped to become self-supporting rather than remaining a charge upon the public. The Federal Government has been giving aid to the States for this purpose since 1920, but under laws of limited duration; moreover, this aid was very much reduced 2 years ago. In this bill permanent authorization is made for Federal aid for vocational rehabilitation, in recognition of the importance of such work in a permanent program for economic security.

## PUBLIC-HEALTH SERVICES

In title VI provision is made for greater participation by the Federal Government in public-health services. It has long been recognized that the Federal Government, as well as the State and local governments, has a responsibility for the preservation of the public health. Considerable amounts have been appropriated for health services in combating epidemics and in other emergencies and some aid has been given regularly during more than a decade for building up State and local public-health services.

But there is still a great need for the expansion of public-health services—a greatly increased need at this time due to the depression. Only 528 of the more than 3,000 counties in the United States have full-time health officers, and even in many of these counties the service is inadequate in relation to the population and the existing problems. In the depression State and local public-health appropriations have been reduced by approximately 20 percent, while the need for such services has increased. For the first time in many years, the death rates in urban communities showed a rising tendency, despite the fact that this was a year free from serious epidemics in all parts of the country.

Preservation of health is a prime necessity for economic independence, sickness being one of the major causes of dependency. The logical point at which to begin coping with this serious economic hazard is the prevention of sickness insofar as possible. To this end it is very important that public-health services be extended and strengthened and under existing conditions this can be done only through increased Federal participation. The proposed Federal aid is designed to permit the expansion of the existing work of the Public Health Service, and should not be confused with health insurance. This program of public health service was strongly recommended by persons representing the medical profession including Dr. Walter L. Bierring president American Medical Association, who testified before the committee.

## APPROPRIATIONS AUTHORIZED

Aside from amounts authorized for administrative expenses (amounting to a sum in the neighborhood of \$3,500,000), appropriations authorized under this act for grants to the States amount to \$91,491,000 for the fiscal year 1936.

TABLE VII.—*Appropriations authorized for grants-in-aid to the States (exclusive of title III) for the fiscal year ending June 30, 1936*

Old-age assistance.....	\$49,750,000
Aid to dependent children.....	24,750,000
Maternal and child health.....	3,800,000
Crippled children.....	2,850,000
Child welfare.....	1,500,000
Vocational rehabilitation.....	841,000
Public health.....	8,000,000
<b>Total.....</b>	<b>91,491,000</b>

NOTE.—In future years the first two items will increase in accordance with the increasing cost of old-age assistance and aid to dependent children.

In addition to these sums, there are authorized annual appropriations to the old-age account, estimates for which are shown in table IV of this report. There is also authorized an appropriation of \$4,000,000 for the fiscal year ending June 30, 1936, and \$49,000,000 for each subsequent fiscal year to make the payments to States under title III for the cost of administering their unemployment insurance laws.

## TAXES

There are three taxes imposed in the bill:

(1) An income tax on wage-earners, beginning in the year 1937 at a rate of 1 percent of wages, and increasing to 3 percent in 1949. Large groups of wage earners are, for administrative reasons, excluded from the operation of this tax, but more than one-half of the total number of gainful workers are covered.

TABLE VIII.—*Estimate of number of employees covered under the tax provided in title VIII*

[Based upon 1930 Census]

Total number of gainful workers.....	48,830,000
Total number of owners, operators, self-employed (including the professions).....	12,087,000
Total of workers excluded because of occupation (farm labor, domestics, teachers, and governmental and institutional workers).....	9,389,000
<b>Total number of workers in eligible occupations.....</b>	<b>27,354,000</b>
Excluded:	
Casuals.....	500,000
Over 65.....	1,050,000
	<u>1,550,000</u>
<b>Estimated coverage.....</b>	<b>25,804,000</b>

(2) An excise tax on employers, with certain exemptions, based on wages paid. This tax, like the income tax imposed in this title, will become operative in 1937 at 1 percent of wages, increasing thereafter; and again, for administrative reasons, there are numerous exemptions.



TABLE IX.—Revenue estimates (from taxes on employees and employers imposed by title VIII, sections 801 and 804)<sup>1</sup>

Combined rate of tax	Fiscal year received into Treasury	Estimated fiscal year receipts	Combined rate of tax	Fiscal year received into Treasury	Estimated fiscal year receipts
2 percent.....	1937	\$278, 800, 000	4 percent.....	1944	\$1, 185, 900, 000
2 percent.....	1938	560, 200, 000	4 percent.....	1945	1, 195, 900, 000
2 percent.....	1939	565, 800, 000	5 percent.....	1946	1, 559, 400, 000
3 percent.....	1940	714, 800, 000	5 percent.....	1947	1, 523, 500, 000
3 percent.....	1941	864, 800, 000	5 percent.....	1948	1, 536, 900, 000
3 percent.....	1942	873, 000, 000	6 percent.....	1949	1, 706, 500, 000
4 percent.....	1943	1, 028, 800, 000	6 percent.....	1950	1, 877, 200, 000

<sup>1</sup> Each of the two taxes is estimated to produce one-half of the total receipts shown.

(3) An excise tax on employers who maintain comparatively large establishments, levied in title IX and mentioned heretofore in this report, in connection with the discussion of unemployment compensation.

TABLE X.—Estimate of number of employees covered under the tax provided in title IX

[Based upon 1930 Census]

Total number of gainful workers.....	48, 830, 000
Total number of owners, operators, self-employed (including the professions).....	12, 087, 000
Total of workers excluded because of occupation (farm labor, domestics, teachers, and governmental and institutional workers).....	9, 389, 000
Total number of workers in eligible occupations.....	27, 354, 000
Estimated number of workers attached to establishments with nine or less employees.....	5, 400, 000
Estimated number of workers attached to establishments of 10 and more employees (including unemployed) April 1930.....	21, 954, 000
Average 1936 (4 percent increase).....	22, 858, 000

The actual number of employees covered by the tax would be considerably smaller than 22,858,000 due to unemployment. All workers employed during a part of the year, however, in establishments covered by the tax, would be covered with respect to that employment.

TABLE XI.—Revenue estimates (from tax on employers of 10 or more under title IX, with no allowance for 90-percent credit)

Calendar year with respect to which tax is levied	Fiscal year received into Treasury	Estimated receipts	Rate of tax	Calendar year with respect to which tax is levied	Fiscal year received into Treasury	Estimated receipts	Rate of tax
1936.....	1937	\$228, 000, 000	Percent 1	1940.....	1941	\$820, 000, 000	Percent 3
1937.....	1938	501, 000, 000	2	1941.....	1942	846, 000, 000	3
1938.....	1939	786, 000, 000	3	1942.....	1946	872, 000, 000	3
1939.....	1940	803, 000, 000	3	1943.....	1951	906, 000, 000	3

NOTE.—The tax levied by title IX is subject to a credit of 90 percent of the amount of such tax for contributions into State unemployment funds. Therefore the minimum amount of revenue each year from this tax will be 10 percent of the above amounts. What part of the above estimates, greater than 10 percent of same, will be retained by the Treasury is problematical, being dependent on the number of States enacting unemployment insurance laws, and the rates and coverage thereof.

Practically no objections have been made to the imposition of the taxes levied in this bill. What objections have been offered overlook the fact that the initial rates are very low. The only tax in the year 1936 (which is not payable until 1937) is the 1-percent excise tax on employers of 10 or more employees against which a credit is allowed for payments made under State unemployment compensation laws. In 1937 the other taxes will also come into operation, but only at the rate of 1 percent upon employers.

Excise taxes measured by pay roll will normally be added to prices. But again, the effects are often exaggerated. The direct labor cost of all manufactured commodities represents on the average about 21 percent of the value of the product. Taxes of 1, 2, and 3 percent, and even the ultimate 6 percent (not reached until 1949) will, thus, increase the selling price not by these percentages, but by much less than these figures.

Taxes on pay rolls and wages are imposed in all unemployment-compensation systems the world over. Taxes on pay rolls for this purpose are justified because unemployment compensation is a legitimate part of the costs of production, as has long been recognized in the case of workmen's compensation for industrial accidents (the costs of which are, likewise, always computed on a pay-roll basis). Unemployment compensation belongs in the same category with wages, and it is no more than right that the consumers should bear this cost, as is the case with all other costs of production.

In this connection it must not be forgotten that employers and consumers must ultimately foot a large part of the bill for the relief of destitution. Federal, State, and local taxes and public indebtedness have been greatly increased by the tremendous problem of relief. This program will necessarily reduce this great load for public taxes now required for relief purposes. If the measures we propose will reduce dependency, as we expect, the burden upon employers and consumers may well be smaller than it is at present.

#### CONCLUSION

The proposals in this bill are forward looking. This bill is not to be considered a cure-all, nor a complete measure for economic security. It will doubtless have to be supplemented in the course of time, as has been the history of all other major new legislation. But it makes a beginning toward economic security which has been long overdue.

This beginning is made along lines which are in accord with our American institutions and traditions. It is not class legislation, but a measure which will benefit the entire public. While humanely providing for those in distress, it does not proceed upon the destructive theory that the citizens should look to the Government for everything. On the contrary, it seeks to reduce dependency and to encourage thrift and self-support.

From the governmental point of view this bill contemplates a united attack upon economic insecurity by the Federal and State Governments. It does not vest dictatorial powers in any Federal officials.

Of all major countries the United States is the last to give serious consideration to a comprehensive system of social insurance and related measures for economic security. The experience of this country in the trying years of the depression has amply demonstrated the

need for making a sound beginning in the development of such a program. As the President recommended, this bill should by all means be enacted into law at this session.

## PART II. EXPLANATION OF THE BILL

### TITLE I. GRANTS TO STATES FOR OLD-AGE ASSISTANCE

This title provides for Federal grants-in-aid to States, for the payment of old-age assistance to persons over 65. The grants are to be made on an equal matching (50-50) basis, except that in the case of no individual will the Federal Government's share exceed \$15 per month.

#### APPROPRIATION

Section 1: \$49,750,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purposes of this title. The money is to be paid to States whose old-age assistance plans have been approved by the Social Security Board, as complying with the requirements of section 2.

#### STATE OLD-AGE ASSISTANCE PLANS

Section 2: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must be sufficiently liberal in its eligibility requirements, in accordance with subsection (b).

(a): Requirements which must be met by the State law:

(1), (2), (3): The plan must be State-wide in operation. If, as is the case at present in several States, it is to be administered by the counties, it must not be optional with each county whether or not it will give old-age assistance, but rather must be mandatory upon all the counties. Whether the administration is in the hands of the counties or not, there must be some direct financial participation by the State itself, and some one State agency (whether already existing or newly established) must be charged with final administrative responsibility. This agency does not necessarily have to confine itself to old-age assistance; it may have other functions.

(4): An individual who is denied old-age assistance (for instance, by a county board) must be given the right to a fair hearing before the State agency. This does not affect the right of further appeal to the courts.

(5) and (6): The methods of administration of the State plan, insofar as they are found by the Social Security Board to be essential to the plan's efficient operation, must be approved by the Board, and reports must be made to the Board; but the State will not be impeded in the exercise of its full discretion in the matters of the selection, the tenure of office, and the compensation of State and local personnel.

(7): If the State, using Federal money granted to it under this title, pays pensions to aged persons, and later (for example, because those persons had been defrauding the State) collects back from their estates some or all of the money so paid, the State must pay one-half the amount thus collected to the Federal Government. In other words the State must, roughly, reimburse the Federal Government for the amount of its share thus collected by the State.

(b): Liberality of certain eligibility requirements:

(1): A person shall not be denied assistance on the ground that he is not old enough to be eligible for it, if in fact he has reached the age of 65 years. Until 1940, however, a State may set the age limit as high as 70 years.

(2): A person shall not be denied assistance on the ground that he has not been a resident long enough, if in fact he has lived in the State for 1 year immediately preceding his application, and for any 5 years out of the 9 years immediately preceding his application. Thus, if the plan is administered by counties, it may impose requirements as to county residence; but no county residence requirement may result in denying assistance to an otherwise qualified person who has resided in the State for the periods just mentioned. Even if the county residence requirements are stricter than those allowed under this section, such a person must be entitled to assistance under the plan, presumably directly from the State. (No State is required to give assistance to nonresidents of the State.)

(3): A person shall not be denied assistance on the ground that he has not been a United States citizen for a number of years, if in fact, when he receives assistance, he is a United States citizen. This means that a State may, if it wishes, assist only those who are citizens, but must not insist on their having been born citizens or on their having been naturalized citizens for a specified period of time.

The limitations of subsection (b) do not prevent the State from imposing other eligibility requirements (as to means, moral character, etc.) if they wish to do so. Nor do the limitations of subsection (b) mean that the States must adopt eligibility requirements just as strict as those enumerated. The States can be more lenient on all these points, if they wish to be so.

#### PAYMENT TO STATES

Section 3: The Federal Government will match what the States put up for old-age assistance, by paying quarterly to each State one-half of the total amount paid as assistance to people in the State who are at least 65 years old and who are not inmates of public institutions. (If the State wishes to pay pensions with respect to aged people over 65 in private institutions, the Federal Government will match those payments; but it will not match payments to persons less than 65, or to persons in public institutions.) Federal payments with respect to any person, however, will not be more than \$15 per month. If the State gives a pension of \$20 the Federal Government will pay half of it; of \$30, the Federal Government will pay half of it; of \$40, the Federal Government will match only the first \$15 put up by the State, so that the Federal share will be \$15 and the State will put up the other \$25. Federal payments shall be made on a pre-payment basis, on the strength of estimates by the State and the Board, with later adjustments if the actual expenditures differ from the estimates. The Federal Government will also help the States to meet administrative costs, paying therefor an additional amount equal to 5 percent of the regular quarterly payment to the State. All these payments, and all other payments under this bill, are to be made without a prior audit by the General Accounting Office; but there will be a postaudit. It is understood by the committee that, in the case of grants to States, the General Accounting Office, in making

this audit, will seek to ascertain only (in the absence of fraud) whether the certifications were based on the findings which the Board is required to make prior to certifying, and whether payments were made in accordance with the certifications. It is not the practice to question the findings.

#### OPERATION OF STATE PLANS

Section 4: A State with an approved plan will not receive payments if the Board finds that the State is not substantially complying with its plan.

#### ADMINISTRATION

Section 5: \$250,000 is authorized to be appropriated for the fiscal year 1936 to meet the administrative expenses of the Board under this title. There is no limit on appropriations for future years.

#### DEFINITION

Section 6: Old-age assistance is confined to payments in cash.

#### TITLE II. FEDERAL OLD-AGE BENEFITS

This title provides for the payment of cash benefits to every individual who has attained the age of 65 and has fulfilled certain qualifications. These benefits will be paid to him monthly as long as he lives in an amount proportionate to the total amount of wages received by him for employment before he attained the age of 65.

#### OLD-AGE RESERVE ACCOUNT

Section 201: For the purpose of building up a reserve sufficient to supply the funds necessary to pay the benefits provided for in this title as such payments accrue, there is created in the Treasury of the United States an "old-age reserve account", to which an annual appropriation, beginning with the fiscal year ending June 30, 1937, is authorized. The amounts of such appropriations will vary from year to year, but the amount appropriated for any year shall be that amount determined (in accordance with accepted actuarial principles, and on the basis of such mortality tables as the Secretary of the Treasury shall from time to time adopt, and of an interest rate of 3 percent per annum compounded annually), to be sufficient as the premium necessary for such year to build up the required reserve.

It shall be the duty of the Secretary of the Treasury to invest such portion of the amounts credited to the account as is not, in his judgment, required to meet current payments. Such investments shall be made in interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States.

All amounts credited to the account shall be available for making payment of the benefits provided for in this title.

#### OLD-AGE BENEFIT PAYMENTS

Section 202: Every qualified individual (as defined in sec. 210) shall be entitled to receive, with respect to the period beginning on the date he attains the age of 65, or on January 1, 1942, whichever is later, and

ending on the date of his death, an old-age benefit. Payments of such benefits shall be made as nearly as possible at monthly intervals, but not necessarily on the first of each month. The rate of the payments will vary from \$10 a month to \$85 a month, depending upon the total amount of wages earned by the recipient after December 31, 1936, and before he attains the age of 65.

If, during the course of payments to any recipient, it is found that he has been overpaid or underpaid, adjustment shall be made in con-  
tion with subsequent payments.

#### PAYMENTS UPON DEATH

Section 203: If any individual dies before receiving any payment of a benefit, there shall be paid to his estate  $3\frac{1}{2}$  percent of the total wages earned by him after December 31, 1936, and before he attains the age of 65.

If any recipient dies before the total of the payments of benefits to him has equaled  $3\frac{1}{2}$  percent of the total wages earned by him after December 31, 1936, and before he attains the age of 65, the remainder shall be paid to his estate.

If any recipient has, through error or otherwise, been underpaid and has died before adjustment has been made, the amount of the underpayment shall be paid to his estate.

#### PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR BENEFITS

Section 204: If any individual, upon attaining the age of 65, is not qualified to receive benefits, an amount equal to  $3\frac{1}{2}$  percent of the wages earned by him after December 31, 1936, and before he attains the age of 65, shall be paid to him (or, if he has died before receiving such payments, to his estate).

#### AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATES

Section 205: If the amount payable to an estate under section 203 or 204 is \$500 or less, the Social Security Board may pay it directly to the persons it determines to be entitled thereto under the law of the State in which the deceased was domiciled.

#### OVERPAYMENTS DURING LIFE

Section 206: If any recipient, through error or otherwise, has received benefit payments in excess of the amount to which he is entitled, and dies before such overpayments have been adjusted, there shall be repaid to the United States by his estate the amount of such overpayments; except that if the amount to which he was entitled was less than  $3\frac{1}{2}$  percent of the total wages earned by him after December 31, 1936, and before he attained the age of 65, the amount of the repayment shall be merely the difference between the amount received by him and such  $3\frac{1}{2}$  percent.

#### METHOD OF MAKING PAYMENTS

Section 207: The Social Security Board shall from time to time (presumably monthly) certify to the Secretary of the Treasury the name and address of every individual entitled to receive payment

under this title, the amount of such payment, and the time at which it should be made, and the Secretary of the Treasury shall make payment in accordance with such certification.

#### ASSIGNMENT

Section 208: The right of any individual to receive any payment under this title shall not be transferable or assigned, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

#### PENALTIES

Section 209: Whoever, in any application for any payment under this title, makes any false statement as to any material fact, knowing such statement to be false shall be fined not more than \$1,000 or imprisoned for not more than 1 year, or both.

#### DEFINITIONS

Section 210 (a): This subsection defines "wages." Wages include not only the cash payments made to the employee for work done, but also compensation for services in any other form, such as room, board, etc. The term "wages" does not necessarily apply to the total remuneration received from the employer by the employee; the term includes only the first \$3,000 of wages received by an employee from his employer with respect to employment during the calendar year. The following example will illustrate how the rule applies: Employer A pays employee B a salary of \$500 a month beginning with the calendar year 1937. At the end of the sixth month B has received from his employer \$3,000. The balance of his salary for 1937 is not included as part of the wages. However, this is only the case where the employee continues in the employment of the same employer throughout the year. If the employee leaves the service of employer A on June 30, 1937, and enters the service of employer C on that date and continues with employer C at the same salary throughout the remainder of the year, the remuneration received by employee B during the remaining portion of the calendar year 1937 will be included in his wages.

Section 210 (b): This subsection defines the term "employment" as any service of whatever nature performed within the United States by an employee for his employer. It should be noted in this connection that section 1001 (a) (6) includes in the definition of "employee" an officer of a corporation. Services performed by aliens, whether resident or nonresident, within the United States are included; but services performed outside the United States, whether by a citizen or an alien, are not included. The term "United States" is defined in section 1001 (a) (2) to include the States, Alaska, Hawaii, and the District of Columbia. The following services are excluded even though performed within the United States: (1) Agricultural labor; (2) domestic service in a private home; (3) casual labor not in the course of the employer's trade or business. This would not exclude casual labor performed in the course of an employer's trade or business. For instance, if a department store employed emergency help

during the rush season in connection with its trade or business, the services performed by such help would not be excluded under this title. (4) Services performed by an officer or a member of a crew on a vessel documented under the laws of the United States or of any foreign country are also excluded. The administrative difficulty of following the wages of officers and seamen of crews was regarded as almost insurmountable. For instance, unless this exclusion were made, it would be necessary to keep track of the wages of Chinese coolies working on American ships.

Services performed by Federal and State or political subdivision employees are also excluded.

Services performed in the employ of religious, charitable, scientific, literary, or educational institutions, no part of the net earnings of which inures to the benefit of any private shareholder or individual, are also excluded. For the purpose of determining whether services for such an organization are excluded, the use to which the income is applied is the ultimate test of the exclusion rather than the source from which the income is derived. For instance, if a church owns an apartment building from which it derives income which is devoted to religious, charitable, educational, or scientific purposes, services for it are still excluded. The organizations, services for which will be excluded, are churches, schools, colleges, and other educational institutions not operated for private profit, the Y. M. C. A., the Y. W. C. A., the Y. M. H. A., the Salvation Army, and other organizations which are exempt from income tax under section 101 (6) of the Revenue Act of 1932.

Section 210 (c): The term "qualified individual" is defined to mean an individual who is at least 65 years of age, and who has received in wages for employment after December 31, 1936, and before he attained the age of 65, not less than \$2,000, some part of which employment was performed in each of at least 5 different calendar years.

### TITLE III. GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

This title provides for Federal grants-in-aid to States, for meeting the administrative costs of their unemployment compensation systems. The money is not to be used for compensation itself, but only for expenses of administration. There is no requirement of matching by the States.

#### APPROPRIATION

Section 301: \$4,000,000 is authorized to be appropriated for the fiscal year 1936, and \$49,000,000 for each year thereafter, to be granted to the States for meeting the proper administrative costs of the State unemployment compensation laws.

#### PAYMENTS TO STATES

Section 302: Payments shall be made from time to time to each State with an unemployment compensation plan which is found by the Board to comply with this title, in amounts determined by the Board to be necessary for the proper administration of the State law. In deciding how much to pay to a State, the Board shall take into



account the population of the State, and the estimated number of persons covered by the State law, as well as other relevant factors.

## PROVISIONS OF STATE LAWS

Section 303 (a): The State will receive aid under this title only if its law was approved by the Board under title IX, and only if, in addition to the provisions necessary for it to obtain such approval, it also includes provision for administrative methods, other than those relating to personnel, approved by the Board as reasonably calculated to insure full payment of compensation when due; opportunity for a fair hearing for persons denied compensation; the making of reports to the Board; and cooperation with any Federal agency concerned with public employment which seeks to obtain information, relating to employment, about persons who are receiving compensation or who have finished their period of compensation and are available for work.

(b): A State will not receive grants under this title if the Board finds that it is not substantially complying with its law.

## TITLE IV. GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN

This title provides for Federal grants-in-aid to States, for carrying out State plans for aid to dependent children, often inaccurately called "mothers' pension" laws. The grants are to be made on a one-third matching basis, the Federal Government putting up \$1 for every \$2 provided by the State, except that in no case will the Federal Government's share, with respect to any single dependent child, exceed \$6 per month, or, with respect to any other dependent child in the same home, exceed \$4 per month.

## APPROPRIATION

Section 401: \$24,750,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purposes of this title. The money is to be paid to States whose plans for aid to dependent children have been approved by the Social Security Board, as complying with the requirements of section 402.

## STATE PLANS FOR AID TO DEPENDENT CHILDREN

Section 402: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must have a sufficiently liberal residence requirement, in accordance with subsection (b).

(a) Requirements which must be met by the State law:

(1), (2), (3): The plan must be State-wide in operation. If, as is the case at present in several States, it is to be administered by the counties, it must not be optional with each county whether or not it will give aid to dependent children, but rather must be mandatory upon all the counties. Whether the administration is in the hands of the counties or not, there must be some direct financial participation by the State itself, and some one State agency (whether already existing, or newly established) must be charged with final administrative responsibility. This agency does not necessarily have to confine itself to aid to dependent children; it may have other functions.

(4): An individual whose claim for aid is denied (for instance by a county board) must be given the right to a fair hearing before the State agency. This does not affect the right of further appeal to the courts.

(5) and (6): The methods of administration of the State plan, insofar as they are found by the Social Security Board to be essential to the plan's efficient operation, must be approved by the Board, and reports must be made to the Board; but the State will not be impeded in the exercise of its full discretion in the matters of the selection, the tenure of office, and the compensation of State and local personnel.

(b) *Liberality of residence requirement:* No residence requirement shall be imposed which results in the denial of aid with respect to an otherwise eligible child, if the child was born in the State within the year, or has resided in the State for at least a year immediately preceding the application for aid. The State may be more lenient than this, if it wishes. It may, furthermore, impose such other eligibility requirements—as to means, moral character, etc.—as it sees fit. No State is required to give aid to nonresidents.

#### PAYMENT TO STATES

Section 403: Payments to the States are to be made quarterly, in a method similar to that described in connection with section 3, except that under this title the Federal Government will bear only one-third of the total cost instead of one-half. Furthermore, the money paid by the Federal Government will be used to carry out the purposes of the State plan without any distinction being drawn between the actual payments of aid and the administrative costs of the State plan. The amount of the Federal share, with respect to any dependent child, shall not exceed \$6 if 1 dependent child is in the home, and shall not exceed \$6 for 1 dependent child, and \$4 for each other dependent child if there is more than 1 dependent child in the home. Thus, the Federal Government will pay one-third of a monthly payment of \$18 for one child. If the State wishes to have such child receive more than \$18 per month, the State will have to pay the excess.

#### OPERATION OF STATE PLANS

Section 404: A State with an approved plan will not receive payments if the Board finds that the State is not substantially complying with its plan.

#### ADMINISTRATION

Section 405: \$250,000 is authorized to be appropriated for the fiscal year 1936 for the administrative expenses of the Board under this title. There is no limit on appropriations for future years.

#### DEFINITIONS

Section 406: "Dependent child" is confined to children less than 16 years old, living with a near relative in a residence (house, room, or other place of abode) maintained by such relative as his own home. "Aid to dependent children" is confined to payments in cash.

## TITLE V. GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

## Part 1. Maternal and Child-Health Services

This part provides for Federal grants-in-aid to States, to help them extend and improve their services for promoting the health of mothers and children. Some of the available money is to be allotted equally among the States, some on the basis of the number of live births in each State, some on the basis of need. All the money except that allotted on the basis of need is to be granted on an equal matching (50-50) basis.

## APPROPRIATION

Section 501: \$3,800,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter.

## ALLOTMENTS TO STATES

Section 502 (a): \$20,000 is to be allotted by the Secretary of Labor to each State, and \$1,800,000 is to be divided among all the States, on the basis of the number of live births in each State in proportion to the total number of live births in the United States.

(b): The remaining \$980,000 shall be allotted by the Secretary of Labor according to the financial need of each State for assistance in carrying out the State plan. In making this allotment, and in determining such need, the Secretary of Labor shall take into consideration the number of live births in the State.

(c): An allotment made under subsection (a) shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

## APPROVAL OF STATE PLANS

Section 503 (a): Requirements which must be met:

(1) and (2): The State plan must provide for direct financial participation by the State; and the State health agency, whatever State department is charged with the responsibility for health conditions and public-health work, must be charged with final administrative responsibility.

(3): The methods of administration of the State plan, insofar as they are found by the Chief of the Children's Bureau to be essential to the plan's efficient operation, must be approved by the Chief of the Children's Bureau; but the State will not be impeded in the exercise of its full discretion in the matters of selection, the tenure of office, and the compensation of State and local personnel.

(4): Reports are to be made to the Secretary of Labor.

(5), (6), and (7): The State plan must also provide for the extension and improvement of local services; cooperation with medical, nursing, and welfare organizations; demonstration services in areas which lack financial resources and among groups in need of such special services.

(b) Approval of State plan: The Chief of the Children's Bureau is charged with passing on the State plan, and if it is approved the Secretary of Labor and the State health agency concerned are to be notified.

## PAYMENT TO STATES

Section 504 (a) and (b): From the allotments made under section 502 (a) payments will be made to the States on an equal-matching (50-50) basis, on the strength of estimates made by the State and the Secretary of Labor.

(c): From the allotments made from the \$980,000 available under section 502 (b) payments shall be made in accordance with certifications by the Secretary of Labor in amounts and at times specified by the Secretary of Labor. These payments need not be matched. In meeting the matching requirements under subsections (a) and (b) of this section money paid to a State under subsection (c) out of the \$980,000 will be considered part of the State's money.

## OPERATION OF STATE PLANS

Section 505: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan.

## Part 2. Services for Crippled Children

This part provides for Federal grants-in-aid to States to help them extend and improve their services for discovering crippled children, and for providing such children with medical, surgical, corrective, and other services and care in connection with their physical disability. Some of the available money is to be allotted equally among the States, and some on the basis of need. All of the money is to be granted on an equal-matching (50-50) basis.

## APPROPRIATION

Section 511: \$2,850,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter.

## ALLOTMENTS TO STATES

Section 512 (a): \$20,000 is to be allotted by the Secretary of Labor to each State, and the remaining amount available is to be divided among all the States on the basis of need, as determined by the Secretary of Labor after taking into consideration the number of crippled children in the State, and the cost of furnishing services to them.

(b): An allotment made under this section shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

## APPROVAL OF STATE PLANS

Section 513 (a): Requirements which must be met:

(1), (2), (3), and (4): A State plan must include provisions relating to financial participation, administration, methods of administration approved by the Chief of the Children's Bureau, and reports to the Secretary of Labor, these requirements being similar to those under section 503, except that here the bill does not mention any particular State agency.

(5): A State plan must provide for carrying out the purposes of part 2, mentioned above.

(6): The State plan must provide for cooperation with medical, health, nursing and welfare, groups, and also with any agency in the State which is charged with administering the State law providing for vocational rehabilitation of physically handicapped children.

(b): The Chief of the Children's Bureau is charged with passing on the State plan, and if it is approved, the Secretary of Labor and the State agency concerned are to be notified.

#### PAYMENT TO STATES

Section 514: From the allotments made under section 512, payments will be made to the States on an equal-matching (50-50) basis on the strength of estimates made by the State and the Secretary of Labor.

#### OPERATION OF STATE PLAN

Section 515: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan.

### Part 3. Child-Welfare Services

Section 521: This section, which constitutes part 3 of this title, authorizes the sum of \$1,500,000 to be appropriated for each fiscal year, to enable the United States, through the Children's Bureau, to cooperate with State public-welfare agencies in the work of establishing and extending public welfare services for the protection and care of dependent, homeless, and neglected children, and children in danger of becoming delinquent. The services with which the Children's Bureau is thus authorized to cooperate are limited to those carried on in rural areas. From the money made available under this section, \$10,000 is to be allotted to each State, and the rest to be divided among the States in the proportion which the rural population bears to the total rural population of the United States. An allotment to a State shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

### Part 4. Vocational Rehabilitation

Section 531: This section, which constitutes part 4 of this title, has the effect of increasing the present authorization for grants to States for vocational rehabilitation of the physically disabled, under the act of June 2, 1920, as amended (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29, secs. 31, 32, 34, 35, 37, 39, and 40).

(a): For the fiscal years 1936 and 1937, the present authorization of \$1,097,000 is increased by \$841,000, and there is an authorization for each fiscal year thereafter of a similar total sum, namely \$1,938,000. These sums are to be apportioned among the States and Hawaii in accordance with existing law. It should be noted that under the existing law, grants are not made to Alaska or to the District of Columbia.

(b): The Federal agency authorized by existing law likewise is given an increased authorization for 1936 and 1937. For 1936 and 1937 the present authorization of \$80,000 is increased by \$22,000 and for each fiscal year thereafter the total amount, namely, \$102,000 is authorized.

## Part 5. Administration

Section 541: \$425,000 is authorized for the year 1936, for the expenses of the Children's Bureau in administering parts 1, 2, and 3 of this title; and the Children's Bureau is authorized to make studies and investigations relative to the efficient administration of those parts. There is no limit on appropriations for future years. The Secretary of Labor is directed to include a full account of the administration of parts 1, 2, and 3 in his annual report to Congress.

## TITLE VI. PUBLIC HEALTH WORK

This title provides for Federal grants-in-aid to States to assist them and their political subdivisions in establishing and maintaining adequate public-health services, and also provides for the investigation of disease and problems of sanitation by the Public Health Service.

## APPROPRIATION

Section 601: There is authorized an annual appropriation of \$8,000,000 to be allotted as provided in section 602.

## STATE AND LOCAL PUBLIC HEALTH SERVICES

Section 602: The Surgeon General of the Public Health Service, with the approval of the Secretary of the Treasury, shall, at the beginning of each fiscal year, allot to the States the amount appropriated for such year pursuant to section 601, together with any balances of any allotments for the preceding fiscal year remaining unpaid at the end of such year. The amounts of such allotments shall be determined on the basis of (1) the population; (2) the special health problems; and (3) the financial need; of the respective States.

Quarterly payments shall be made to each State from the sum allotted to it in amounts to be determined by the Surgeon General in accordance with rules and regulations prescribed by him after consultation with a conference of the State and territorial health authorities.

Such payments shall be made by the Division of Disbursement of the Treasury Department. The moneys so paid to a State must be expended in carrying out the purposes specified in section 601, and in accordance with plans presented by the health authorities of the State and approved by the Surgeon General.

Any money allotted to a State for a fiscal year and not paid to such State in that year remains available for allotment to States in the succeeding fiscal year, in addition to the amount appropriated for that purpose for that year.

## INVESTIGATIONS AND ADMINISTRATION

Section 603: There is authorized an appropriation of \$2,000,000 for each fiscal year for expenditure by the Public Health Service in investigating disease and problems of sanitation, and in cooperating with the health authorities of the States. It is provided that the personnel of the Public Health Service shall be detailed to cooperate with the health authorities of a State only upon the request of the State for such cooperation.

## TITLE VII. SOCIAL SECURITY BOARD

## ESTABLISHMENT

Section 701: This section establishes the Social Security Board as a wholly independent Bureau in the executive branch of the Government. The Board is to be composed of three members who are to be appointed by the President, by and with the advice and consent of the Senate. Each member's salary is to be \$10,000 a year and the terms of office shall be 6 years, except that for the first 3 members appointed, 1 will hold office for 2 years, 1 for 4 years, and 1 for 6 years. The President is to designate one of the members as chairman of the Board.

## DUTIES OF SOCIAL SECURITY BOARD

Section 702: The Board's duties shall include those imposed upon it by this act (under titles I, II, III, IV, and IX), and the Board is also to study and make recommendations concerning the possibility of furthering economic security through social insurance, and as to legislation and matters of administrative policy concerning social insurance, and various other subjects relating to the present bill.

## EXPENSES OF THE BOARD

Section 703: The Board is authorized to appoint employees and fix their compensation, subject to the civil-service laws and Classification Act, and to make necessary expenditures.

## REPORTS

Section 704: The Board is to make a regular annual report to Congress.

## TITLE VIII. TAXES WITH RESPECT TO EMPLOYMENT

This title levies two taxes. The first is an income tax on employees and the second an excise tax on employers.

## INCOME TAX ON EMPLOYEES

Section 801: This section imposes a tax upon the income of every individual measured by the wages received by him with respect to employment after December 31, 1936. The tax does not apply to all wages but only applies to wages as defined in section 811 of the bill. Likewise section 811 restricts the application of the tax to employment as therein defined. The rates of tax are as follows:

	<i>Percent</i>
For the calendar years 1937, 1938, and 1939.....	1
For the calendar years 1940, 1941, and 1942.....	1½
For the calendar years 1943, 1944, and 1945.....	2
For the calendar years 1946, 1947, and 1948.....	2½
For the calendar year 1949 and subsequent calendar years.....	3

## DEDUCTION OF TAX FROM WAGES

Section 802 (a): This subsection requires the employees' tax to be collected at the source by requiring the employer to deduct the tax from the employee's wages at the time they are paid. To insure collection of the tax, the employer is made personally liable for it. His liability attaches to the correct amount of tax which he is re-

quired to deduct from the employee's wages, regardless of the amount actually deducted. To protect the employer, he is indemnified against any claims and demands with respect to that part of the wages of the employee which he withheld, up to the correct amount withheld and paid to the United States.

Section 802 (b): In case the tax is underpaid or overpaid, adjustments are permitted to be made in connection with subsequent wage payments made by the employer to the employee. For instance, if the employee receives a salary of \$100 per month for the calendar year 1937 and the employer by a mistake deducts 80 cents instead of \$1, assuming this to be the correct amount of the tax, the tax to be deducted from the next wage payment of the employee will be \$1.20 instead of \$1. On the other hand, if the employer deducts from the first wage payment in the same example \$1.20 instead of \$1 the tax to be deducted from the next wage payment will be 80 cents instead of \$1. Such adjustments are to be made in accordance with regulations to be prescribed under this title.

#### DEDUCTIBILITY FROM INCOME TAX

Section 803: Under section 23 (c) of the Revenue Act of 1934 Federal income taxes are not allowed as a deduction in computing the income tax imposed by that act. Since the tax on employees is a Federal income tax, this section makes it clear that such a tax is not deductible in computing the income tax imposed by the Revenue Act of 1934 or in computing a corresponding income tax imposed under any subsequent revenue act.

#### EXCISE TAX ON EMPLOYERS

Section 804: This section imposes an excise tax upon every employer for the privilege of having individuals in his employ. The tax is measured by the wages paid to employees after December 31, 1936, with respect to employment after that date. As in the case of the tax on employees, the rate of tax on employers is as follows:

	<i>Percent</i>
For the calendar years 1937, 1938, and 1939.....	1
For the calendar years 1940, 1941, and 1942.....	1½
For the calendar years 1943, 1944, and 1945.....	2
For the calendar years 1946, 1947, and 1948.....	2½
For the calendar year 1949 and subsequent calendar years.....	3

Like the tax on employees under section 801, this tax does not apply to all wages or employments but only to those defined as such in section 811.

#### ADJUSTMENTS IN CASE OF MISTAKE BY EMPLOYER

Section 805: This section permits the employer to correct errors in the tax reported in connection with any wage payment made to his employees by making proper adjustments in connection with subsequent wage payments. It is similar in principle to section 802 (b) and the adjustments are to be made under regulations to be prescribed under this title.

#### REFUNDS AND DEFICIENCIES

Section 806: This section relates to the tax imposed with respect to both employers and employees. If any part of the employer's or employee's tax is underpaid or overpaid and the error cannot



be adjusted in connection with subsequent payments, the underpayment is to be collected or the overpayment refunded under regulations prescribed under this title. Situations of this character will usually arise when an employee leaves the service of the employer so that it is impossible to make adjustments in subsequent wage payments.

## COLLECTION AND PAYMENT OF TAXES

Section 807 (a): This subsection requires the tax due from employers and employees to be collected by the Bureau of Internal Revenue and to be deposited in the Treasury as internal-revenue collections.

Section 807 (b): This subsection gives the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, authority to collect the taxes imposed with respect both to employers and employees by stamps, coupons, tickets, books, or other devices, or by requiring the making and filing of returns. The administrative provisions relating to the tax on pistols and revolvers imposed by section 600 of the Revenue Act of 1926, as well as the provisions relating to the stamp taxes imposed by section 800 of that act, are also applicable to the taxes provided under this title with respect to both employers and employees. The administrative provisions are, therefore, not confined to those contained in sections 600 and 800 of the Revenue Act of 1926, but embrace all administrative provisions not otherwise inconsistent, applicable to the taxes imposed by such sections. For instance, the periods of limitation upon assessment and collection set forth under section 1109 of the Revenue Act of 1926, as amended, also apply to the taxes levied under this title. Likewise the periods of limitation upon refunds and credits prescribed in section 3228 of the Revised Statutes will apply to the taxes under this title. If the tax or any part thereof is not paid when due, the unpaid portion will bear interest at the rate of 1 percent per month from the time the tax became due until paid. The Board of Tax Appeals has no jurisdiction over these taxes. If they are not paid when due, they may be collected by distraint as provided in section 3187 of the Revised Statutes, leaving the taxpayer to his remedy by way of claim and suit for refund. In order that the employer, who collects and withholds the tax due from the employee, may be treated as a trustee or proceeded against by distraint, the provisions of section 607 of the Revenue Act of 1934 are also made to apply to this title. Section 607 of the Revenue Act of 1934 impresses the amount of taxes withheld or collected with a trust and makes applicable for the enforcement of the Government's claim the administrative provisions for assessing and collecting taxes.

For administrative reasons, a fractional part of a cent is disregarded unless it amounts to one-half cent or more, in which event it is treated as 1 cent. This corresponds to a similar provision appearing in the revenue acts.

## RULES AND REGULATIONS

Section 808: This section gives the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, authority to make and publish rules and regulations for the enforcement of this title.

## SALE OF STAMPS BY POSTMASTERS

Section 809: This section authorizes the sale of stamps, coupons, or other devices prescribed for the collection or payment of the taxes under this title by the various postmasters of the United States. The postmasters are required to deposit the receipts from such sales with the Postmaster General and render accounts to him at such time and in such form as he shall prescribe. The Postmaster General is given authority to require a bond from the various postmasters receiving such stamps or other devices in such increased amount as he may find necessary to protect the interests of the Government. The Postmaster General is required to transfer the receipts from the sale of such stamps or other devices monthly to the Treasury as internal revenue collections.

## PENALTIES

Section 810 (a): This subsection imposes a fine of \$10,000, or imprisonment for not more than 6 months, or both, for using, transferring, exchanging, or pledging any stamp or other device prescribed by the Commissioner of Internal Revenue for the collection or payment of the taxes under this title in any manner except as authorized by law or regulations made thereunder.

Section 810 (b): This subsection imposes a fine of \$5,000, or imprisonment for not more than 5 years, or both, in the following cases where there is an intent to defraud: (1) Altering, forging, or counterfeiting any stamp or other device prescribed by the Commissioner of Internal Revenue for the collection or payment of taxes due under this title; (2) using, selling, lending, or having in possession any such altered, forged, or counterfeited stamp or other device; and (3) making, using, selling, or having possession of any material in imitation of the material used in the manufacture of such stamp or other device.

## DEFINITIONS

Section 811 (a): This subsection defines "wages." Wages include not only the cash payments made to the employee for work done, but also compensation for services in any other form, such as room, board, etc. The term "wages" does not necessarily apply to the total remuneration received from the employer by the employee; the term includes only the first \$3,000 of wages received by an employee from his employer with respect to employment during the calendar year. The following example will illustrate how the rule applies: Employer A pays employee B a salary of \$500 a month beginning with the calendar year 1937. At the end of the sixth month B has received from his employer \$3,000. The balance of his salary for 1937 is not subject to taxation either with respect to the employer's tax or the employee's tax. However, this is only the case where the employee continues in the employment of the same employer throughout the year. If the employee leaves the service of employer A on June 30, 1937, and enters the service of employer C on that date and continues with employer C at the same salary throughout the remainder of the year, both employer C and employee B will be liable for the tax in respect of the wages received during the remaining portion of the calendar year 1937.

Section 811 (b): This subsection defines the term "employment" as any service of whatever nature performed within the United States

by an employee for his employer. It should be noted in this connection that section 1001 (a) (6) includes in the definition of "employee" an officer of a corporation. For instance, resident and nonresident aliens performing services within the United States are subject to the tax under this title. On the other hand, service performed outside the United States, whether by a citizen of the United States or by a nonresident alien, is not subject to the tax. The term "United States" is defined in section 1001 (a) (2) to include the States, Alaska, Hawaii, and the District of Columbia. Due to the difficulties in collecting the tax in the case of certain kinds of employment, the following services are exempt from taxation even though performed within the United States: (1) Agricultural labor; (2) domestic service in a private home; (3) casual labor not in the course of the employer's trade or business. This would not exempt casual labor performed in the course of an employer's trade or business. For instance, if a department store employed emergency help during the rush season in connection with its trade or business, the services performed by such help would not be exempt from taxation under this title; (4) services performed by an officer or a member of a crew on a vessel documented under the laws of the United States or of any foreign country are also exempt from the taxes imposed by this title. The administrative difficulty of following the wages of officers and seamen of crews was regarded as almost insurmountable. For instance, unless this exemption were granted, it would be necessary to keep track of the wages of Chinese coolies working on American ships.

Exemption from taxation under this title is also granted in the case of Federal and State or political subdivision employees.

Services performed in the employ of religious, charitable, scientific, literary, or educational institutions, no part of the net earnings of which inures to the benefit of any private shareholder or individual, are also exempt from the tax imposed by this title. For the purpose of determining whether such an organization is exempt, the use to which the income is applied is the ultimate test of the exemption rather than the source from which the income is derived. For instance, if a church owns an apartment building from which it derives income which is devoted to religious, charitable, educational, or scientific purposes, it will not be denied the exemption. The organizations which will be exempt from such taxes are churches, schools, colleges, and other educational institutions not operated for private profit, the Y. M. C. A., the Y. W. C. A., the Y. M. H. A., the Salvation Army, and other organizations which are exempt from income tax under section 101 (6) of the Revenue Act of 1932.

Exemption is likewise granted from taxation under this title in the case of individuals who have attained the age of 65 years.

#### TITLE IX. TAX ON EMPLOYERS OF TEN OR MORE

This title levies upon employers an excise tax payable annually, measured by wages, and allows each taxpayer to credit against his tax the amount of contributions he has paid under State unemployment compensation laws.

## IMPOSITION OF TAX

Section 901: An annual excise tax is imposed on each employer (as defined in sec. 907) on the privilege of having individuals in his employ. His tax, payable annually, will be at a rate of 1 percent of the total wages payable by him with respect to employment (as defined in sec. 907) in the calendar year 1936. This means that the tax is measured by wages which are payable as remuneration for services performed during that calendar year, regardless of the time when the actual payment is made.

The rate of tax, after being 1 percent for the year 1936, shall increase to 2 percent for 1937, and 3 percent thereafter.

## CREDIT AGAINST TAX

Section 902: A taxpayer may credit against his tax the total amount of contributions he has paid to State unemployment compensation funds in accordance with State unemployment compensation laws. The credit against the tax measured by wages payable with respect to employment in a calendar year will be allowed only for contributions which themselves are paid (before the date for filing the tax return under this title for such year) with respect to employment in such year.

The total credit which a taxpayer may claim against his tax for any year shall not be more than 90 percent of the tax. Thus if the tax is \$100 the total credit which may be claimed cannot be more than \$90, even though the total amount of contributions may be greater than that.

## CERTIFICATION OF STATE LAWS

Section 903 (a): Credit shall be allowed only for contributions made under the laws of States certified for the taxable year under section 903.

(b): If any State law, submitted to the Social Security Board, fulfills the conditions enumerated in this section, the Board shall within 30 days approve the law, and shall notify the State governor of its action. On December 31 of each year, each State which has an approved law shall be certified by the Board to the Secretary of the Treasury, unless in the meantime the Board finds that the State has changed its law in some material respect, or has failed substantially to fulfill any of the enumerated conditions. The Board is under the duty to warn the governor of the State whenever it has reason to believe that in spite of having an approved law a State may not be certified at the end of the year.

A State law to be approved must provide that:

(1): All unemployment compensation is to be paid through public-employment offices in the State.

(2): No compensation shall be payable with respect to any day of unemployment occurring before the expiration of 2 years after the first day of the first period with respect to which contributions are required. For example, if March 15, 1936, is the beginning of the first period with respect to which contributions are required under the State law, then no compensation may be paid for any day of unemployment occurring before March 15, 1938.

(3): All the money paid into the State unemployment fund (whether paid as contributions for employers or paid in by employees or contributed by the State itself) shall promptly be paid over to the Secretary of the Treasury to the credit of the unemployment trust fund established by section 904.

(4): All the money withdrawn from the unemployment trust fund by the State agency shall be used solely in the payment of compensation; none of it may be used to meet administrative costs:

(5): A person otherwise eligible for compensation shall not be denied it on the ground that he has refused to take a new job when his denial is due to the fact that the position offered to him is vacant directly to a strike, lockout, or other labor dispute, or is due to the fact that the wages, hours, or other conditions of the work offered are substantially less favorable than those prevailing for similar work in the locality, or that, as a condition of taking or retaining the new job, he would have to join a company union, or would have to resign from a labor organization, or would have to agree not to join a labor organization.

(6): The State law must contain a provision indicating that any rights, privileges or immunities conferred under it may be taken away by the subsequent amendment or repeal of the law.

#### UNEMPLOYMENT TRUST FUND

Section 904: Subsection (a) of this section establishes in the Treasury of the United States a trust fund with the Secretary of the Treasury as trustee and with the respective State Agencies, administering the State unemployment compensation laws, as beneficiaries of the trust. The Secretary of the Treasury is directed to receive and hold in such fund all moneys deposited with him or with any Federal Reserve bank or member bank of the Federal Reserve System designated by him to receive such deposits, by such State agencies.

Under subsection (b) it is the duty of the Secretary of the Treasury to invest the fund (except such part as is, in his opinion, required to meet current withdrawals) in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. In order to provide suitable investments for this purpose, authority is given for the issuance of special obligations to the fund from time to time as required. Such obligations shall bear an interest rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate. In addition to such special obligations, outstanding obligations may be purchased at the market price, and original issues may be acquired at par, if the yield thereupon will be not less than the yield which would be required in the case of special obligations. Such special obligations (under the provisions of subsection (c)) may be redeemed at par plus accrued interest, while all other obligations may be sold at the market price.

Subsections (d) and (e) provide that the fund shall be invested as a single fund, but that the Secretary of the Treasury shall maintain a separate book account for each State agency and shall credit quarterly to each such account a proportionate part of the earnings of the fund for such quarter.

The Secretary of the Treasury (under subsection (f)) is directed to pay out of the amount to the credit of a State agency such amounts as the State agency shall duly requisition, not to exceed the amount standing to the credit of such State agency.

#### ADMINISTRATION, REFUNDS, AND PENALTIES

Section 905: Subsection (a) of this section provides that the tax shall be collected by the Bureau of Internal Revenue and shall be paid into the Treasury as internal-revenue collections.

Subsection (b) requires returns of the tax to be made by each employer not later than January 31 of each year in respect to employment in the preceding calendar year.

Subsection (c) makes the returns filed under this title open to inspection according to the rules laid down for income-tax returns under the Revenue Act of 1926.

Subsection (d) allows the taxpayer to pay his tax in equal quarterly installments as is the case with the Federal income tax.

Subsection (e) gives the Commissioner the right to give extensions of time for the payment of tax or installments thereof, and subsection (f) provides that in the payment of tax a fractional part of a cent shall not be counted unless it amounts to one-half cent or more, in which case it shall be counted as 1 cent.

#### INTERSTATE COMMERCE

Section 906: This section provides that no person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate commerce, or that the State law does not distinguish between employees engaged in interstate commerce and those engaged in intrastate commerce.

#### DEFINITIONS

Section 907: The definitions set up by this section are very important in connection with the application and scope of the entire title. They are as follows:

(a) Employer: The term "employer" includes only those persons who, in each of at least 20 weeks in the year, have a total number of 10 or more employees. This means that if on 1 day a week for 20 weeks (which need not be consecutive) there are 10 employees, the employer is covered. The employees (who need not necessarily be the same people) need not all be employed at the same moment; it is enough if during the day the total number is at least 10. The employees are not counted unless they are employed in "employment" as defined in this section.

(b) Wages: The term "wages" is defined to mean all remuneration for employment, including the cash value of all remuneration paid in any other medium than cash. That is, in addition to money payments, it includes payments in kind, rent, food, lodging, etc.

(c) The term "employment" is defined to mean any service performed within the United States by an employee for his employer with the following exceptions:

- (1) Agricultural labor.
- (2) Domestic service in a private home.
- (3) Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States. (This does not exempt the services of longshoremen and others who work in connection with loading vessels.)
- (4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under 21 in the employ of his parent.
- (5) Service performed in the employ of the United States Government or of an instrumentality of the United States.
- (6) Service performed in the employ of a State, or political subdivision thereof, or an instrumentality of one or more States or political subdivisions.

(7) Service performed in the employ of corporations or organizations organized exclusively for religious, charitable, scientific, literary, or educational purposes, not part of the net earnings of which accrue to any private individual or shareholder.

If the service is within the excepted classes, the employer is exempt from tax on the wages payable with respect to such service.

(d) The term "State agency" is defined to mean any State officer, board, or other authority, designated under a State law to administer the State unemployment fund.

(e) The term "unemployment fund" is defined to mean a special fund, established by State law and administered by a State agency, for the payment of unemployment compensation. It is required that the assets of the fund be mingled and undivided, and that no separate account be maintained with respect to any person.

(f) The term "contributions" is defined to mean payments required to be made by an employer under a State law into an unemployment fund, except that any payments which have been or may be deducted from the wages of the individuals in his employ are not to be considered as contributions under the definition.

(g) The term "compensation" is defined to mean cash benefits payable to individuals with respect to their unemployment.

#### RULES AND REGULATIONS

Section 908: This section authorizes and directs the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to make and publish such rules and regulations for the enforcement of this title as are necessary. The exception is made however, that the authorization and direction above noted do not apply to section 903, relating to certification of State laws, and to section 904, relating to the unemployment trust fund.

## THE SOCIAL SECURITY BILL

## TITLE X. GENERAL PROVISIONS

## DEFINITIONS

Section 1001 contains definitions of "State," "United States", "person", "corporation", "shareholder", and "employee."

Section 1001 (d) provides that nothing in this act shall be construed as authorizing any Federal official in carrying out the provisions of this act to take charge, in violation of the law of a State, of any child over the objection of the parents.

## RULES AND REGULATIONS

Section 1002 provides for the making of regulations by the Secretary of the Treasury, the Secretary of Labor, and the Social Security Board, respectively, for carrying out the functions with which each is charged.

## SEPARABILITY

Section 1003 is the usual separability clause.

## RESERVATION OF POWER

Section 1004 reserves to Congress the right to alter, amend, or repeal any portion of the act.

## SHORT TITLE

Section 1005 provides that the act may be cited as the "Social Security Act."



## APPENDIX

### LIST OF COMMITTEES ADVISORY TO THE COMMITTEE ON ECONOMIC SECURITY

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 Dr. John T. O'Rourke, Louisville.  
 Dr. Bissell Palmer, New York.  
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 Prentice Murphy, executive secretary Children's Bureau of Philadelphia.  
 Jacob Kepecs, Jewish Home-Finding Society of Chicago.  
 Linton B. Swift, general director Family Welfare Association of America, New York City.  
 Walter West, executive director American Association of Social Workers, New York City.  
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 J. Prentice Murphy, executive secretary the Children's Bureau of Philadelphia.  
 Dr. T. F. Abercrombie, president conference of State and provincial health authorities, State board of health, Atlanta, Ga.  
 Rev. Bryant McEntegard, New York City.

## MINORITY VIEWS

We, the undersigned members of the minority, submit the following statement showing in brief our attitude toward this proposed legislation, which is known as "the economic security bill":

### I

The bill is separated into several titles, which readily and naturally segregate themselves into two categories:

(1) Those which spring from the desire of the Federal Government to provide economic assistance to those who need and deserve it.

(2) Those which are based upon the principle of compulsory insurance.

In the first group are—

Title I, granting aid to the States in meeting the cost of old-age pensions;

Title IV, granting aid to the States in caring for dependent children;

Title V, granting aid to the States in providing for maternal and child welfare; and

Title VI, granting aid to the States in providing for public health generally.

We favor the enactment of each of the foregoing titles, which in our opinion should have been incorporated in a separate bill.

#### OLD-AGE PENSIONS

We favor such legislation as will encourage States already paying old-age pensions to provide for more adequate benefits, and will encourage all other States to adopt old-age pension systems.

However, we believe the amount provided in the bill to be inadequate, and favor a substantial increase in the Federal contribution.

#### GRANTS FOR CHILD WELFARE, PUBLIC HEALTH, ETC.

Title IV. Dependent children: We favor a vigorous and sympathetic program for the care and training of dependent children that will recognize the importance of a congenial family environment.

Title V. Maternal and child welfare: For years our Government has extended aid to the States to provide for maternal and child welfare. Title V continues this aid in an increased amount.

Title VI. Public health: For years our Government also has provided aid in the interest of the public health. Title VI increases the amount of this aid.

We may add that we would favor a stronger and more vigorous program than that provided in this proposed legislation for the benefit of those covered by these three titles.

## II

In the group of titles which are based upon the principle of compulsory insurance are title II, with its related title, VIII, and title III, with its related title IX.

## UNEMPLOYMENT INSURANCE

Titles III and IX taken together provides for what is commonly known as "unemployment insurance." The incidental revenue collected under title IX is intended to offset the payments made under title III.

The ostensible purpose of title III is commendable. Any program that would supplant unemployment with employment would meet with great favor. Employers and employees would all welcome such a program; also the many millions who are now unemployed. The latter are neither employers nor employees. Therefore, there are three great groups vitally interested in unemployment insurance.

Because of the large number of persons vitally interested, the problem is one which reaches practically every citizen, and its solution involves practically all our people. A program which will not give employment to the unemployed will not solve the problem.

On account of the deplorable condition in which the employer finds his business at this time; the tragic condition in which the employee finds himself due to the ever-mounting cost of the necessaries of life and the failure of wages to keep pace with these costs; and the fact that the number of unemployed is constantly increasing, there is doubt in our minds that the legislation proposed in these two titles will result in a general national benefit at this time.

However, we favor the principle of unemployment insurance. These titles of the bill aid those States desiring to establish such insurance, and therefore we resolve all doubts in favor of this legislation.

## COMPULSORY OLD-AGE ANNUITIES

Title II provides for compulsory old-age annuities, and title VIII provides the method by which the money is to be raised to meet the expense thereof.

These two titles are interdependent, and neither is of any consequence without the other. Neither of them has relation to any other substantive title of the bill. Neither is constitutional. Therein lies one of the reasons for our opposition to them.

The Federal Government has no power to impose this system upon private industry.

The best legal talent that the Attorney General's office and the Brain Trust could marshal has for weeks applied itself to the task of trying to bring these titles within constitutional limitations. Their best effort is only a plain circumvention. They have separated the proposition into two titles. This separation is a separation in words only. There is no separation in spirit or intent. These two titles must stand or fall together.

The learned brief submitted by the Attorney General's Office contains in its summation the following weak, apologetic language:

There may also be taken into consideration the strong presumption which exists in favor of the constitutionality of an act of the Congress, in the light of which and of the foregoing discussion it is reasonably safe to assume that the social security bill, if enacted into law, will probably be upheld as constitutional.

We also oppose these two titles because they would not in any way contribute to the relief of present economic conditions, and might in fact retard economic recovery.

The original bill contained a title providing for voluntary annuities. This was another attempt to place the Government in competition with private business. Under fire, this title has been omitted. It was closely akin to title II. In fact, it had one virtue that title II does not possess in that it was voluntary while title II is compulsory.

These titles impose a crushing burden upon industry and upon labor.

They establish a bureaucracy in the field of insurance in competition with private business.

They destroy old-age retirement systems set up by private industries, which in most instances provide more liberal benefits than are contemplated under title II.

Appended hereto is a table showing the total taxes imposed under titles VIII and IX.

## CONCLUSION

The minority membership of the Ways and Means Committee have at no time offered any political or partisan opposition to the progress of this measure, but on the contrary have labored faithfully in an effort to produce a measure that would be constitutional and that would inure to the general welfare of all the people.

ALLEN T. TREADWAY.  
ISAAC BACHARACH.  
FRANK CROWTHER.  
HAROLD KNUTSON.  
DANIEL A. REED.  
ROY O. WOODRUFF.  
THOMAS A. JENKINS.

*Total taxes on employers and employees under social-security bill*

[Based on tables on p. 15]

Effective date of tax	On employers					On employees (title VIII)		Grand total on employers and employees	
	For unemployment insurance (title IX)		For employees' annuities (title VIII)		Total on employers	Amount	Rate	Amount	Rate
	Amount	Rate	Amount	Rate					
	<i>Mills. of dols.</i>	<i>Per- cent</i>	<i>Mills. of dols.</i>	<i>Per- cent</i>	<i>Mills. of dols.</i>	<i>Mills. of dols.</i>	<i>Per- cent</i>	<i>Mills. of dols.</i>	<i>Per- cent</i>
Jan. 1, 1936.....	228	1			228			228	1
Jan. 1, 1937.....	501	2	279	1	780	279	1	1,059	4
Jan. 1, 1938.....	786	3	280	1	1,066	280	1	1,346	5
Jan. 1, 1939.....	803	3	283	1	1,086	283	1	1,269	5
Jan. 1, 1940.....	820	3	357	1½	1,177	357	1½	1,534	6
Jan. 1, 1941.....	833	3	432	1½	1,265	432	1½	1,697	6
Jan. 1, 1942.....	846	3	437	1½	1,283	437	1½	1,720	6
Jan. 1, 1943.....	855	3	514	2	1,369	514	2	1,883	7
Jan. 1, 1944.....	863	3	593	2	1,456	593	2	2,049	7
Jan. 1, 1945.....	872	3	598	2	1,470	598	2	2,068	7
Jan. 1, 1946.....	879	3	680	2½	1,559	680	2½	2,239	8
Jan. 1, 1947.....	886	3	762	2½	1,648	762	2½	2,410	8
Jan. 1, 1948.....	892	3	768	2½	1,660	768	2½	2,428	8
Jan. 1, 1949.....	899	3	853	3	1,752	853	3	2,605	9
Jan. 1, 1950.....	906	3	939	3	1,845	939	3	2,784	9

## SUPPLEMENTAL VIEWS OF MR. KNUTSON

While I concur in a general way with the conclusions of my colleagues of the minority, there are certain provisions of the bill so obnoxious to me that I cannot support it. My reasons for voting against the measure are as follows:

1. It is obvious from the provisions of this bill that it cannot be made effective for several years, hence it will be a bitter disappointment to those who have looked hopefully to this administration for immediate relief.

2. The measure is wholly inadequate and therefore will not give the result sought to be obtained.

3. The age limit of 65 is too high to give the needed relief. The limit should be fixed at 60, which would help the unemployment situation materially and at the same time care for a large number now out of work and who by reason of age are unemployable.

4. The old-age pension to be granted under H. R. 7260 would be wholly inadequate in the relief of distress. The amount paid would be so small that its effect upon business would be negligible.

5. The administering of this law will result in discrimination. People living in States that are bankrupt, or nearly so, will receive absolutely no benefits from this legislation. These people must be taken care of by the National Government.

6. The two pay-roll taxes which the bill imposes will greatly retard business recovery by driving many industries, now operating at a loss, into bankruptcy, or by forcing them to close down entirely, thereby further increasing unemployment, which would greatly retard recovery.

7. Many small concerns having 12 or 15 employees would discharge enough employees to exempt them from the payment of the pay-roll taxes which would yet further aggravate the unemployment situation.

8. The proposal to establish a new bureau to administer this law is indefensible and a needless expense to the taxpayers. In the interest of economy the administration of the law should be vested in the Veterans' Administration, which is equipped to handle this activity.

HAROLD KNUTSON.

# Calendar No. 661

74TH CONGRESS }  
1st Session }

SENATE

{ REPORT  
No. 628

## THE SOCIAL SECURITY BILL

MAY 13 (calendar day, May 20), 1935.—Ordered to be printed

Mr. HARRISON, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. R. 7260]

The Committee on Finance, to whom was referred the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

### PART I. GENERAL STATEMENT

#### CONTENTS OF THE BILL

- Title
- I. Grants to States for Old-Age Assistance
  - II. Federal Old-Age Benefits
  - III. Grants to States for Unemployment Compensation Administration
  - IV. Grants to States for Aid to Dependent Children
  - V. Grants to States for Maternal and Child Welfare
  - VI. Public Health Work
  - VII. Social Security Board
  - VIII. Taxes with Respect to Employment
  - IX. Tax upon Employers of Four or More
  - X. Grants to States for Aid to the Blind
  - XI. United States Annuity Bonds.
  - XII. General Provisions



As the titles of the bill indicate, it consists of a series of related measures designed as a unified, well-rounded program of attack upon the principal causes of insecurity in our economic life. These measures may be divided into five broad fields: (1) Old-age security, (2) unemployment compensation, (3) aid to dependent children, (4) public health measures, and (5) aid to the blind.

The principal causes of destitution and want of millions of American families, forcing them to rely upon public charity for an existence, are well known. They are unemployment, dependency in old age, loss of the wage earner of the family, and illness. Upon these major causes of dependency this bill makes a unified attack. Each measure is closely related to the others, and together they constitute a broad, practicable plan to safeguard the security of the American family.

The pressing need for social security legislation at this time is apparent on every hand. For the last 5 years we have been paying a frightful cost of insecurity in the toll of human suffering, weakened morale of our people, and mounting public expenditures for public charity. So far in the depression we have taken emergency steps, designed to relieve distress, and to take care of the immediate situation. The time has come for a comprehensive, constructive program to avoid the repetition of such a disaster in the future. The foundation for such a program is laid in this bill.

#### HISTORY OF THE LEGISLATION

Nearly a year ago, on June 8, 1934, the President, in a message to the Congress, announced his intention to present at this session of Congress a program for social security. Shortly afterward, by Executive order, he created the Committee on Economic Security, consisting of the Secretary of Labor (chairman), the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator. This committee was instructed to study the whole aspect of insecurity in our economic life, and to make recommendations. Since that time the Committee on Economic Security has carried on extensive studies of the various problems involved, assisted by a staff of specialists and by 14 advisory groups of citizens, representing the various interests of society in security legislation. The Committee had the advice of many outstanding citizens of broad experience and expert information in the several aspects of the problem.

On January 17 of this year the President transmitted to both Houses of Congress the unanimous report of the Committee on Economic Security, with a message endorsing the recommendations made therein. Identical bills incorporating these recommendations were introduced in both Houses, upon which the Ways and Means Committee of the House and the Senate Finance Committee held extended public hearings in January and February. At these hearings representatives of all interests concerned were given a full opportunity to present their views. The published hearings of the Finance Committee of the Senate upon this measure contain some 1,350 pages of printed testimony, and the hearings of the Ways and Means Committee of the House are of similar length. For more than 4 months this measure has been under active consideration in both Houses of Congress. Few legislative measures have ever received such thorough

and extended consideration. H. R. 7260, passed by the House on April 19 of this year, is herewith reported with the following principal changes:

1. A new title has been added (title X) to provide Federal aid to the States for the blind.

2. A new title has been added (title XI) to authorize the issue of voluntary Federal old-age annuity bonds by the Treasury. This measure is designed to enable persons not covered by the system of Federal old-age benefits to build up old-age annuities.

3. Section 202 in title II is amended to make retirement from regular employment a condition for payment of old-age benefits. This will eliminate the anomaly that employees over 65 may draw old-age benefit while earning adequate wages in full-time employment.

4. The grants-in-aid to the States for aid to dependent children has been placed under the Children's Bureau, instead of the Social Security Board. The Children's Bureau is the agency of the Government concerned with matters relating to children.

5. The Social Security Board has been placed under the Department of Labor, instead of being created as an entirely independent agency. The reason for this change is the close relationship between the functions of the Social Security Board and those of the Labor Department. This type of legislation the world over is almost invariably under the direction or supervision of the labor department or its equivalent. By placing the Social Security Board under the Labor Department, considerable saving in administrative costs may be anticipated. The committee regards it as inadvisable to create new independent agencies, particularly where their functions are closely related to the major functions of an existing department.

6. The coverage of the tax upon employers in title IX has been changed from employers having 10 or more employees, within 20 weeks during the year, to 4 or more employees, within 13 weeks during any year. This change has been made to avoid substantial administrative problems in connection with employers who may attempt to avoid the tax, and also to extend its coverage.

7. The requirement that State unemployment compensation funds shall be of the "pooled" type, in which all funds are mingled and undivided, as a condition to qualify for the credit against the Federal tax under title IX, has been stricken. This will permit States to enact whatever type of unemployment compensation law they desire.

8. Two new sections have been inserted (909 and 910) to give additional credit to employers who, under State laws, are permitted to lower their rates of compensation because of favorable employment experience. These sections are designed to permit States to give an incentive to employers to stabilize employment.

#### FEDERAL AIDS TO THE STATES

The bill provides Federal aid to the States for old-age assistance, aid to the blind, aid to dependent children, for maternal and child welfare, for the extension of State public-health services, and for vocational rehabilitation. The amount and conditions of these aids to the States are summarized in table I. A detailed discussion of the need for each of these aids is given in the following pages.

It may be pointed out that these provisions impose only a few, reasonable, minimum requirements upon the States, and give recognition to the principle of State rights. The supervision given to the Federal agencies in charge has been carefully circumscribed so that there may be no unreasonable encroachment upon the States from Washington. Less Federal control is provided than in any recent Federal aid law. The conditions provided in the bill deal with such matters as the requirement of State matching, financial participation by the State government, the submission of reports, and residence requirements. These conditions are entirely appropriate and are, in fact, essential if the Federal Government is to bear a part of the burden.

#### OLD-AGE SECURITY

During the depression period the country has become keenly conscious of the problem of providing security for aged people who are without adequate means of support. Dependency in old age is a hazard which faces everybody. A man who reaches age 65 can look forward in the average case to a life of 12 more years; a woman at that age to 15 more years. This is a long period of time, during which normally there is little or no income from labor. To provide an income of only \$25 per month from age 65 on, a man must have accumulated \$3,300, and a woman \$3,600 on reaching this age.

The great majority of the old people do not have accumulations of this amount. Of all men and women over 65 at least one-half are financially dependent upon others. The great majority of these are now being assisted by their children, other relatives, or friends. We think that children who are able to do so should continue to support their aged parents and the legislation we are proposing is framed with this thought in mind.

There are, however, many aged people who are dependent upon the public for support. The number of such people has greatly increased during the depression, because of the exhaustion of savings, unemployment, and reduced incomes among the children. There are at this time approximately 1,000,000 men and women over 65 years of age who are dependent upon the public for support. In the fall of 1934 there were over 700,000 men and women of this age who were in receipt of emergency relief, and this number has probably been increased since.

It was never intended that emergency unemployment relief should be given to old people many of whom have not been employed for years and who have very little prospect of ever again getting regular employment. Emergency relief is not suited to the situation of people who will remain dependent upon the public for such a long period as is the case of needy old folks.

World experience has demonstrated that the best way to provide for old people who are dependent upon the public for support is through old-age assistance (popularly called "old-age pensions"). Foreign countries have had old-age pensions for many years. In this country the first State old-age pension law was enacted in 1923, and by this time there are old-age pension laws in 33 States, plus the Territories of Alaska and Hawaii; 5 of these laws were enacted this year, and no less than 14 in either 1933 or 1934. All of these laws grant assistance (pensions) to old people in need who are dependent upon

the public for support and are not being cared for in public institutions. The amount of the pension grants varies with the needs of the individual and his income from other sources. In nearly all States there are maximum limitations, the most common being \$30 per month, or \$1 per day, less any other income of the pensioner. The minimum age for pension grants is either 65 or 70, and all States prescribe minimum residence requirements which now range from 5 to 35 years.

TABLE II.—Operation under State old-age pension acts during 1934

State	Funds supplied by—	Number of eligible age	Number of pensioners, end of 1934	Amount disbursed	Monthly pension	
					Maximum payable	Average paid, 1934
Arizona <sup>1</sup> .....	State and county.....	9, 118	1, 820	\$427, 527	\$30. 00	\$19. 56
California.....	do.....	210, 379	19, 619	4, 288, 608	30. 00	20. 25
Colorado <sup>1</sup> .....	do.....	61, 787	10, 008	1, 043, 120	30. 00	8. 69
Delaware.....	State.....	16, 678	1, 583	193, 231	25. 00	9. 91
Idaho.....	County.....	22, 310	1, 712	138, 443	25. 00	8. 85
Indiana.....	State and county.....	138, 426	23, 533	1, 134, 250	15. 00	4. 50
Iowa.....	State.....	184, 239	4, 589	121, 636	25. 00	13. 23
Kentucky.....	County.....	84, 252			20. 83	
Maine.....	State and city.....	69, 010			30. 00	
Maryland.....	County.....	92, 972	267	65, 228	30. 00	24. 43
Massachusetts.....	State and city.....	156, 590	<sup>2</sup> 21, 473	<sup>3</sup> 5, 628, 492	( <sup>4</sup> )	<sup>5</sup> 21. 84
Michigan.....	State.....	148, 853	3, 557	103, 180	30. 00	9. 99
Minnesota <sup>1</sup> .....	County.....	94, 401	4, 334	560, 254	30. 00	10. 77
Montana.....	do.....	14, 377	2, 750	177, 426	25. 00	5. 32
Nebraska <sup>1</sup> .....	do.....	86, 194	694	8, 762	20. 00	10. 52
Nevada <sup>1</sup> .....	do.....	4, 814	7	1, 552	30. 00	18. 48
New Hampshire.....	do.....	25, 714	<sup>6</sup> 1, 423	<sup>6</sup> 298, 722	32. 50	<sup>6</sup> 19. 06
New Jersey.....	State and county.....	112, 594	11, 401	1, 773, 319	30. 00	12. 96
New York.....	do.....	373, 878	51, 834	12, 651, 088	( <sup>4</sup> )	20. 36
North Dakota.....	State.....	30, 280	3, 914	24, 259	12. 50	. 69
Ohio.....	do.....	414, 836	36, 543	1, 434, 416	25. 00	14. 45
Oregon <sup>1</sup> .....	County.....	39, 133	6, 525	639, 296	30. 00	10. 64
Pennsylvania <sup>1</sup> .....	State.....	289, 705	18, 261	386, 717	30. 00	21. 18
Utah <sup>1</sup> .....	County.....	22, 065	902	86, 415	25. 00	7. 97
Washington <sup>1</sup> .....	do.....	101, 533	1, 378	99, 136	30. 00	5. 95
West Virginia.....	do.....	73, 043			30. 00	
Wisconsin.....	State and county.....	112, 112	<sup>2</sup> 1, 968	<sup>2</sup> 395, 707	30. 00	<sup>2</sup> 18. 75
Wyoming <sup>1</sup> .....	County.....	8, 707	708	81, 818	30. 00	9. 66
Total.....		2, 998, 570	230, 822	31, 620, 509		15. 50
Alaska.....	Territory.....	2, 935	454	108, 485	35. 00	25. 00
Hawaii.....	County.....	7, 638	354	27, 427	15. 00	7. 06
Grand total.....		3, 009, 143	231, 630	31, 894, 418		15. 50

<sup>1</sup> Figures for 1934 are preliminary only.<sup>4</sup> No limit.<sup>2</sup> Data are for 1933.<sup>5</sup> Data are for Dec. 1, 1934.<sup>3</sup> Year ending Mar. 31, 1934.<sup>6</sup> Data are for September 1934.

Source: U. S. Bureau of Labor Statistics and Committee on Economic Security.

The number of people in receipt of old-age pensions under these State laws has been increasing rapidly. At the end of 1933, according to information gathered by the United States Bureau of Labor Statistics, there were 115,000 old-age pensioners in this country; in October 1934, as indicated through responses to a questionnaire of the Committee on Economic Security, 180,000 pensioners; at the end of 1934, again according to the Bureau of Labor Statistics, 231,000. This increase has occurred despite financial difficulties which have confronted many State and local governments. In 3 States which had old-age assistance laws in 1934, no pensions at all were paid in that year; in 7 other States the laws were operative only in certain

counties. In many more States the grants were entirely inadequate, although very generally the old-age pension allowances exceed those to old people on emergency relief.

Even with the increase in the number of pensioners under the State old-age pension laws, there are still three times as many men and women over 65 years of age on emergency relief as are in receipt of old-age pensions. Under the announced policy of the Federal Government, responsibility for all of the old people on relief, as well as all other unemployables, is to be turned back in the near future to the State and local governments. Many States will not be able to carry this burden unassisted.

To meet this situation, it is proposed in title I of this bill that the Federal Government shall aid the States in providing old-age pensions to men and women over 65 years of age who are dependent upon the public for support. The Federal Government will match the expenditures of the States for this purpose, but with the limitation that its grant will not exceed \$15 per person per month. This does not limit the States to a pension of \$30 per month.

A few conditions only are prescribed which the States must meet in order to receive Federal aid for old-age pensions. These conditions are detailed in table I and also in part II of this report. They do not involve dictation by the Federal Government, but only establish standards which will make it reasonably certain that the States are honestly trying to meet the problem of the dependent aged. The administration of the pension grants is left to the States, as is their amount.

Provision for the people who are now old and dependent upon the public for support is the first essential in old-age security. It will not, however, solve the entire problem. The cost of free pension systems the world over has tended to increase rapidly and in course of time has necessitated the establishment of contributory annuity systems. Free pensions, moreover, have tended to discourage thrift, and, while better than institutional care of old people, clearly have some undesirable effects.

Both the number and the percentage of the old people have been increasing in each census period. This tendency is almost certain to continue for some decades. With the increase of life expectancy, decrease in birth rates, and decline in immigration, this country is rapidly approaching the condition of a stationary population, in which the percentage of the old people will be very much larger than it has been heretofore. At this time there are approximately 7,500,000 people over 65 years of age. Population statisticians estimate that this number will be doubled by 1970 and nearly trebled by the end of the century. In place of 5.4 percent of the population who were in this age group in 1930, it is estimated that more than 10 percent will be in this age group in 1970 and nearly 12.7 percent by the end of the century.

In addition to the increase in the number of the aged, we must anticipate an increase in the aged who will be dependent upon the public for support. This tendency is likely to become more marked during the next decades, since so many of the people who are past middle age have lost both their savings and their employment and

are not likely to be able to build up adequate provisions for their old age in the few remaining years of the active period of their lives. It has been the experience everywhere that the percentage of the aged who qualify for old-age pensions on a needs basis increases rapidly. In accordance with this experience, the actuaries of the Committee on Economic Security have estimated that if no other provisions are made for old age than the pensions contemplated in title I, the total cost of such pensions to the State, Federal, and local Governments by 1940 will approximate \$800,000,000; by 1960, \$2,000,000,000; and by 1980, \$2,600,000,000. These figures assume a final dependency rate of only 50 percent of all men and women over 65 years of age and average pension grants of \$25 per month.

It is very probable that if no other provisions are made for the security of the aged, the actual costs of free pensions from general public taxes will be much greater than even these estimates indicate. There is already a wide-spread demand in this country for free pensions to all old people, regardless of their needs, and also sentiment for payment of all pension costs by the Federal Government, without any requirement for State matching. There is serious danger that if only title I is enacted, this country will, before long, adopt the principle of free pensions for all old people, to be paid for from general taxes. Such a system would involve costs far exceeding any of the figures mentioned, and would bring with it evils of the most serious character, with much greater burdens upon industry than anything that is proposed in this bill.

In view of the growing number of the aged, the great cost which title I is almost sure to entail in future years, if no other provisions are made for old-age security, and the desirability of providing old-age security as a right and not as public charity, this bill proposes also inauguration of a system of Federal old-age benefits, computed on a reserve basis. Under this system it will be possible to pay annuities which will provide something more than merely reasonable subsistence. The benefits to be paid are related to the wages earned, but there are adjustments favoring the lower paid employees. The minimum monthly benefit payable is \$10, and the maximum, \$85. A detailed tabular summary of the proposed system of Federal benefits is given in table III.

TABLE III.—*Summary of provisions relating to Federal old-age benefits under title II*

FEDERAL OLD-AGE BENEFITS

COVERAGE (SEC. 210(b))

Old-age benefits are to be paid to all employees based upon wages received in employment in any service performed within the United States, Alaska, and Hawaii, or upon vessels documented under the laws of the United States, except:

1. Agricultural labor.
2. Domestic service in a private home.
3. Casual labor not in the course of employer's business.
4. Employees of the United States Government.
5. Employees of a State or political subdivision.
6. Employees of institutions operated for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals, and which are not operated for profit.

## THE SOCIAL SECURITY BILL

TABLE III.—*Summary of provisions relating to Federal old-age benefits under title II—Continued*

## FEDERAL OLD-AGE BENEFITS—Continued

## CONDITIONS TO QUALIFY FOR RECEIPT OF OLD-AGE BENEFITS (SEC. 210C)

1. At least 65 years of age and not regularly employed.
  2. Not less than \$2,000 total wages received after title becomes effective and before age of 65.
  3. Wages were paid to him on some day in each of 5 years after title becomes effective and before age of 65.
- Nonqualified individuals upon reaching age of 65 are paid a lump sum equal to 3½ percent of the total wages paid after title become effective (sec. 204a).

## OLD-AGE BENEFIT PAYMENTS (SEC. 210(c))

1. Date first payable January 1942.
2. The amount of the monthly benefits payable is determined as follows:

Total wages received after Dec. 31, 1936, and prior to age 65, in covered employment (not counting wages in excess of \$3,000 for any calendar year)	Percent of total wages paid as monthly benefit
First.....	½
Next.....	¼
All over.....	¼

Minimum monthly benefit, \$10; maximum, \$85.

## ILLUSTRATIVE MONTHLY BENEFITS

Average monthly salary (dollars)	Years of employment			
	10	20	30	40
50.....	\$17.50	\$22.50	\$27.50	\$32.50
100.....	22.50	32.50	42.50	51.25
150.....	27.50	42.50	53.75	61.25
200.....	32.50	51.25	61.25	71.25
250.....	37.50	56.25	68.75	81.25

## DEATH PAYMENTS (SEC. 203)

If an individual dies before age 65, his estate receives a payment equal to 3½ percent of his total wages received after December 31, 1936. If he dies after 65, his estate receives the same amount less any benefits paid to him during his lifetime.

## FEDERAL ADMINISTRATION

Old-age reserve account created in the United States Treasury to which there is authorized to be appropriated each fiscal year after June 30, 1937, an annual premium sufficient to provide for required payments under the title. The account draws interest at 3 percent (sec. 201).

Social Security Board determines qualifications and amount of benefits payable.

TABLE IV.—*Estimated appropriations, benefit payments, and reserves under title II*

[In millions of dollars]

Fiscal year ending June 30—	Appropriation for reserve	Interest on reserve	Benefit payments	Balance in reserve
1937.....	255.6	0	1.9	253.7
1938.....	513.5	7.6	7.2	767.5
1939.....	518.5	23.0	14.5	1,299.5
1940.....	662.2	38.8	22.0	1,973.6
1941.....	807.2	59.2	29.7	2,810.3
1942.....	814.8	84.4	52.8	3,656.6
1943.....	970.0	109.8	94.2	4,642.1
1944.....	1,128.6	139.3	142.9	5,765.1
1945.....	1,137.0	173.0	191.2	6,883.9
1946.....	1,291.4	206.5	249.2	8,132.7
1947.....	1,447.1	243.9	314.5	9,509.2
1948.....	1,460.1	285.2	377.4	10,877.0
1949.....	1,621.1	326.3	442.1	12,382.4
1950.....	1,783.3	371.5	505.5	14,031.7
1955.....	1,861.2	615.8	837.8	22,115.7
1960.....	1,939.1	814.2	1,379.9	23,543.9
1965.....	2,016.9	1,040.9	1,844.0	35,898.5
1970.....	2,094.8	1,210.9	2,303.5	41,366.7
1975.....	2,172.7	1,341.8	2,872.1	45,368.3
1980.....	2,180.5	1,406.0	3,511.3	46,942.7

The benefits payable in the early years of the operation of title II will not in all cases be adequate to avoid the necessity of pensions under title I. In such cases a supplemental pension may have to be granted by the States, but this will be reduced by the amount of the old-age benefits paid under title II. In later years it should be very rare that any one who is paid an old-age benefit under title II will also need an old-age pension. Through the enactment of title II the cost of the Federal aid under title I in future years will be reduced by at least one-half. Because not all old people will be eligible to benefits under title II, the old-age assistance grants will have to be continued, but the total costs will be very much less than they would be if title II did not come into effect practically simultaneously.

A considerable part of the population, however, is outside of title II. Included in this excluded group are all agricultural workers, domestic servants, employees of charitable, educational, and religious organizations, all self-employed persons, farmers, professional people, and proprietors and entrepreneurs. These groups include almost half of all persons "gainfully occupied" as this term is used in the United States Census. Many of these people will not be so greatly in need of old-age assistance as the industrial workers to whom title II is applicable, but large numbers are likely to be dependent upon the public in their old age.

To reduce the cost of free pensions for these groups in the population we deem it desirable that the bill should include provisions for annuity bonds to be issued by the Treasury. We submit such provisions in the new title XI. Recommendations for annuity bonds were made by the Committee on Economic Security and included in the original economic security bill. They were eliminated, however, in the bill passed by the House. We recommend that provisions to this effect be restored.

Under title XI it will be possible for people of comparatively small means who are outside of the scope of title II to make provisions for their old age. We believe that annuity bonds such as are provided



for in this title will not prove seriously competitive with private insurance companies. Insurance companies do not now sell any considerable number of commercial annuities to individuals in small installments. People of small means are practically outside of the commercial annuity field. The maximum annuity authorized under title XI will be \$100 per month and it is not contemplated that the Government will have any sales organization. Several leaders in the insurance field have publicly stated that they believe that the Social Security Act will have the effect of increasing the annuity business of the insurance companies, just as the enactment of the War Risk Insurance Act increased the sales of life insurance.

A further important change in the parts of this bill dealing with old-age security which we recommend is the amendment to section 202 to the effect that old-age benefits shall be paid only to employees over 65 years of age who are no longer regularly employed. This was provided in the original bill but as the measure comes to the Senate it permits payment of old-age benefits to workers who have reached age 65 but who still continue in regular employment. This is an anomaly which we believe should not be permitted. There is no need for payment of old-age benefits to employees who continue in employment. This feature of the House bill materially increases the costs and would have necessitated additional taxes in future years. The amendment we suggest to section 202 will prevent anyone from drawing an old-age benefit while regularly employed. This will reduce the costs under title II by many millions of dollars in the course of the decades.

#### UNEMPLOYMENT COMPENSATION

As has been so very evident in the trying years of the depression, unemployment is the most important single cause of dependency. It is a hazard which confronts all industrial workers, although it does not affect all of them alike.

From 1920 to 1930 there were at all times an average of at least 1,500,000 industrial workers in this country who were involuntarily unemployed. In the main, the unemployment which existed at that time was of relatively short duration, being due principally to personal and seasonal factors. But even in the "twenties" there were many workers who lost out through changes in technique and market demands and who suffered long periods of unemployment.

But it is in periods of depression that unemployment is most serious. Spread over the whole period of the business cycle from the beginning of 1922 to the end of 1933, the best available statistics indicate that unemployment among the industrial workers of this country averaged 15 percent, but 65 percent of the total unemployment in these 12 years occurred in the 4 years of 1930 to 1933. Of all urban families on relief more than 90 percent have become dependent upon the public for support because the breadwinner or all breadwinners in the family are without work.

Unemployment compensation (more commonly but less accurately called unemployment insurance) is a device developed through world experience, which has great value as a safeguard against the hazard of unemployment. Eighteen countries now have nation-wide unemployment insurance systems; 9 of them are on a compulsory basis and the other 9 are voluntary systems subsidized by the Govern-

ment. According to the latest available figures, more than 42,000,000 workers have the protection of unemployment insurance, principally in the countries with compulsory laws. No country which has experimented with unemployment insurance, except Russia, has ever abandoned it. The tendency has ever been to extend its scope. At this time unemployment compensation is under consideration in Canada as well as in this country.

In the United States there has been considerable interest in unemployment compensation since the depression of 1920-21. Bills for unemployment compensation have often been introduced in American legislatures, but until 1932 all of them were defeated, principally on the argument that no State can afford to handicap its employers in competition with those of other States. In 1932 Wisconsin enacted an unemployment-compensation law which became effective for the collection of contributions on July 1, 1934. This year four additional States have already enacted unemployment-compensation laws in anticipation of Federal action, namely, Washington, Utah, New York, and New Hampshire. Unemployment compensation bills are pending in nearly all legislatures still in session and special commissions have been created to study this problem in several States whose legislatures have already adjourned.

The essential idea in unemployment compensation is the creation of reserves during periods of employment from which compensation is paid to workmen who lose their positions when employment slackens and who cannot find other work. Unemployment compensation differs from relief in that payments are made as a matter of right, not on a needs basis, but only while the worker is involuntarily unemployed. In all compensation systems the period during which compensation is payable is limited in some relation to the previous period of employment. Invariably there is a waiting period immediately following unemployment during which no compensation is payable. Thereafter compensation is paid at a stated percentage of the previous wage, customarily with both a minimum and a maximum rate. Payment of compensation is conditioned upon continued involuntary unemployment. Beneficiaries must accept suitable employment offered them or they lose their right to compensation. After a specified period of time the compensation is discontinued in any event.

(As an illustration, the law enacted in New York this year provides a waiting period of 3 weeks, after which compensation is payable at the rate of 50 percent of the previous full-time wages of the employee but with a minimum compensation of \$5 a week and a maximum of \$15 per week. One week of benefits are payable for each 15 days of previous employment, with a maximum limit of 16 weeks of benefits during any year.)

Such unemployment compensation is not a complete safeguard against the hazard of unemployment. In periods of prolonged depression many workmen will exhaust their compensation benefits before they find other employment. This will hold true of some workmen even in periods of prosperity. Supplemental to unemployment compensation there will still be need for work relief for those whose compensation rights have been exhausted, as well as for workers who are outside of the compensation system.

But unemployment compensation does have real value for many workers. In normal times most workers will secure other employment before exhaustion of their benefit rights. Very recent British reports indicate that even during the present period of depression something like 55 percent of all insured workmen who have become unemployed have found other work within 3 months. For the great bulk of industrial workers unemployment compensation will mean security during the period following unemployment while they are seeking another job, or are waiting for a return to their old position. In most cases the compensation they will receive will be all that they will need. While unemployment compensation will not do away entirely with the necessity for relief, it should very materially reduce the costs of relief in future years.

Unemployment compensation is financed the world over through contributions measured as a percentage of pay-roll. These contributions are required either from the employers alone, the employers and employees, or the employers, employees, and the State. While pay-roll contributions of this kind have sometimes been called "sales taxes" they are no more sales taxes than premiums paid for workmen's compensation insurance, which likewise are always measured on a pay-roll basis. Sales taxes are taxes upon consumption for the general support of Government, and are wholly unlike pay-roll contributions for unemployment compensation. Partial compensation during a relatively short period following unemployment, while a workman is seeking other employment or waiting to return to his old job, is very properly to be regarded as a part of the legitimate costs of production, to be paid for by the consumers.

This bill does not set up a Federal unemployment compensation system. What it seeks to do is merely to make it possible for the States to establish unemployment compensation systems and to stimulate them to do so. This objective is carried out through grants-in-aid to the States (in title III) for the administration of unemployment compensation laws and through the imposition of a uniform pay-roll tax on employers (in title IX) against which a credit is allowed for contributions made by them to unemployment compensation funds set up pursuant to State law.

The rate of the Federal tax is 1 percent for the year 1936, 2 percent for 1937, and 3 percent in 1938 and thereafter. No tax will actually be payable, however, until 1937. Against the tax a credit is allowed up to 90 percent of the tax for contributions to State unemployment compensation funds, which are established under laws which meet the conditions prescribed in section 903. These conditions do not prescribe what sort of unemployment compensation laws the States shall enact; they are intended merely to make certain that the States actually have unemployment compensation laws, rather than mere relief measures. In States which have genuine unemployment compensation laws the employers can present as a credit against the Federal tax the contributions which they have made to the unemployment compensation funds of these States. This credit, however, is allowed only up to 90 percent of the Federal tax, 10 percent being payable into the Federal Treasury in any event.

This tax offset device is modeled after the provision in the Federal estate-tax law, under which a credit is allowed up to 80 percent of the Federal tax for amounts paid under State inheritance-tax laws.

With a uniform tax and this offset device, employers in all States will be put in an equal competitive position. No State can gain any advantage through failing to establish an unemployment compensation system. This provision will equalize competitive conditions and thus enable States to enact unemployment compensation laws without handicapping their industries.

The interest throughout the country in unemployment compensation is such that it is to be expected that nearly all States will enact unemployment compensation laws within a very short time. Five States already have such laws and in 10 or more States the legislatures are still in session and are prepared to act upon this subject as soon as the Federal bill has become law. In other States action can be taken in special sessions to be held later in the year. That this involves no great hardship is indicated by the fact that in 1933, 35 States had special sessions of their legislatures, and 32 in 1934.

Except for a few standards which are necessary to render certain that the State unemployment compensation laws are genuine unemployment compensation acts and not merely relief measures, the States are left free to set up any unemployment compensation system they wish, without dictation from Washington. The States may or may not add employee contributions to those required from the employers. Of the 5 States which have thus far enacted unemployment compensation laws, 2 require employee contributions, and 3 do not. Likewise, the States may determine their own compensation rates, waiting periods, and maximum duration of benefits. Such latitude is very essential because the rate of unemployment varies greatly in different States, being twice as great in some States as in others.

Under the bill, as we recommend that it be amended, the States will also have freedom of choice with regard to the type of unemployment compensation law they wish to enact. Three different types are represented in the five laws thus far enacted. In the New York and the Washington laws, there is a pooled unemployment insurance fund, in which all contributions are commingled and from which payments of compensation are made to unemployed workmen without reference to the employer for whom they work.

Utah and Wisconsin have unemployment compensation laws of the individual employer account type. In these laws the contributions of each employer are segregated, and payments of compensation therefrom are made only to workmen of these particular employers who become involuntarily unemployed. New Hampshire has still another type, providing for a pooled unemployment insurance fund from which all payments are made, but in which the employers' contributions are segregated (for accounting purposes only) and charged with their own costs, with a view toward readjustment of the rate of contributions which these respective employers must make to the pooled fund in accordance with their own experience. Under the House bill, all States are required to have pooled unemployment insurance funds. This would compel New Hampshire, Utah, and Wisconsin to drop their present laws and start all over again. In Wisconsin, it would require the return of the \$5,000,000 collected during the past year for unemployment compensation purposes to the employers from whom collected, the workmen in that State losing the advantages of these reserves already accumulated.

There are good arguments to be made in favor of each of these types of unemployment compensation laws. In accordance with the entire spirit of the Social Security Act, we believe that the Federal Government should not attempt to dictate to the States which type of unemployment compensation law they should adopt. The amendment we suggest to the House bill will eliminate all such dictation and leave the States free to decide for themselves which type best suits their peculiar conditions.

To effectively carry out this purpose, we propose, as a further amendment, a provision that the Federal Government shall recognize credits in the form of lower contribution rates which may be granted by the States to employers who have stabilized their employment. Provisions for such credits are included in the New Hampshire, Utah, and Wisconsin laws. The Committee on Economic Security recommended that such credits should be recognized in the Federal law, subject to certain restrictions. The House eliminated this part of the committee's proposals, consistent with its determination to permit only one type of unemployment compensation law, namely, the pooled-fund type. As we deem it desirable to permit the States freedom of choice in this respect, we also believe that the Federal law should provide for recognition of credits allowed by the States to employers who have regularized their employment. In his message dealing with the subject of social security, the President urged that unemployment compensation should be set up under conditions which will tend toward the regularization of employment. All unemployment cannot be prevented by any employers, but many employers can do much more than they have done in the past to regularize employment. Everyone will agree that it is much better to prevent unemployment than to compensate it.

The same fundamental idea that unemployment compensation should be set up under conditions which will tend toward the stabilization of employment, rather than the reverse, underlies another important feature of the plan recommended—that of vesting in the Federal Government the responsibility for the investment of all unemployment reserve funds. This method of handling the reserve funds was suggested by the President in his message of June 8, 1934, and again in his social security message of January 17, 1935. It was included in the House bill, and has not been changed by any amendment that we recommend.

The plan contemplated is that contributions to State unemployment compensation funds, whether of the pooled or individual employer account type, shall be deposited in the United States Treasury in a trust fund in which a separate account is to be maintained for each State which has an unemployment compensation law. The money so deposited is to be invested by the Treasury, and interest is to be paid thereon at a rate equal to the average rate of interest borne by all interest-bearing obligations of the United States, adjusted to the multiple of one-eighth of 1 percent next lower to such average rate. The Treasury may invest these funds either in outstanding obligations of the United States or obligations which are guaranteed as to principal and interest by the United States, or may issue special non-negotiable obligations bearing the specified rate of interest. When these reserve funds have to be liquidated, the Treasury does not

necessarily have to sell the securities but can acquire them for the United States, or, in the case of the nonnegotiable certificates, merely cancel them as they are paid. The States can draw upon the unemployment trust fund solely for unemployment compensation purposes, but it is intended that they shall be able to get the amounts standing to their credit as needed.

It is contemplated that the withdrawals will be rather large amounts, the Treasury serving merely as the banker and trustee of the funds, while the States will make the actual payments of compensation to the individuals entitled thereto.

This method of handling the unemployment reserve funds recognizes the fact that demands upon such reserve funds will vary greatly with changing economic conditions. They will be drawn upon most heavily in the early stages of depression. At such times, if the reserve funds are not handled as required in this bill, it would be necessary to sell the securities in which they are invested. In the early stages of depression there is almost certain to be a glut in the security market. If at such times it is necessary to sell the securities in which the unemployment reserve funds are invested at any price they will bring, considerable losses are almost certain to be sustained and the net effect will be to increase the tendency toward deflation. Had unemployment compensation been inaugurated in 1922 throughout the country with a 3-percent contribution rate, the reserve funds which would have been available when the depression set in in 1929 would have totaled at least \$2,500,000,000. The dumping on the market of such an amount in securities in a period when there is already a pronounced tendency toward deflation, would offset any open-market operations of the Federal Reserve Board to maintain credit stability.

The plan provided in the bill avoids all of these difficulties. Securities will not have to be dumped on the markets in order that the reserve funds may be liquidated. Instead of increasing the tendency toward deflation, the handling of the reserve funds in the manner provided in the bill will make possible their use to promote stability. When depression sets in, the funds can be liquidated without actual sale of the securities on the markets, and, since they will be used to pay compensation to unemployed workmen, the net effect will be to maintain purchasing power without any offsetting effects toward deflation.

The proposals relating to unemployment compensation, viewed as a whole, are, we believe, practical and distinctly worth putting into operation. The depression has demonstrated how very costly it is to make no provisions for future unemployment. This country has expended far more for unemployment relief during this depression than the total expenditures of all other countries that have unemployment compensation systems during the entire time these systems were in operation. Unemployment compensation will not completely eliminate the necessity for unemployment relief. To the extent, however, that unemployment reserves are accumulated, they will reduce the necessity for relief. In normal periods, unemployment compensation will provide a sufficient safeguard for most of the unemployment that will occur, and in depression periods, will very

materially reduce the burden of relief costs. It will tend to maintain purchasing power at times when most needed, and should encourage the regularization of employment.

Unemployment compensation, under the plan we propose, will not involve any impossible burdens on employers, or materially increase costs to consumers. No Federal tax will be payable under title IX until 1937, and the rate then will be only 1 percent of the pay roll. The maximum rate under this title will be 3 percent, which will not come into operation until the third year. Since this rate is computed upon the pay roll, it affects only the labor item in the cost of production. For all manufactured goods, the direct labor costs, as shown by the Census of Manufacturers of 1933, averaged only 21 percent of the value of the manufactured products. The total labor cost, including all stages of production and distribution, amounts to less than two-thirds of the consumer's cost. However, large groups of workers (agricultural workers, employees in small establishments, etc.) embracing approximately one-half of all gainful workers will not be brought under unemployment compensation. This means that, on the average, a 1-percent contribution rate for unemployment compensation purposes will increase costs to the consumers by only about one-third of 1 percent. Such small increased costs may well be offset by reductions in costs brought about through regularizing employment and maintaining the purchasing power of unemployed workers.

The present is a most opportune moment for launching unemployment compensation in this country. Not only is there great interest in the subject, but with improving industrial conditions, there is every prospect that considerable reserves can be built up in the next years. While many workmen are still unemployed, the turnover rate in industry is now much less than in the best years of the past decade. Should the establishment of unemployment compensation funds be delayed, the reserves which will be available when the next crisis comes will be correspondingly lessened and the burden of relief costs increased.

Unemployment compensation in this country has been long delayed. The principal explanation is that the States have not been able to establish unemployment-compensation laws because, in doing so, they would have been compelled to handicap their industries in competition with those of other States not having such laws. Under the plan proposed in this bill, this handicap will be removed, and it will be possible to set up unemployment-compensation laws through State action.

#### SECURITY FOR CHILDREN

The heart of any program for social security must be the child. All parts of the Social Security Act are in a very real sense measures for the security of children. Unemployment compensation, for instance, will benefit many children in the homes of unemployed workers; and even old-age pensions and old-age benefits will in many cases indirectly aid children in families whose resources have been drained for the support of aged grandparents.

In addition, however, there is great need for special safeguards for many underprivileged children. Children are in many respects the

worst victims of the depression. The relief census of October, 1933 disclosed that 42 percent of all persons on emergency relief were children under 16 years of age, although this age group constitutes only 31 percent of the total population. If this percentage still holds good there are now above eight million children on emergency relief. As the House Ways and Means Committee well stated: "With so many children now growing up under the abnormal conditions involved in relief and the many hardships created through the depression, it is imperative that everything possible be done to offset the demoralizing and deteriorating effects of the great disaster that has befallen this country."

Many of the children included in relief families present no other problem than that of providing work for the breadwinner of the family. These children will be benefited through the work relief program and still more through the revival of private industry. But there are large numbers of children in relief families which will not be benefited through work programs or the revival of industry.

These are the children in families which have been deprived of a father's support and in which there is no other adult than one who is needed for the care of the children. These are principally families with female heads who are widowed, divorced, or deserted. A careful estimate based upon surveys in many different communities indicated that in the fall of 1934 there were above 350,000 families of this character on emergency relief rolls, with above 700,000 children under 16 years of age included among their members.

With no income coming in, and with young children for whom provision must be made for a number of years, families without a father's support require public assistance, unless they have been left with adequate means or are aided by friends and relatives. No less than 45 States have enacted laws to meet the particular needs of such families. These are the mothers' pension laws under which aid is given to the dependent children on a basis similar to old-age pensions. Through cash grants adjusted to the needs of the family it is possible to keep the young children with their mother in their own home, thus preventing the necessity of placing the children in institutions. This is recognized by everyone to be the least expensive and altogether the most desirable method for meeting the needs of these families that has yet been devised.

But while 45 States have made provisions for mothers' pensions, there are at this time more than three times as many eligible families on emergency relief as are in receipt of mothers' pensions. In three of the 45 States with mothers' pension laws no such pensions were paid in 1934. In many other States pensions were paid only in some counties; in fact, mothers' pensions are now being paid in less than one-half of all counties in States which have mothers' pension laws. Where pensions are allowed the grants are often inadequate, the average per month per family ranging from \$7.29 in the lowest State to \$60.14 in the highest.



TABLE V.—Estimated number of families and children receiving aid with respect to dependent children under State laws and estimated expenditures for this purpose

[Based on figures available Nov. 15, 1934]

State	Number of families receiving aid	Number of children benefiting from aid	Estimated present annual expenditures for aid, local and State		
			Total	Local	State
Total.....	109,036	280,565	\$37,487,479	\$31,621,957	\$5,865,522
Alabama <sup>1</sup> .....	106	379	20,940		20,940
Arizona.....					
Arkansas <sup>2</sup> .....					
California.....	7,056	17,642	2,133,999	224,252	1,909,747
Colorado.....	552	1,435	149,688	149,688	
Connecticut.....	1,271	3,276	734,627	489,752	244,875
Delaware.....	348	855	93,000	46,500	46,500
District of Columbia.....	209	720	143,997	143,997	
Florida.....	2,564	6,164	222,286	222,286	
Georgia <sup>1</sup> .....					
Idaho.....	230	619	86,315	36,315	
Illinois.....	6,217	14,802	1,837,012	1,833,217	303,795
Indiana.....	1,332	3,856	352,224	352,224	
Iowa.....	3,527	9,170	719,772	719,772	
Kansas.....	768	1,997	75,721	75,721	
Kentucky.....	137	356	62,889	62,889	
Louisiana.....	88	229	9,312	9,312	
Maine.....	817	2,124	310,000	155,000	155,000
Maryland.....	267	694	117,459	117,459	
Massachusetts.....	3,939	11,817	2,450,000	1,400,000	1,050,000
Michigan.....	6,938	18,039	2,448,962	2,448,962	
Minnesota.....	3,597	9,152	1,138,176	1,138,176	
Mississippi <sup>2</sup> .....					
Missouri.....	336	874	93,440	93,440	
Montana.....	839	1,969	213,623	213,623	
Nebraska.....	1,654	4,300	272,036	272,036	
Nevada.....	200	520	44,035	44,035	
New Hampshire.....	260	761	82,440		82,440
New Jersey.....	7,711	18,789	2,445,564	2,445,564	
New Mexico <sup>2</sup> .....					
New York.....	28,493	56,524	11,731,176	11,731,176	
North Carolina.....	314	947	58,796	29,353	29,353
North Dakota.....	978	2,644	238,314	238,314	
Ohio.....	8,923	24,470	2,116,908	2,116,908	
Oklahoma.....	1,896	5,166	123,314	123,314	
Oregon.....	1,040	2,259	247,140	247,140	
Pennsylvania.....	7,700	22,587	3,197,640	1,598,820	1,598,820
Rhode Island.....	513	1,666	267,252	133,626	133,626
South Carolina <sup>1</sup> .....					
South Dakota.....	1,290	3,324	285,986	285,986	
Tennessee.....	241	627	71,328	71,328	
Texas.....	332	863	43,987	43,987	
Utah.....	622	1,617	78,651	78,651	
Vermont.....	206	461	46,976	23,488	23,488
Virginia.....	136	545	33,876	16,938	16,938
Washington.....	3,013	7,834	519,538	519,538	
West Virginia.....	108	281	16,086	16,086	
Wisconsin.....	7,173	17,932	2,180,790	1,930,790	250,000
Wyoming.....	95	279	22,294	22,294	

<sup>1</sup> No State law.

<sup>2</sup> Law not in operation.

Source: U. S. Children's Bureau.

There is great need for expansion in actual operation of the mothers' pension laws and in many States for the liberalization of the pensions. When the Federal Government turns back to the States the responsibility for the unemployables, the number of families for whom mothers' pensions should be provided will be more than doubled. Many States will be unable, without some assistance from the Federal Government, to assume this additional cost, with a net result of great suffering and damage to the children in these fatherless families. It is for this reason that title IV proposes to inaugurate a policy of Federal grants-in-aid to the States based upon their expenditures for

mothers' pensions. These grants-in-aid are made under conditions very similar to the grants for old-age assistance. Instead of equal matching, however, the Federal Government under title IV will only pay one-third of the total cost, subject to the maximum limitations specified in section 403 (a). It is believed that this aid will prove sufficient to bring about a substantial extension of the mothers' pensions. This program does not represent an attempt to dictate to the States how they shall care for families of this character, but is recognition of the fact that many States need aid to carry out the policy which they have already adopted.

Another large group of children who stand in great need of protective measures are the homeless and neglected children. There are in this country approximately 300,000 dependent and neglected children, three-fifths of whom are cared for in institutions, and the remainder in foster homes. There are also about 200,000 children who annually come before the courts of this country as delinquents, and there are large numbers of other children requiring special care. As stated by the House committee, these children "are in many respects the most unfortunate of all children, as their lives have already been impaired. To repair these damaged lives, as far as possible, and to keep these children from becoming a permanent burden to society, child-care services have been established in most urban centers, but in less populous areas they are exceedingly limited or nonexistent." Public child-care services now exist in less than 5 percent of all counties whose population is less than 30,000. Such services are badly needed in all communities. Expenditures for such services are very worthwhile, as they tend to reduce future costs of dependency and delinquency. To stimulate the development of these badly needed child-care services, especially in areas which are predominantly rural, a small amount of Federal aid (which does not have to be matched) is authorized in title V.

Another provision in the same title gives Federal aid to the States for the hospitalization and aftercare of crippled children. There are from 300,000 to 500,000 crippled children in this country, among whom the largest single group consists of the victims of infantile paralysis. Early treatment in many of these cases can restore these children to an almost normal physical condition, while the failure to provide such treatment will result not only in lifelong physical impairment, but often in public dependency.

For many years, various private organizations have carried on a most notable work for these crippled children, and the first State hospital devoted to crippled children dates back to 1897. Within the last decade there has been a great extension in the work for crippled children financed from public funds. There are some appropriations for this purpose in 25 States, and no less than 19 have State hospitals in which crippled children are treated. The work done so far, however, is small in proportion to the need. About 1 child in every 100 is crippled, and only a small percentage of the crippled children have thus far received timely treatment.

In title V the Federal Government undertakes to do its part for these unfortunate children. It is not contemplated that the Federal Government shall directly undertake hospitalization and treatment, but that it shall give aid to the States which are engaged in this work. This aid is required to be matched and it is hoped will stimu-

late many States which are not now doing anything for the crippled children, to do work in this field.

Another aid provided for in title V is for maternal and infant welfare. The Federal Government extended aid for this purpose to the States from 1922 to 1929. In that period all but three States cooperated in this work. In 1928 the States appropriated a total of \$2,158,000 for infant- and maternal-welfare services. When the Federal aid was terminated in 1929, most of the States increased their appropriations from State funds, many of them making up the entire loss of Federal aid. Since then, due to financial stress, the appropriations have been greatly reduced, totaling in 1934 only \$1,157,000. Nine States now do not work at all in this field and many other States do very little.

The United States has a higher maternal death rate than nearly all other countries. Childbirth is the second most important cause of death among women in this country of the ages 20 to 45. Both maternal and infant death rates have been decreasing, but principally in parts of the country where there are adequate maternal and child health services. Such services are far from adequate in many rural counties. Prior to 1929 the infant mortality rate was lower in rural than in urban districts, but since then the reverse has been true. Within the last years, also, the maternal mortality rate has been greater among mothers residing in rural areas than among those living in cities.

As these facts indicate, there is great need for a revival of Federal aid. What is contemplated is not merely the same type of service which was given through Federal aid from 1922 to 1929, but a program stressing particularly the rural areas and the smaller communities. It is not contemplated that the Federal Government shall directly engage in any of this work, but that it shall give aid to the States for this purpose, particularly to develop adequate local services, in cooperation with existing agencies.

#### VOCATIONAL REHABILITATION

There are somewhat more physically handicapped adults in this country than handicapped children; many are handicapped from birth or childhood, others become handicapped later in life as the result of accident or disease. Many of these physically handicapped people become a public charge or a heavy drain upon the resources of relatives.

The most effective work that has been done for them is vocational rehabilitation, which includes training for self-support and assistance in finding employment. The Federal Government has given aid for this work since 1920, but heretofore only on a short-time basis. All but three States are now cooperating in this work. About 70,000 physically handicapped persons have been vocationally rehabilitated since this work was inaugurated, but large as is this figure, there is still great need for expansion of the service.

In recognition of the fact that vocational rehabilitation of the physically handicapped is essential to a reasonably adequate program for economic security, a permanent authorization for Federal aid for this purpose is included in title V of this bill. The same provision also authorizes an increase of approximately 50 percent over the pres-

ent appropriation. This appropriation is required to be matched by the States and expenditures are authorized only for the same purpose as heretofore.

#### PUBLIC-HEALTH SERVICES

Everyone will recognize the close relationship between health and economic security. Illness is one of the major causes of dependency and represents one of the greatest sources of economic waste.

Notable progress has been made in reduction of death rates and extension of life expectancy. This progress is due to many different causes, among which public-health work is one of the major factors. The decrease in death rates has been due more to the control of a relatively small number of contagious diseases than to any other cause and this control has been very largely developed through public-health agencies.

Despite the very notable progress which has been made, preventable deaths are still exceedingly numerous. There are 30,000 typhoid fever cases in this country annually and 49,000 cases of diphtheria, to mention only 2 diseases which are completely preventable. There are over 50,000 deaths each year from infectious diseases, which are largely, if not entirely, preventable. In the depression period there has been a great increase in the need of public-health services. Studies made by the United States Public Health Service have disclosed a sickness rate in urban families which have suffered the most severe loss of income, of 50 percent greater than that of their more fortunate neighbors. In 1934, for the first time in many years, the urban death rate in this country actually increased and that without any serious epidemics.

Perhaps the greatest need for expanded public-health services, however, exists in rural communities. Only 528 of the more than 3,000 counties in the United States have full-time health officers, and in many of these counties the service is inadequate in relation to the population and the existing problems. Quite naturally, it is in the poorer States that the greatest need exists for the expansion of public-health service. Despite the increased need, appropriations for public health have been reduced during the depression period by approximately 20 percent.

The Federal Government has long recognized that it has some responsibilities for the health of the American people. It has often made sizeable appropriations to combat epidemics and to provide health services in emergencies. Since 1920 it has also given some aid regularly to the States for their State and local public-health services. Like other public-health appropriations, however, this aid has been reduced during the depression.

The needs of the present situation require the development of a comprehensive Nation-wide public-health program in cooperation with the State and local public-health authorities. Particularly necessary is the extension and strengthening of public-health services in rural and other areas which are without adequate services of this kind. To this end, greatly increased Federal appropriations are imperative. As contemplated in title VI, these increased appropriations should be devoted mainly to building up their State and local public-health services. In the allotment of this aid, wide discretion

must necessarily be vested in the Surgeon General of the United States Public Health Service and the Secretary of the Treasury, since health needs, particularly in relation to emergencies, are unpredictable.

#### AID TO THE BLIND

Title X is a new provision, which was not included in the bill as it came from the House. This bill provides for Federal aid to match the expenditures of the States for blind pensions. This aid is granted under the same conditions as is aid for old-age assistance under title I. The Federal aid is limited to a maximum of \$15 per month in any case. The administration of the title is vested in the Social Security Board.

The 1930 Census listed 63,489 people as being blind. The Census Bureau itself, however, recognizes that this is an under-statement of the number of people who are blind. In all probability there are not less than 100,000 people in the United States who are blind in the sense that they have no useful vision whatsoever.

The great majority of the blind falls in the older age groups. Of all of the blind listed in the census, 28,113 were above 65 years of age and 17,814 between 45 and 64 years of age. Nearly 45 percent of all of the blind were over 65 years of age, as contrasted with but 5.4 percent of the general population in this age group. Much blindness is due to diseases which normally develop rather late in life.

Blindness is recognized by everyone to be one of the most serious of physical handicaps. Partly because of the fact that blindness so often develops late in life and also because of the relatively small number of occupations which are suitable to the blind, the great majority of the people who are afflicted with blindness are dependent upon others for support. Less than 15 percent of all blind people are reported in the Census as "gainfully occupied". Of those gainfully occupied only a relatively small number are entirely self-supporting. While it is very desirable that the blind should be encouraged and assisted to become self-supporting, it must be recognized that many will always need assistance. Even younger blind people will frequently need help, until they have established themselves.

In recognition of the need of the blind for assistance, 24 States have enacted blind pension laws, two of them this year. Data upon the operation of these laws are given in table VI. With statistics available only from 18 States, it appears that in these States 22,861 persons were in 1934 recipients of blind pensions. The total amount expended for this purpose from State and local funds exceeded \$5,000,000, although the average pension grants were only \$18.25 per month.

A reasonably adequate security program cannot ignore the blind. Social work among the blind is important, but their greatest need, particularly among those in the older age groups, is actual financial assistance. Only one-half of the States are now providing such assistance and many of these States only very inadequately. Through Federal aid on the same basis as for old-age assistance, all States will be enabled to make adequate provisions for the support of those of the blind who are in need and dependent upon the public for support.

TABLE VI.—Data on the operation of blind pensions in the United States, 1934

	Pensioners	Blind population, 1930	Amount disbursed			Average pension	Comments <sup>1</sup>
			State	County	Total		
United States.....	‡ 22,861	63,489	\$2,471,604	\$2,705,648	‡ \$5,177,252	† \$18.25	
Alabama.....		1,415					
Arizona.....		259					
Arkansas.....	( <sup>4</sup> ) 1,101	1,101	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	
California.....	3,334	2,597	657,468	657,468	1,314,936	32.86	March 1935 data; annual disbursements computed from March data.
Colorado.....	701	751	65,000	75,000	140,000	15.47	53 out of 63 counties granting aid.
Connecticut.....		581					
Delaware.....		101					
District of Columbia.....		157					
Florida.....		816					
Georgia.....		1,788		16,689	16,689	15.12	
Idaho.....	92	156					21 out of 44 counties reporting.
Illinois.....	( <sup>4</sup> )	4,490	296,600	435,800	732,400	( <sup>4</sup> )	Data for 29 counties for 1931-32.
Indiana (enacted in 1935).....	( <sup>4</sup> )	2,204				( <sup>4</sup> )	Data for fiscal year 1933-1934.
Iowa.....		1,577		235,767	235,767	( <sup>4</sup> )	19 counties reporting.
Kansas.....	73	1,246		10,028	10,028	11.45	14 counties reporting out of 120.
Kentucky.....	384	1,977		42,209	42,209	9.16	54 counties reporting.
Louisiana.....	420	1,252	751	63,000	63,751	12.50	
Maine.....	922	626	148,317		148,317	13.33	
Maryland.....	30	799		3,013	3,013	8.37	4 counties reporting out of 24.
Massachusetts.....		1,924					
Michigan.....		1,742					
Minnesota.....		1,049					
Mississippi.....		1,121					
Missouri.....	4,336	3,879					
Montana.....		235					
Nebraska.....	417	552		42,914	42,914	8.58	41 counties reporting out of 93.
Nevada.....	3	64		910	910	25.28	4 counties reporting out of 17.
New Hampshire.....	79	251		7,483	7,483	7.89	5 counties reporting out of 10.
New Jersey.....	372	1,222	1,012	91,091	92,103	21.98	
New Mexico.....		607					
New York:							
State excluding city.....	710	4,418		183,670	183,670	21.00	
New York City.....	1,490			200,000	200,000	11.11	

<sup>1</sup> Where no specific mention is made, data is for the end of 1934; 22 States had blind pension laws on Jan. 1, 1935; 24 on May 15, 1935.

<sup>2</sup> Number of pensioners for those 18 States with data available.

<sup>3</sup> Total amount disbursed for those 19 States with data available. Pennsylvania disbursements doubled to take into account the fact that only a half-year report is available.

<sup>4</sup> Average pension for those 17 States with data available weighted according to number of pensioners in each State to total number in 17 States.

<sup>5</sup> No data.

TABLE VI.—Data on the operation of blind pensions in the United States, 1934—Continued

	Pensioners	Blind population, 1930	Amount disbursed			Average pension	Comments <sup>1</sup>
			State	County	Total		
North Carolina.....		1,318					
North Dakota.....		195					
Ohio.....	5,152	4,154		\$613,193	\$613,193	\$9.92	71 counties reporting out of 87.
Oklahoma.....		1,167					
Oregon.....		496					
Pennsylvania.....	4,142	4,373	\$651,228		651,228	23.30	Data for last 6 months of 1934.
Rhode Island.....		347					
South Carolina.....		1,028					
South Dakota.....		253					
Tennessee.....		1,540					
Texas.....		2,606					
Utah.....	22	238		2,105	2,105	7.97	3 counties reporting out of 29.
Vermont.....		223					
Virginia.....		1,405					
Washington.....	182	792		25,308	25,308	13.00	13 counties reporting out of 39; disbursements for part of the year only.
West Virginia.....		814					
Wisconsin.....	( <sup>2</sup> )	1,530	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	
Wyoming (enacted in 1935).....		53					

<sup>1</sup> No data.

Source: U. S. Bureau of Labor Statistics and Committee on Economic Security. Data is preliminary and subject to revision.

## APPROPRIATIONS AUTHORIZED

Aside from amounts authorized for administrative expenses (amounting to a sum in the neighborhood of \$3,500,000), appropriations authorized under this act for grants to the States amount to \$94,491,000 for the fiscal year 1936.

TABLE VII.—*Appropriations authorized for grants-in-aid to the States (exclusive of title III) for the fiscal year ending June 30, 1936*

Old-age assistance.....	\$49,750,000
Aid to dependent children.....	24,750,000
Maternal and child health.....	3,800,000
Crippled children.....	2,850,000
Child welfare.....	1,500,000
Vocational rehabilitation.....	841,000
Public health.....	8,000,000
Aid to the blind.....	3,000,000
Total.....	\$94,491,000

NOTE.—In future years the first two items and the last item will increase in accordance with the increasing cost of old-age assistance aid to dependent children, and aid to the blind.

In addition to these sums, there are authorized annual appropriations to the old-age account, estimates for which are shown in table IV of this report. There is also authorized an appropriation of \$4,000,000 for the fiscal year ending June 30, 1936, and \$49,000,000 for each subsequent fiscal year to make the payments to States under title III for the cost of administering their unemployment insurance laws.

## TAXES

Two types of taxes are levied in title VIII, namely, (1) an income tax upon employees, and (2) an excise tax upon employers based upon wages paid. The provisions of these taxes are summarized in table VIII and the estimated number of employees covered and the revenue receipts are given in the tables following.

TABLE VIII.—*Summary of provisions relating to taxes under title VIII*

## COVERAGE (SEC. 811(b))

Employment in any service performed within the United States, Alaska, and Hawaii, or upon vessels documented under the laws of the United States, except:

1. Agricultural labor.
2. Domestic service in a private home.
3. Casual labor not in the course of employer's business.
4. Employees of the United States Government.
5. Employees of a State or political subdivision.
6. Employees of institutions operated for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals, and which are not operated for profit.

## RATES (WAGES OF ANY INDIVIDUAL IN EXCESS OF \$3,000 PER YEAR NOT COUNTED)

Income tax on employees (sec. 801):	Percent
1937, 1938, and 1939.....	1
1940, 1941, and 1942.....	1½
1943, 1944, and 1945.....	2
1946, 1947, and 1948.....	2½
1949 and thereafter.....	3



TABLE VIII.—*Summary of provisions relating to taxes under title VIII—Continued*  
 RATES (WAGES OF ANY INDIVIDUAL IN EXCESS OF \$3,000 PER YEAR NOT COUNTED)—  
 continued

Income tax on employees collected by employer by deducting the tax from wages. (Sec. 802a.)

Excise tax on employers (sec. 804):	Percent
1937, 1938, and 1939.....	1
1940, 1941, and 1942.....	1½
1943, 1944, and 1945.....	2
1946, 1947, and 1948.....	2½
1949 and thereafter.....	3

FEDERAL ADMINISTRATION

Taxes collected by Bureau of Internal Revenue under direction of Secretary of Treasury and paid into United States Treasury as internal-revenue collections (sec. 807a).

Taxes collected either by making and filing returns or by stamps, coupons, tickets, books, or other reasonable devices or methods as prescribed by the Commissioner of Internal Revenue, who furnishes to the Postmaster General a suitable quantity to be kept on sale at post offices (sec. 809).

TABLE IX.—*Estimate of number of employees covered under the tax provided in title VIII*

[Based upon 1930 census]

Total number of gainful workers.....	48, 830, 000
Total number of owners, operators, self-employed (including the professions).....	12, 087, 000
Total of workers excluded because of occupation (farm labor, domestics, teachers, and governmental and institutional workers).....	9, 389, 000
Total number of workers in eligible occupations.....	27, 354, 000
Excluded:	
Casuals.....	500, 000
Over 65.....	1, 050, 000
	1, 550, 000
Estimated coverage.....	25, 804, 000

TABLE X.—*Revenue estimates (from taxes on employees and employers imposed by title VIII, sec. 801 and 804)<sup>1</sup>*

Combined rate of tax	Fiscal year received into Treasury	Estimated fiscal year receipts	Combined rate of tax	Fiscal year received into Treasury	Estimated fiscal year receipts
2 percent.....	1937	\$278, 800, 000	4 percent.....	1944	\$1, 185, 900, 000
2 percent.....	1938	560, 200, 000	4 percent.....	1945	1, 196, 900, 000
2 percent.....	1939	565, 600, 000	5 percent.....	1946	1, 359, 400, 000
3 percent.....	1940	714, 600, 000	5 percent.....	1947	1, 523, 300, 000
3 percent.....	1941	864, 800, 000	5 percent.....	1948	1, 636, 900, 000
3 percent.....	1942	873, 000, 000	6 percent.....	1949	1, 706, 300, 000
4 percent.....	1943	1, 028, 800, 000	6 percent.....	1950	1, 877, 200, 000

<sup>1</sup> Each of the 2 taxes is estimated to produce ½ of the total receipts shown.

Title IX provides an excise tax upon employers of four or more employees, with certain classes exempted, starting at 1 percent of wages paid in 1936, 2 percent in 1937, and 3 percent in 1938, and thereafter. A credit of up to 90 percent of this tax is allowable for payments into State unemployment compensation funds meeting

certain conditions. The details of this tax are set forth in the second part of this report, and the operation of the tax is discussed under the section above on unemployment compensation. The estimated number of employees covered and the revenue receipts are given in the tables below.

TABLE XI.—*Estimate of number of employees covered under the tax provided in title IX*

[Based upon 1930 Census]

Total number of gainful workers.....	48, 830, 000
Total number of owners, operators, self-employed (including the professions).....	12, 087, 000
Total of workers excluded because of occupation (farm labor, domestics, teachers, and governmental and institutional workers).....	9, 389, 000
Total number of workers in eligible occupations.....	27, 354, 000
Estimated number of workers attached to establishments with 3 or less employees.....	2, 600, 000
Estimated number of workers attached to establishments of 4 and more employees (including unemployed) April 1930.....	24, 754, 000
Average 1936 (4-percent increase).....	25, 744, 000

The actual number of employees covered by the tax would be considerably smaller than 25,744,000 due to unemployment. All workers employed during a part of the year, however, in establishments covered by the tax, would be covered with respect to that employment.

TABLE XII.—*Revenue estimates (from tax on employers of 4 or more under title IX, with no allowance for 90 percent credit)*

Calendar year with respect to which tax is levied	Fiscal Year received into Treasury	Estimated receipts	Rate of tax
1936.....	1937	\$247, 000, 000	Percent 1
1937.....	1938	596, 000, 000	2
1938.....	1939	826, 000, 000	3
1939.....	1940	831, 000, 000	3
1940.....	1941	838, 000, 000	3
1942.....	1943	849, 000, 000	3
1945.....	1946	876, 000, 000	3
1950.....	1951	908, 000, 000	3

NOTE—The tax levied by title IX is subject to a credit of 90 percent of the amount of such tax for contributions into State unemployment funds. Therefore the minimum amount of revenue each year from this tax will be 10 percent of the above amounts. What part of the above estimates, greater than 10 percent of same, will be retained by the Treasury is problematical, being dependent on the number of States enacting unemployment insurance laws, and the rates and coverage thereof.

#### CONCLUSION

The depression has demonstrated the great cost to the public, as well as to the victims, of the failure to make timely provision for social security. The vast amount of human suffering and the enormous relief costs, which inevitably will result in increased taxes, show conclusively the folly of failure to give thought to the security of men, women, and children.

Complete security is unattainable and it well may be doubted whether absolute security is desirable. That we must have a greater

degree of security than has prevailed heretofore, however, if our social order is to endure, is tragically evident.

In the words of the President, a complete program of economic security, "because of many lost years, will take many future years to fulfill." The Social Security Act will not usher in the millennium. Like all major new legislation, it will doubtless, in the course of time, have to be supplemented and changed in many material respects. But, it represents a beginning which has long been overdue and whose effects, as far as they can be foreseen, will be distinctly beneficial.

There is nothing revolutionary in any of the innovations in this bill. Every measure proposed has been tested by world experience and found practical. And every measure proposed is in accord with the tried American institutions and traditions. Again to quote the President, we seek security "through tested liberal traditions, through processes which contain all the deep essentials of that republican form of government first given to a troubled world by the United States."

The Social Security Act has been evolved after thorough consideration and represents a minimum of what the American people have a right to expect from this Congress in the way of providing a greater measure of security. In our opinion it is, fundamentally, a sound measure which will go far toward realizing "the ambition of the individual to obtain for him and his a proper security, a reasonable leisure, and a decent living throughout life."

## PART II. EXPLANATION OF THE BILL

### TITLE I. GRANTS TO STATES FOR OLD-AGE ASSISTANCE

This title provides for Federal grants-in-aid to States, for the payment of old-age assistance to persons over 65. The grants are to be made on an equal matching (50-50) basis except that in the case of no individual will the Federal Government's share exceed \$15 per month.

#### APPROPRIATION

Section 1: \$49,750,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purposes of this title. The money is to be paid to States whose old-age assistance plans have been approved by the Social Security Board, as complying with the requirements of section 2; and the committee has revised the House bill's declaration of policy so as to indicate that the underlying purpose of this title is to help aged persons in need.

#### STATE OLD-AGE ASSISTANCE PLANS

Section 2: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must be sufficiently liberal in its eligibility requirements, in accordance with subsection (b).

(a): Requirements which must be met by the State law:

(1), (2), (3): The plan must be State-wide in operation. If, as is the case at present in several States, it is to be administered by the counties, it must not be optional with each county whether or not it will give old-age assistance, but rather must be mandatory upon all

the counties. Whether the administration is in the hands of the counties or not, there must be some direct financial participation by the State itself, and some one State agency (whether already existing or newly established) must be charged with final administrative responsibility. This agency does not necessarily have to confine itself to old-age assistance; it may have other functions.

(4): An individual who is denied old-age assistance (for instance, by a county board) must be given the right to a fair hearing before the State agency. This does not affect the right of further appeal to the courts.

(5) and (6): The methods of administration of the State plan, insofar as they are found by the Social Security Board to be essential to the plan's efficient operation, must be approved by the Board, and reports must be made to the Board; but the State will not be impeded in the exercise of its full discretion in the matters of the selection, the tenure of office, and the compensation of State and local personnel.

(7): If the State, using Federal money granted to it under this title, pays pensions to aged persons, and later (for example, because those persons had been defrauding the State) collects back from their estates some or all of the money so paid, the State must pay one-half the amount thus collected to the Federal Government. In other words the State must, roughly, reimburse the Federal Government for the amount of its share thus collected by the State.

(b): Liberality of certain eligibility requirements:

(1): A person shall not be denied assistance on the ground that he is not old enough to be eligible for it, if in fact he has reached the age of 65 years. Until 1940, however, a State may set the age limit as high as 70 years.

(2): A person shall not be denied assistance on the ground that he has not been a resident long enough, if in fact he has lived in the State for 1 year immediately preceding his application, and for any 5 years out of the 9 years immediately preceding his application. Thus, if the plan is administered by counties, it may impose requirements as to county residence; but no county residence requirement may result in denying assistance to an otherwise qualified person who has resided in the State for the periods just mentioned. Even if the county residence requirements are stricter than those allowed under this section, such a person must be entitled to assistance under the plan, presumably directly from the State. (No State is required to give assistance to nonresidents of the State.)

(3): A person shall not be denied assistance on the ground that he has not been a United States citizen for a number of years, if in fact, when he receives assistance, he is a United States citizen. This means that a State may, if it wishes, assist only those who are citizens, but must not insist on their having been born citizens or on their having been naturalized citizens for a specified period of time.

The limitations of subsection (b) do not prevent the State from imposing other eligibility requirements (as to means, moral character, etc.) if they wish to do so. Nor do the limitations of subsection (b) mean that the States must adopt eligibility requirements just as strict as those enumerated. The States can be more lenient on all these points, if they wish to be so.

## PAYMENT TO STATES

Section 3: The Federal Government will match what the States put up for old-age assistance, by paying quarterly to each State one-half of the total amount paid as assistance to people in the State who are at least 65 years old and who are not inmates of public institutions. (If the State wishes to pay pensions with respect to aged people over 65 in private institutions, the Federal Government will match those payments; but it will not match payments to persons less than 65, or to persons in public institutions.) Federal payments with respect to any person, however, will not be more than \$15 per month. If the State gives a pension of \$20 the Federal Government will pay half of it; of \$30, the Federal Government will pay half of it; of \$40, the Federal Government will match only the first \$15 put up by the State, so that the Federal share will be \$15 and the State will put up the other \$25. Federal payments shall be made on a pre-payment basis, on the strength of estimates by the State and the Board, with later adjustments if the actual expenditures differ from the estimates. The Federal Government will also help the States to meet administrative costs, paying therefor an additional amount equal to 5 percent of the regular quarterly payment to the State. All these payments, and all other payments under this bill, are to be made without a prior audit by the General Accounting Office; but there will be a postaudit. It is understood by the committee that, in the case of grants to States, the General Accounting Office, in making this audit, will seek to ascertain only (in the absence of fraud) whether the certifications were based on the findings which the Board is required to make prior to certifying, and whether payments were made in accordance with the certifications. It is not the practice to question the findings.

## OPERATION OF STATE PLANS

Section 4: A State with an approved plan will not receive payments if the Board finds that the State is not substantially complying with its plan. The House bill has been amended by assuring that the Board's finding shall be made only after the State has had "reasonable" notice and opportunity for hearing.

## ADMINISTRATION

Section 5: \$250,000 is authorized to be appropriated for the fiscal year 1936 to meet the administrative expenses of the Board under this title. There is no limit on appropriations for future years.

## DEFINITION

Section 6: Old-age assistance is confined to payments in cash.

## TITLE II. FEDERAL OLD-AGE BENEFITS

This title provides for the payment of cash benefits to every individual who has attained the age of 65 and has fulfilled certain qualifications. These benefits will be paid to him monthly as long as he lives in an amount proportionate to the total amount of wages received by him for employment before he attained the age of 65.

## OLD-AGE RESERVE ACCOUNT

Section 201: For the purpose of building up a reserve sufficient to supply the funds necessary to pay the benefits provided for in this title as such payments accrue, there is created in the Treasury of the United States an "old-age reserve account", to which an annual appropriation, beginning with the fiscal year ending June 30, 1937, is authorized. The amounts of such appropriations will vary from year to year, but the amount appropriated for any year shall be that amount determined (in accordance with accepted actuarial principles, and on the basis of such mortality tables as the Secretary of the Treasury shall from time to time adopt, and of an interest rate of 3 percent per annum compounded annually), to be sufficient as the premium necessary for such year to build up the required reserve.

It shall be the duty of the Secretary of the Treasury to invest such portion of the amounts credited to the account as is not, in his judgment, required to meet current payments. Such investments shall be made in interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States.

All amounts credited to the account shall be available for making payment of the benefits provided for in this title.

## OLD-AGE BENEFIT PAYMENTS

Section 202: Every qualified individual (as defined in sec. 210) shall be entitled to receive, with respect to the period beginning on the date he attains the age of 65, or on January 1, 1942, whichever is later, and ending on the date of his death, an old-age benefit. Payments of such benefits shall be made as nearly as possible at monthly intervals, but not necessarily on the first of each month. The rate of the payments will vary from \$10 a month to \$85 a month, depending upon the total amount of wages earned by the recipient after December 31, 1936, and before he attains the age of 65.

If, during the course of payments to any recipient, it is found that he has been overpaid or underpaid, adjustment shall be made in connection with subsequent payments. The committee has added an amendment, to the effect that for every month during which the Board finds that an aged person, otherwise qualified for benefits, is regularly employed, a month's benefit will be withheld from such person.

## PAYMENTS UPON DEATH

Section 203: If any individual dies before receiving any payment of a benefit, there shall be paid to his estate  $3\frac{1}{2}$  percent of the total wages earned by him after December 31, 1936, and before he attains the age of 65.

If any recipient dies before the total of the payments of benefits to him has equaled  $3\frac{1}{2}$  percent of the total wages earned by him after December 31, 1936, and before he attains the age of 65, the remainder shall be paid to his estate.

If any recipient has, through error or otherwise, been underpaid and has died before adjustment has been made, the amount of the underpayment shall be paid to his estate.

## PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR BENEFITS

Section 204: If any individual, upon attaining the age of 65, is not qualified to receive benefits, an amount equal to 3½ percent of the wages earned by him after December 31, 1936, and before he attains the age of 65, shall be paid to him (or, if he has died before receiving such payments, to his estate).

## AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATES

Section 205: If the amount payable to an estate under section 203 or 204 is \$500 or less, the Social Security Board may pay it directly to the persons it determines to be entitled thereto under the law of the State in which the deceased was domiciled.

## OVERPAYMENTS DURING LIFE

Section 206: If any recipient, through error or otherwise, has received benefit payments in excess of the amount to which he is entitled, and dies before such overpayments have been adjusted, there shall be repaid to the United States by his estate the amount of such overpayments; except that if the amount to which he was entitled was less than 3½ percent of the total wages earned by him after December 31, 1936, and before he attained the age of 65, the amount of the repayment shall be merely the difference between the amount received by him and such 3½ percent.

## METHOD OF MAKING PAYMENTS

Section 207: The Social Security Board shall from time to time (presumably monthly) certify to the Secretary of the Treasury the name and address of every individual entitled to receive payment under this title, the amount of such payment, and the time at which it should be made, and the Secretary of the Treasury shall make payment in accordance with such certification.

## ASSIGNMENT

Section 208: The right of any individual to receive any payment under this title shall not be transferable or assigned, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

## PENALTIES

Section 209: Whoever, in any application for any payment under this title, makes any false statement as to any material fact, knowing such statement to be false shall be fined not more than \$1,000 or imprisoned for not more than 1 year, or both.

## DEFINITIONS

Section 210 (a): This subsection defines "wages." Wages include not only the cash payments made to the employee for work done, but also compensation for services in any other form, such as room, board, etc. The term "wages" does not necessarily apply to the total

remuneration received from the employer by the employee; the term includes only the first \$3,000 of wages received by an employee from his employer with respect to employment during the calendar year. The following example will illustrate how the rule applies: Employer A pays employee B a salary of \$500 a month beginning with the calendar year 1937. At the end of the sixth month B has received from his employer \$3,000. The balance of his salary for 1937 is not included as part of the wages. However, this is only the case where the employee continues in the employment of the same employer throughout the year. If the employee leaves the service of employer A on June 30, 1937, and enters the service of employer C on that date and continues with employer C at the same salary throughout the remainder of the year, the remuneration received by employee B during the remaining portion of the calendar year 1937 will be included in his wages.

Section 210 (b): This subsection defines the term "employment" as any service of whatever nature performed within the United States, or on an American vessel, by an employee for his employer. It should be noted in this connection that section 1001 (a) (6) includes in the definition of "employee" an officer of a corporation. Services performed by aliens, whether resident or nonresident, within the United States or on an American vessel, are included; but services performed outside the United States (unless on an American vessel), whether by a citizen or an alien, are not included. The term "United States" is defined in section 1001 (a) (2) to include the States, Alaska, Hawaii, and the District of Columbia. The following services are excluded even though performed within the United States: (1) Agricultural labor; (2) domestic service in a private home; (3) casual labor not in the course of the employer's trade or business. This would not exclude casual labor performed in the course of an employer's trade or business. For instance, if a department store employed emergency help during the rush season in connection with its trade or business, the services performed by such help would not be excluded under this title.

Services performed by Federal and State or political subdivision employees are also excluded.

Services performed in the employ of religious, charitable, scientific, literary, humane, or educational institutions, no part of the net earnings of which inures to the benefit of any private shareholder or individual, are also excluded. For the purpose of determining whether services for such an organization are excluded, the use to which the income is applied is the ultimate test of the exclusion rather than the source from which the income is derived. For instance, if a church owns an apartment building from which it derives income which is devoted to religious, charitable, educational, humane, or scientific purposes, services for it are still excluded. The organizations, services for which will be excluded, are churches, schools, colleges, and other educational institutions not operated for private profit, the Y. M. C. A., the Y. W. C. A., the Y. M. H. A., the Salvation Army, and other organizations which are exempt from income tax under section 101 (6) of the Revenue Act of 1932.

The committee amended the House bill so that service on an American vessel is now considered as employment under this title.



Section 210 (c): The term "qualified individual" is defined to mean an individual who is at least 65 years of age, and who has received in wages for employment after December 31, 1936, and before he attained the age of 65, not less than \$2,000, some part of which employment was performed in each of at least 5 different calendar years.

#### TITLE III. GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

This title provides for Federal grants-in-aid to States for meeting the administrative costs of their unemployment compensation systems. The money is not to be used for compensation itself, but only for expenses of administration. There is no requirement of matching by the States.

##### APPROPRIATION

Section 301: \$4,000,000 is authorized to be appropriated for the fiscal year 1936, and \$49,000,000 for each year thereafter, to be granted to the States for meeting the proper administrative costs of the State unemployment compensation laws.

##### PAYMENTS TO STATES

Section 302: Payments shall be made from time to time to each State with an unemployment compensation plan which is found by the Board to comply with this title, in amounts determined by the Board to be necessary for the proper administration of the State law. In deciding how much to pay to a State, the Board shall take into account the population of the State, and the estimated number of persons covered by the State law, as well as other relevant factors.

##### PROVISIONS OF STATE LAWS

Section 303 (a): The State will receive aid under this title only if its law was approved by the Board under title IX, and only if, in addition to the provisions necessary for it to obtain such approval, it also includes provision for administrative methods, other than those relating to personnel, approved by the Board as reasonably calculated to insure full payment of compensation when due; opportunity for a fair hearing for persons denied compensation; the making of reports to the Board; and cooperation with any Federal agency concerned with public employment which seeks to obtain information, relating to employment, about persons who are receiving compensation or who have finished their period of compensation and are available for work.

(b): A State will not receive grants under this title if the Board finds that it is not substantially complying with its law.

#### TITLE IV. GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN

This title provides for Federal grants-in-aid to States, for carrying out State plans for aid to dependent children, often inaccurately called "mothers' pension" laws. The grants are to be made on a one-third matching basis, the Federal Government putting up \$1 for every \$2

provided by the State, except that in no case will the Federal Government's share, with respect to any single dependent child, exceed \$6 per month, or, with respect to any other dependent child in the same home, exceed \$4 per month.

## APPROPRIATION

Section 401: \$24,750,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purposes of this title. The money is to be paid to States whose plans for aid to dependent children have been approved by the Chief of the Children's Bureau, as complying with the requirements of section 402; and the committee has revised the House bill's declaration of policy so as to indicate that the underlying purpose of this title is to help dependent children in need. The committee has further amended this section and in fact the whole title so that the Children's Bureau and Secretary of Labor perform the functions which, in the House bill, were duties of the Social Security Board.

## STATE PLANS FOR AID TO DEPENDENT CHILDREN

Section 402: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must have a sufficiently liberal residence requirement, in accordance with subsection (b).

(a) Requirements which must be met by the State law:

(1), (2), (3): The plan must be State-wide in operation. If, as is the case at present in several States, it is to be administered by the counties, it must not be optional with each county whether or not it will give aid to dependent children, but rather must be mandatory upon all the counties. Whether the administration is in the hands of the counties or not, there must be some direct financial participation by the State itself, and some one State agency (whether already existing, or newly established) must be charged with final administrative responsibility. This agency does not necessarily have to confine itself to aid to dependent children; it may have other functions.

(4): An individual whose claim for aid is denied (for instance by a county board) must be given the right to a fair hearing before the State agency. This does not affect the right of further appeal to the courts.

(5) and (6): The methods of administration of the State plan, insofar as they are found by the Chief of the Children's Bureau to be essential to the plan's efficient operation, must be approved by the Chief of the Children's Bureau, and reports must be made to the Secretary of Labor; but the State will not be impeded in the exercise of its full discretion in the matters of the selection, the tenure of office, and the compensation of State and local personnel.

(b) Liberality of residence requirement: No residence requirement shall be imposed which results in the denial of aid with respect to an otherwise eligible child, if the child was born in the State within the year, or has resided in the State for at least a year immediately preceding the application for aid; and the House bill has been changed so that, in the case of a child born within the State during the year, a State could deny aid unless the child's mother had lived in the State for a year prior to the child's birth. The State may be more lenient

than this, if it wishes. It may, furthermore, impose such other eligibility requirements—as to means, moral character, etc.—as it sees fit. No State is required to give aid to nonresidents.

#### PAYMENT TO STATES

Section 403: Payments to the States are to be made quarterly, in a method similar to that described in connection with section 3, except that under this title the Federal Government will bear only one-third of the total cost instead of one-half. Furthermore, the money paid by the Federal Government will be used to carry out the purposes of the State plan without any distinction being drawn between the actual payments of aid and the administrative costs of the State plan. The amount of the Federal share, with respect to any dependent child, shall not exceed \$6 if 1 dependent child is in the home, and shall not exceed \$6 for 1 dependent child, and \$4 for each other dependent child, if there is more than 1 dependent child in the home. Thus, the Federal Government will pay one-third of a monthly payment of \$18 for one child. If the State wishes to have such child receive more than \$18 per month, the State will have to pay the excess.

#### OPERATION OF STATE PLANS

Section 404: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan. The House bill has been amended by assuring that the Secretary's finding shall be made only after the State has had "reasonable" notice and opportunity for hearing.

#### ADMINISTRATION

Section 405: \$250,000 is authorized to be appropriated for the fiscal year 1936 for the administrative expenses of the Children's Bureau under this title. There is no limit on appropriations for future years.

#### DEFINITIONS

Section 406: "Dependent child" is confined to children less than 16 years old, living with a near relative in a residence (house, room, or other place of abode) maintained by such relative as his own home; and, by committee amendment, is further confined to only those of such children who have been deprived of either parental support or parental care because a parent of the children has died, or is continuously away from home, or is unable, due to physical or mental incapacity, to provide such support or care. Thus if a baby's father were an imbecile, unable even to care for the baby at home, the baby would be a "dependent child" even though it had a mother who had a job, for the baby would be without normal parental care. "Aid to dependent children" is confined to payments in cash.

### TITLE V. GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

#### Part 1. Maternal and Child-Health Services

This part provides for Federal grants-in-aid to States, to help them extend and improve their services for promoting the health of mothers and children. Some of the available money is to be allotted equally

among the States, some on the basis of the number of live births in each State, some on the basis of need. All the money except that allotted on the basis of need is to be granted on an equal matching (50—50) basis.

## APPROPRIATION

Section 501: \$3,800,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter.

## ALLOTMENTS TO STATES

Section 502 (a): \$20,000 is to be allotted by the Secretary of Labor to each State, and \$1,800,000 is to be divided among all the States, as determined (according to the committee's amendment) by the Census Bureau, on the basis of the number of live births in each State in proportion to the total number of live births in the United States.

(b): The remaining \$980,000 shall be allotted by the Secretary of Labor according to the financial need of each State for assistance in carrying out the State plan. In making this allotment, and in determining such need, the Secretary of Labor shall take into consideration the number of live births in the State.

(c): An allotment made under subsection (a) shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

## APPROVAL OF STATE PLANS

Section 503 (a): Requirements which must be met:

(1) and (2): The State plan must provide for direct financial participation by the State; and the State health agency, whatever State department is charged with the responsibility for health conditions and public-health work, must be charged with final administrative responsibility.

(3): The methods of administration of the State plan, insofar as they are essential to the plan's efficient operation, must be approved by the Chief of the Children's Bureau; but the State will not be impeded in the exercise of its full discretion in the matters of selection, the tenure of office, and the compensation of State and local personnel. The committee has amended this paragraph so that final judgment as to what methods are necessary in the State rests with the courts rather than the Chief of the Children's Bureau.

(4): Reports are to be made to the Secretary of Labor.

(5), (6), and (7): The State plan must also provide for the extension and improvement of local services; cooperation with medical, nursing, and welfare organizations; demonstration services in areas which lack financial resources and among groups in need of such special services.

(b) Approval of State plan: The Chief of the Children's Bureau is charged with passing on the State plan, and if it is approved the Secretary of Labor and the State health agency concerned are to be notified.

## PAYMENT TO STATES

Section 504 (a) and (b): From the allotments made under section 502 (a) payments will be made to the States on an equal-matching (50—50) basis, on the strength of estimates made by the State and the Secretary of Labor.

(c): From the allotments made from the \$980,000 available under section 502 (b) payments shall be made in accordance with certifications by the Secretary of Labor in amounts and at times specified by the Secretary of Labor. These payments need not be matched. In meeting the matching requirements under subsections (a) and (b) of this section money paid to a State under subsection (c) out of the \$980,000 will be considered part of the State's money.

#### OPERATION OF STATE PLANS

Section 505: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan. The House bill has been amended by assuring that the Secretary's finding shall be made only after the State has had "reasonable" notice and opportunity for hearing.

#### Part 2. Services for Crippled Children

This part provides for Federal grants-in-aid to States to help them extend and improve their services for discovering crippled children, and for providing such children with medical, surgical, corrective, and other services and care in connection with their physical disability. Some of the available money is to be allotted equally among the States, and some on the basis of need. All of the money is to be granted on an equal-matching (50-50) basis.

#### APPROPRIATION

Section 511: \$2,850,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter.

#### ALLOTMENTS TO STATES

Section 512 (a): \$20,000 is to be allotted by the Secretary of Labor to each State, and the remaining amount available is to be divided among all the States on the basis of need, as determined by the Secretary of Labor after taking into consideration the number of crippled children in the State, and the cost of furnishing services to them.

(b): An allotment made under this section shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

#### APPROVAL OF STATE PLANS

Section 513 (a): Requirements which must be met:

(1), (2), (3), and (4): A State plan must include provisions relating to financial participation, administration, efficient methods of administration, and reports to the Secretary of Labor, these requirements being similar to those under section 503, except that here the bill does not mention any particular State agency. The committee's amendments are similar to those made to section 503.

(5): A State plan must provide for carrying out the purposes of part 2, mentioned above.

(6): The State plan must provide for cooperation with medical, health, nursing, and welfare groups, and also with any agency in the

State which is charged with administering the State law providing for vocational rehabilitation of physically handicapped children.

(b): The Chief of the Children's Bureau is charged with passing on the State plan, and if it is approved, the Secretary of Labor and the State agency concerned are to be notified.

## PAYMENT TO STATES

Section 514: From the allotments made under section 512, payments will be made to the States on an equal-matching (50-50) basis on the strength of estimates made by the State and the Secretary of Labor.

## OPERATION OF STATE PLAN

Section 515: A State with an approved plan will not receive payments if the Secretary of Labor finds that the State is not substantially complying with its plan.

## Part 3. Child-Welfare Services

Section 521. This section, which constitutes part 3 of this title, has been completely revised by the committee, chiefly for the sake of clarity and completeness, although the policy in the House bill has been somewhat liberalized. The sum of \$1,500,000 is to be appropriated for each fiscal year to enable the United States, through the Children's Bureau, to cooperate with State public-welfare agencies in the work of establishing and extending public-welfare services for the care of children who are either homeless or neglected. The services with which the Children's Bureau is thus authorized to cooperate are those which are especially carried on in predominantly rural areas, or in areas in special need. From the money made available under this section, \$10,000 is to be allotted to each State which, in cooperation with the Children's Bureau, has developed plans for such services, and the rest is to be divided among the States in the proportion which the rural population bears to the total rural population of the United States. An allotment to a State shall be available for payment to the State for 2 fiscal years after the fiscal year for which the allotment is made.

## Part 4. Vocational Rehabilitation

Section 531: This section, which constitutes part 4 of this title, has the effect of increasing the present authorization for grants to States for vocational rehabilitation of the physically disabled, under the act of June 2, 1920, as amended (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29, secs. 31, 32, 34, 35, 37, 39, and 40).

(a): For the fiscal years 1936 and 1937, the present authorization of \$1,097,000 is increased by \$841,000, and there is an authorization for each fiscal year thereafter of a similar total sum, namely \$1,938,000. These sums are to be apportioned among the States and Hawaii in accordance with existing law. It should be noted that under the existing law, grants are not made to Alaska or to the District of Columbia.

(b): The Office of Education (designated specifically, under the committee's amendment) likewise is given an increased authorization for 1936 and 1937. For 1936 and 1937 the present authorization of \$80,000 is increased by \$22,000 and for each fiscal year thereafter the total amount, namely, \$102,000 is authorized.

## Part 5. Administration

Section 541: \$425,000 is authorized for the year 1936, for the expenses of the Children's Bureau in administering parts 1, 2, and 3 of this title; and the Children's Bureau is authorized to make studies and investigations relative to the efficient administration of those parts. There is no limit on appropriations for future years. The Secretary of Labor is directed to include a full account of the administration of parts 1, 2, and 3 in his annual report to Congress. The committee has inserted language to make it perfectly clear that the Children's Bureau has no connection with part 4 of this title.

## TITLE VI. PUBLIC HEALTH WORK

This title provides for Federal grants-in-aid to States to assist them and their political subdivisions in establishing and maintaining adequate public-health services, and also provides for the investigation of disease and problems of sanitation by the Public Health Service.

## APPROPRIATION

Section 601: There is authorized an annual appropriation of \$8,000,000 to be allotted as provided in section 602.

## STATE AND LOCAL PUBLIC HEALTH SERVICES

Section 602: The Surgeon General of the Public Health Service, with the approval of the Secretary of the Treasury, shall, at the beginning of each fiscal year, allot to the States the amount appropriated for such year pursuant to section 601, together with any balances of any allotments for the preceding fiscal year remaining unpaid at the end of such year. The amounts of such allotments shall be determined on the basis of (1) the population; (2) the special health problems; and (3) the financial need; of the respective States.

Quarterly payments shall be made to each State from the sum allotted to it in amounts to be determined by the Surgeon General in accordance with rules and regulations prescribed by him after consultation with a conference of the State and territorial health authorities.

Such payments shall be made by the Division of Disbursement of the Treasury Department. The moneys so paid to a State must be expended in carrying out the purposes specified in section 601, and in accordance with plans presented by the health authorities of the State and approved by the Surgeon General.

Any money allotted to a State for a fiscal year and not paid to such State in that year remains available for allotment to States in the succeeding fiscal year, in addition to the amount appropriated for that purpose for that year.

## INVESTIGATIONS AND ADMINISTRATION

Section 603: There is authorized an appropriation of \$2,000,000 for each fiscal year for expenditure by the Public Health Service in investigating disease and problems of sanitation, and in cooperating with the health authorities of the States. It is provided that the personnel of the Public Health Service shall be detailed to cooperate with the health authorities of a State only upon the request of the State for such cooperation.

## TITLE VII. SOCIAL SECURITY BOARD

## ESTABLISHMENT

Section 701: This section, which has been considerably revised by the committee, establishes the Social Security Board in the Department of Labor. Not more than two members of the Board shall belong to the same political party, and all the members of the Board shall devote all their time to the work of the Board. The Board is to be composed of three members who are to be appointed by the President, by and with the advice and consent of the Senate. Each member's salary is to be \$10,000 a year and the terms of office shall be 6 years, except that for the first 3 members appointed, 1 will hold office for 2 years, 1 for 4 years, and 1 for 6 years. The President is to designate one of the members as chairman of the Board.

## DUTIES OF SOCIAL SECURITY BOARD

Section 702: The Board's duties shall include those imposed upon it by this act (under titles I, II, III, IX, and X), and the Board is also to study and make recommendations concerning the possibility of furthering economic security through social insurance, and as to legislation and matters of administrative policy concerning social insurance, and various other subjects relating to the present bill.

## EXPENSES OF THE BOARD

Section 703: The Board is authorized to appoint employees and fix their compensation, subject to the civil-service laws and Classification Act, and to make necessary expenditures. By committee amendment, however, attorneys and experts may be appointed without regard to the civil service laws.

## REPORTS

Section 704: The committee's revision makes it the duty of the Board to report annually to Congress through the Secretary of Labor rather than directly.

## TITLE VIII. TAXES WITH RESPECT TO EMPLOYMENT

This title levies two taxes. The first is an income tax on employees and the second an excise tax on employers.

## INCOME TAX ON EMPLOYEES

Section 801: This section imposes a tax upon the income of every individual measured by the wages received by him with respect to employment after December 31, 1936. The tax does not apply to all wages but only applies to wages as defined in section 811 of the bill. Likewise section 811 restricts the application of the tax to employment as therein defined. The rates of tax are as follows:

	<i>Percent</i>
For the calendar years 1937, 1938, and 1939.....	1
For the calendar years 1940, 1941, and 1942.....	1½
For the calendar years 1943, 1944, and 1945.....	2
For the calendar years 1946, 1947, and 1948.....	2½
For the calendar year 1949 and subsequent calendar years.....	3



## DEDUCTION OF TAX FROM WAGES

Section 802 (a): This subsection requires the employees' tax to be collected at the source by requiring the employer to deduct the tax from the employee's wages at the time they are paid. To insure collection of the tax, the employer is made personally liable for it. His liability attaches to the correct amount of tax which he is required to deduct from the employee's wages, regardless of the amount actually deducted. To protect the employer, he is indemnified against any claims and demands with respect to that part of the wages of the employee which he withheld, up to the correct amount withheld and paid to the United States.

Section 802 (b): In case the tax is underpaid or overpaid, adjustments are permitted to be made in connection with subsequent wage payments made by the employer to the employee. For instance, if the employee receives a salary of \$100 per month for the calendar year 1937 and the employer by a mistake deducts 80 cents instead of \$1, assuming this to be the correct amount of the tax, the tax to be deducted from the next wage payment of the employee will be \$1.20 instead of \$1. On the other hand, if the employer deducts from the first wage payment in the same example \$1.20 instead of \$1 the tax to be deducted from the next wage payment will be 80 cents instead of \$1. Such adjustments are to be made in accordance with regulations to be prescribed under this title.

## DEDUCTIBILITY FROM INCOME TAX

Section 803: Under section 23 (c) of the Revenue Act of 1934 Federal income taxes are not allowed as a deduction in computing the income tax imposed by that act. Since the tax on employees is a Federal income tax, this section makes it clear that such a tax is not deductible in computing the income tax imposed by the Revenue Act of 1934 or in computing a corresponding income tax imposed under any subsequent revenue act.

## EXCISE TAX ON EMPLOYERS

Section 804: This section imposes an excise tax upon every employer for the privilege of having individuals in his employ. The tax is measured by the wages paid to employees after December 31, 1936, with respect to employment after that date. As in the case of the tax on employees, the rate of tax on employers is as follows:

	<i>Percent</i>
For the calendar years 1937, 1938, and 1939 .....	1
For the calendar years 1940, 1941, and 1942 .....	1½
For the calendar years 1943, 1944, and 1945 .....	2
For the calendar years 1946, 1947, and 1948 .....	2½
For the calendar year 1949 and subsequent calendar years .....	3

Like the tax on employees under section 801, this tax does not apply to all wages or employments but only to those defined as such in section 811.

## ADJUSTMENTS IN CASE OF MISTAKE BY EMPLOYER

Section 805: This section permits the employer to correct errors in the tax reported in connection with any wage payment made to his employees by making proper adjustments in connection with subse-

quent wage payments. It is similar in principle to section 802 (b) and the adjustments are to be made under regulations to be prescribed under this title.

## REFUNDS AND DEFICIENCIES

Section 806: This section relates to the tax imposed with respect to both employers and employees. If any part of the employer's or employee's tax is underpaid or overpaid and the error cannot be adjusted in connection with subsequent payments, the underpayment is to be collected or the overpayment refunded under regulations prescribed under this title. Situations of this character will usually arise when an employee leaves the service of the employer so that it is impossible to make adjustments in subsequent wage payments.

## COLLECTION AND PAYMENT OF TAXES

Section 807 (a): This subsection requires the tax due from employers and employees to be collected by the Bureau of Internal Revenue and to be deposited in the Treasury as internal-revenue collections.

Section 807 (b): This subsection gives the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, authority to collect the taxes imposed with respect both to employers and employees by stamps, coupons, tickets, books, or other devices, or by requiring the making and filing of returns. The administrative provisions relating to the tax on pistols and revolvers imposed by section 600 of the Revenue Act of 1926, as well as the provisions relating to the stamp taxes imposed by section 800 of that act, are also applicable to the taxes provided under this title with respect to both employers and employees. The administrative provisions are, therefore, not confined to those contained in sections 600 and 800 of the Revenue Act of 1926, but embrace all administrative provisions not otherwise inconsistent, applicable to the taxes imposed by such sections. For instance, the periods of limitation upon assessment and collection set forth under section 1109 of the Revenue Act of 1926, as amended, also apply to the taxes levied under this title. Likewise the periods of limitation upon refunds and credits prescribed in section 3228 of the Revised Statutes will apply to the taxes under this title. If the tax or any part thereof is not paid when due, the unpaid portion will bear interest at the rate of one-half of 1 percent per month from the time the tax became due until paid. The Board of Tax Appeals has no jurisdiction over these taxes. If they are not paid when due, they may be collected by distraint as provided in section 3187 of the Revised Statutes, leaving the taxpayer to his remedy by way of claim and suit for refund. In order that the employer, who collects and withholds the tax due from the employee, may be treated as a trustee or proceeded against by distraint, the provisions of section 607 of the Revenue Act of 1934 are also made to apply to this title. Section 607 of the Revenue Act of 1934 impresses the amount of taxes withheld or collected with a trust and makes applicable for the enforcement of the Government's claim the administrative provisions for assessing and collecting taxes.

For administrative reasons, a fractional part of a cent is disregarded unless it amounts to one-half cent or more, in which event it is treated

as 1 cent. This corresponds to a similar provision appearing in the revenue acts.

## RULES AND REGULATIONS

Section 808: This section gives the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, authority to make and publish rules and regulations for the enforcement of this title.

## SALE OF STAMPS BY POSTMASTERS

Section 809: This section authorizes the sale of stamps, coupons, or other devices prescribed for the collection or payment of the taxes under this title by the various postmasters of the United States. The postmasters are required to deposit the receipts from such sales with the Postmaster General and render accounts to him at such time and in such form as he shall prescribe. The Postmaster General is given authority to require a bond from the various postmasters receiving such stamps or other devices in such increased amount as he may find necessary to protect the interests of the Government. The Postmaster General is required to transfer the receipts from the sale of such stamps or other devices monthly to the Treasury as internal revenue collections.

## DEFINITIONS

Section 810 (a): This subsection imposes a fine of \$10,000, or imprisonment for not more than 6 months, or both, for using, transferring, exchanging, or pledging any stamp or other device prescribed by the Commissioner of Internal Revenue for the collection or payment of the taxes under this title in any manner except as authorized by law or regulations made thereunder.

Section 810 (b): This subsection imposes a fine of \$5,000, or imprisonment for not more than 5 years, or both, in the following cases where there is an intent to defraud: (1) Altering, forging, or counterfeiting any stamp or other device prescribed by the Commissioner of Internal Revenue for the collection or payment of taxes due under this title; (2) using, selling, lending, or having in possession any such altered, forged, or counterfeited stamp or other device; and (3) making, using, selling, or having possession of any material in imitation of the material used in the manufacture of such stamp or other device.

## DEFINITIONS

Section 811 (a): This subsection defines "wages." Wages include not only the cash payments made to the employee for work done, but also compensation for services in any other form, such as room, board, etc. The term "wages" does not necessarily apply to the total remuneration received from the employer by the employee; the term includes only the first \$3,000 of wages received by an employee from his employer with respect to employment during the calendar year. The following example will illustrate how the rule applies: Employer A pays employee B a salary of \$500 a month beginning with the calendar year 1937. At the end of the sixth month B has received from his

employer \$3,000. The balance of his salary for 1937 is not subject to taxation either with respect to the employer's tax or the employee's tax. However, this is only the case where the employee continues in the employment of the same employer throughout the year. If the employee leaves the service of employer A on June 30, 1937, and enters the service of employer C on that date and continues with employer C at the same salary throughout the remainder of the year, both employer C and employee B will be liable for the tax in respect of the wages received during the remaining portion of the calendar year 1937.

Section 811 (b): This subsection defines the term "employment" as any service of whatever nature performed within the United States or on an American vessel by an employee for his employer. It should be noted in this connection that section 1001 (a) (6) includes in the definition of "employee" an officer of a corporation. For instance, resident and nonresident aliens performing services within the United States are subject to the tax under this title. On the other hand, service performed outside the United States (unless on an American vessel), whether by a citizen of the United States or by a nonresident alien, is not subject to the tax. The term "United States" is defined in section 1001 (a) (2) to include the States, Alaska, Hawaii, and the District of Columbia. Due to the difficulties in collecting the tax in the case of certain kinds of employment, the following services are exempt from taxation even though performed within the United States: (1) Agricultural labor; (2) domestic service in a private home; (3) casual labor not in the course of the employer's trade or business. This would not exempt casual labor performed in the course of an employer's trade or business. For instance, if a department store employed emergency help during the rush season in connection with its trade or business, the services performed by such help would not be exempt from taxation under this title.

Exemption from taxation under this title is also granted in the case of Federal and State or political subdivision employees.

Services performed in the employ of religious, charitable, scientific, literary, humane, or educational institutions, no part of the net earnings of which inures to the benefit of any private shareholder or individual, are also exempt from the tax imposed by this title. For the purpose of determining whether such an organization is exempt, the use to which the income is applied is the ultimate test of the exemption rather than the source from which the income is derived. For instance, if a church owns an apartment building from which it derives income which is devoted to religious, charitable, educational, humane, or scientific purposes, it will not be denied the exemption. The organizations which will be exempt from such taxes are churches, schools, colleges, and other educational institutions not operated for private profit, the Y. M. C. A., the Y. W. C. A., the Y. M. H. A., the Salvation Army, and other organizations which are exempt from income tax under section 101 (6) of the Revenue Act of 1932.

The committee amended the House bill, so that service on an American vessel is now considered as employment under this title; and further amended the House bill so that individuals over 65 years of age are not exempt from taxation under this title.

## TITLE IX. TAX ON EMPLOYERS OF FOUR OR MORE

This title levies upon employers an excise tax payable annually, measured by wages, and allows each taxpayer to credit against his tax the amount of contributions he has paid under State unemployment compensation laws.

## IMPOSITION OF TAX

Section 901: An annual excise tax is imposed on each employer (as defined in sec. 907) on the privilege of having individuals in his employ. His tax, payable annually, will be at a rate of 1 percent of the total wages payable by him with respect to employment (as defined in sec. 907) in the calendar year 1936. This means that the tax is measured by wages which are payable as remuneration for services performed during that calendar year, regardless of the time when the actual payment is made.

The rate of tax, after being 1 percent for the year 1936, shall increase to 2 percent for 1937, and 3 percent thereafter.

## CREDIT AGAINST TAX

Section 902: A taxpayer may credit against his tax the total amount of contributions he has paid to State unemployment compensation funds in accordance with State unemployment compensation laws. The credit against the tax measured by wages payable with respect to employment in a calendar year will be allowed only for contributions which themselves are paid (before the date for filing the tax return under this title for such year) with respect to employment in such year.

The total credit which a taxpayer may claim against his tax for any year shall not be more than 90 percent of the tax. Thus if the tax is \$100 the total credit which may be claimed cannot be more than \$90, even though the total amount of contributions may be greater than that. Credit shall be allowed only for contributions made under the laws of States certified for the taxable year under section 903.

## CERTIFICATION OF STATE LAWS

Section 903 (a): A State law to be approved must provide that—

(1): Unemployment compensation is to be paid through public employment offices in the State, to the extent that such offices exist and are designated by the State for the purpose. Under the House bill, unemployment compensation was required to be paid through public employment offices in the State.

(2): No compensation shall be payable with respect to any day of unemployment occurring before the expiration of 2 years after the first day of the first period with respect to which contributions are required. For example, if March 15, 1936, is the beginning of the first period with respect to which contributions are required under the State law, then no compensation may be paid for any day of unemployment occurring before March 15, 1938.

(3): All the money paid into the State unemployment fund (whether paid as contributions for employers or paid in by employees or contributed by the State itself) shall promptly be paid over to the Secretary

tary of the Treasury to the credit of the unemployment trust fund established by section 904.

(4): All the money withdrawn from the unemployment trust fund by the State agency shall be used solely in the payment of compensation; none of it may be used to meet administrative costs.

(5): A person otherwise eligible for compensation shall not be denied it on the ground that he has refused to take a new job when his denial is due to the fact that the position offered to him is vacant due directly to a strike, lockout, or other labor dispute, or is due to the fact that the wages, hours, or other conditions of the work offered are substantially less favorable than those prevailing for similar work in the locality, or that, as a condition of taking or retaining the new job, he would have to join a company union, or would have to resign from a labor organization, or would have to agree not to join a labor organization.

(6): The State law must contain a provision indicating that any rights, privileges, or immunities conferred under it may be taken away by the subsequent amendment or repeal of the law.

(b): If any State law, submitted to the Social Security Board, fulfills the conditions enumerated in this section, the Board shall within 30 days approve the law, and shall notify the State governor of its action. On December 31 of each year, each State which has an approved law shall be certified by the Board to the Secretary of the Treasury, unless in the meantime the Board finds that the State has changed its law in some material respect, or has failed substantially to fulfill any of the enumerated conditions. The Board is under the duty to warn the governor of the State whenever it has reason to believe that in spite of having an approved law a State may not be certified at the end of the year.

#### UNEMPLOYMENT TRUST FUND

Section 904: Subsection (a) of this section establishes in the Treasury of the United States a trust fund with the Secretary of the Treasury as trustee and with the respective State Agencies, administering the State unemployment compensation laws, as beneficiaries of the trust. The Secretary of the Treasury is directed to receive and hold in such fund all moneys deposited with him or with any Federal Reserve bank or member bank of the Federal Reserve System designated by him to receive such deposits, by such State agencies.

Under subsection (b) it is the duty of the Secretary of the Treasury to invest the fund (except such part as is, in his opinion, required to meet current withdrawals) in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. In order to provide suitable investments for this purpose, authority is given for the issuance of special obligations to the fund from time to time as required. Such obligations shall bear an interest rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower

than such average rate. In addition to such special obligations, outstanding obligations may be purchased at the market price, and original issues may be acquired at par, if the yield thereupon will be not less than the yield which would be required in the case of special obligations. Such special obligations (under the provisions of subsection (c)) may be redeemed at par plus accrued interest, while all other obligations may be sold at the market price.

Subsections (d) and (e) provide that the fund shall be invested as a single fund, but that the Secretary of the Treasury shall maintain a separate book account for each State agency and shall credit quarterly to each such account a proportionate part of the earnings of the fund for such quarter.

The Secretary of the Treasury (under subsection (f)), is directed to pay out of the amount to the credit of a State agency such amounts as the State agency shall duly requisition, not to exceed the amount standing to the credit of such State agency.

#### ADMINISTRATION, REFUNDS, AND PENALTIES

Section 905: Subsection (a) of this section provides that the tax shall be collected by the Bureau of Internal Revenue and shall be paid into the Treasury as internal-revenue collections.

Subsection (b) requires returns of the tax to be made by each employer not later than January 31 of each year in respect to employment in the preceding calendar year.

Subsection (c) makes the returns filed under this title open to inspection according to the rules laid down for income-tax returns under the Revenue Act of 1926.

Subsection (d) allows the taxpayer to pay his tax in equal quarterly installments as is the case with the Federal income tax.

Subsection (e) gives the Commissioner the right to give extensions of time for the payment of tax or installments thereof, and subsection (f) provides that in the payment of tax a fractional part of a cent shall not be counted unless it amounts to one-half cent or more in which case it shall be counted as 1 cent.

#### INTERSTATE COMMERCE

Section 906: This section provides that no person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate commerce, or that the State law does not distinguish between employees engaged in interstate commerce and those engaged in intrastate commerce.

#### DEFINITIONS

Section 907: The definitions set up by this section are very important in connection with the application and scope of the entire title. They are as follows:

(a) Employer: The term "employer" includes only those persons who, in each of at least 13 weeks in the year, have a total number of 4 or more employees. (In the House bill it was 20 weeks and 10 or more employees.) This means that if on 1 day a week for 13 weeks (which need not be consecutive) there are 4 employees, the employer is covered. The employees (who need not necessarily be the same

people) need not all be employed at the same moment; it is enough if during the day the total number is at least 4. The employees are not counted unless they are employed in "employment" as defined in this section.

(b) Wages: The term "wages" is defined to mean all remuneration for employment, including the cash value of all remuneration paid in any other medium than cash. That is, in addition to money payments, it includes payments in kind, rent, food, lodging, etc.

(c) The term "employment" is defined to mean any service performed within the United States by an employee for his employer with the following exceptions:

(1) Agricultural labor.

(2) Domestic service in a private home.

(3) Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States. (This does not exempt the services of longshoremen and others who work in connection with loading vessels.)

(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under 21 in the employ of his parent.

(5) Service performed in the employ of the United States Government or of an instrumentality of the United States.

(6) Service performed in the employ of a State, or political subdivision thereof, or an instrumentality of one or more States or political subdivisions.

(7) Service performed in the employ of corporations or organizations organized exclusively for religious, charitable, scientific, literary, or educational purposes, no part of the net earnings of which accrue to any private individual or shareholder.

If the service is within the excepted classes, the employer is exempt from tax on the wages payable with respect to such service.

(d) The term "State agency" is defined to mean any State officer, board, or other authority, designated under a State law to administer the State unemployment fund.

(e) The term "unemployment fund" is defined to mean a special fund, established by State law and administered by a State agency, for the payment of unemployment compensation. A committee amendment strikes out the requirement of the House bill that the assets of the fund be mingled and undivided, and that no separate account be maintained with respect to any person.

(f) The term "contributions" is defined to mean payments required to be made by an employer under a State law into an unemployment fund, except that any payments which have been or may be deducted from the wages of the individuals in his employ are not to be considered as contributions under the definition.

(g) The term "compensation" is defined to mean cash benefits payable to individuals with respect to their unemployment.

#### RULES AND REGULATIONS

Section 908: This section authorizes and directs the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to make and publish such rules and regulations for the enforcement of this title as are necessary. The exception is made,



however, that the authorization and direction above noted do not apply to section 903, relating to certification of State laws, and to section 904, relating to the unemployment trust fund.

#### ALLOWANCE OF ADDITIONAL CREDIT

Section 909: The Committee has added this section, and its companion section 910, to the House bill. Subsection (a) provides that a taxpayer under section 901 may, for 1938 or any taxable year thereafter, obtain an additional credit against his tax, under certain conditions. Let us assume, for the purpose of giving a relatively simple example, that he carries on business in only one State. He will credit against the tax the amount of his contributions under the law of that State; and, under this new section, he will also credit the amount by which his contributions are less than they would have been if he had been contributing at the maximum rate in the State. The additional credit, however, is limited by not allowing it to exceed the difference between the actual amount paid and the amount he would have paid at a 2.7 percent rate; and subsection (b) also provides for limiting the additional credit to the proper difference allowed by the State law, diminishing it if the employer has failed to make any of the contributions required of him.

In figuring what contributions the employer would have paid at the maximum rate, the highest rate applicable to any employer each time when contributions are payable is the rate considered.

Subsection (c) provides that even if an employer is getting credit under section 902 and additional credit under this section, he shall never credit against tax more than 90 percent of the tax.

#### CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE

Section 910: This section places restrictions on the allowance of the additional credit under section 909.

(1) The taxpayer whose case was considered in the discussion of section 909 may have been contributing to a pooled fund in the State. If he is contributing at a lower rate than that imposed on other employers in the State, he will get the additional credit; but only if he has had at least 3 years of compensation experience under the State law, and only if his lower rate is fixed as a result of his comparatively favorable experience. A State rate might, therefore, vary at the outset among different employers or industries, but the additional credit would not be given until the compensation experience of the favored employer had justified the variation.

(2) The taxpayer may have guaranteed the employment of his employees, and be contributing to a guaranteed employment account maintained by the State agency. In this case, if he claimed the additional credit under section 909, he would get it only if his guaranty had been fulfilled, and only if his guaranteed employment account amounted to at least 7½ percent of his guaranteed pay roll.

(3) The taxpayer may be contributing to a separate reserve account, from which benefits are payable only to his employees. If he claims the additional credit under section 909, it would be allowed only if, in the preceding year, those of his employees who became unemployed and were eligible for compensation received compensation from the reserve account. Furthermore, the additional credit

would be allowed only if the reserve account amounted to 7½ percent of his pay roll, and was at least five times larger than the amount paid out from it, in compensation, in that year (among the 3 preceding years) when the greatest amount was thus paid out from it.

Subsection (c) defines terms used in this section; the committee having added sections 909 and 910 as a new and distinct addition superimposed upon the title, these definitions were placed here rather than in section 907.

(1) "Reserve account" is defined as a separate account in a State unemployment fund, from which compensation is payable only to the former employees of the employers contributing to the account. The account may be maintained with respect to one employer or a group of employers.

(2) "Pooled fund" is an unemployment fund (or part of such a fund, if some employers are maintaining separate accounts in the fund) in which all contributions are mingled and undivided. Compensation is payable from it regardless of whether the claimant was formerly in the employ of an employer contributing to the pooled fund; but where some employers in the State have reserve accounts, their former employees get compensation from the pooled fund only if the reserve accounts are exhausted.

(3) "Guaranteed employment account" is, like a reserve account, a separate account in an unemployment fund, but it can be maintained only with respect to certain employers. Compensation is payable from it to those of such employer's employees who, having been guaranteed employment, nevertheless become unemployed due to a failure to fulfill the guaranty, or become unemployed at the end of the year for which the guaranty was made, due to the nonrenewal of the guaranty. To be a "guaranteed employment account", such separate account would have to be maintained with respect to an employer who had guaranteed the wages of all of his employees (or, if he maintains more than one distinct business establishment, of all the employees in at least one such establishment), for at least 40 weeks in a 12-month period. The wages guaranteed should be for at least 30 hours a week; but if 41 weeks, for instance, were guaranteed instead of 40, the weekly hours guaranteed could be cut from 30 to 29; and if 42 weeks were guaranteed, only 28 hours wages per week would need to be guaranteed. While ordinarily all the employees would have to be covered, the employer would not have to extend the guaranty to any new employee until the latter had served a probationary period of not more than 12 consecutive weeks.

(4) "Year of compensation experience", used only in relation to an employer, is defined as any calendar year during which, at all times in the year, a former employee of such employer, if there was one who was eligible for compensation, could receive compensation under the State law.

#### TITLE X. GRANTS TO STATES FOR AID TO THE BLIND

This title (which is inserted by committee amendment) provides for Federal grants-in-aid to States, for the payment of assistance to persons who are permanently blind. The grants are to be made on an equal matching (50-50) basis, except that in the case of no individual will the Federal Government's share exceed \$15 per month.

## APPROPRIATION

Section 1001: \$3,000,000 is authorized to be appropriated for the fiscal year 1936, and for each fiscal year thereafter sums sufficient to carry out the purpose of this title. The money is to be paid to States whose plan for aid to the blind has been approved by the Social Security Board, as complying with the requirements of section 1002.

## STATE PLANS FOR AID TO THE BLIND

Section 1002: To be approved, a State plan must meet certain requirements laid down in subsection (a), and must be sufficiently liberal in its eligibility requirements, in accordance with subsection (b).

(a) The requirements which must be met by the State law are similar to the first six requirements which a State old-age assistance plan, under section 2, must meet, likewise similar to the conditions which a State plan for aid to dependent children must meet under section 402 (a). An additional requirement is that the plan must provide that no aid under the plan will be furnished to any individual with respect to any period for which he is receiving old-age assistance under the State plan approved under section 2.

(b) The liberality of the eligibility requirements, which a State plan must contain, are worded in a similar fashion to paragraphs (2) and (3) of section 2 (b). These relate to residence and citizenship. In the State plan for aid to the blind no limitation is placed upon any age requirement which the State may impose.

## PAYMENTS TO STATES

Section 1003: Payments to the States are to be made quarterly, in a method similar to that described in connection with section 3. The State payments will be matched (up to \$15) regardless of the age of the blind recipient.

## OPERATION OF STATE PLANS

Section 1004: A State with an approved plan will not receive payments if the Board finds that the State is not substantially complying with its plan.

## ADMINISTRATION

Section 1005: \$30,000 is authorized to be appropriated for the fiscal year for the administrative expenses of the Board. There is no limitation on the appropriation for future years.

## DEFINITION

Section 1006: Aid to the blind is confined to payments in cash, to persons permanently blind.

## TITLE XI. UNITED STATES ANNUITY BONDS

This title (which is inserted by committee amendment) provides that the United States may borrow money to meet public expenditures and retire the public debt by the issuance under the Second Liberty Bond Act, as amended, of annuity bonds payable in installments, but the amount payable to any individual shall not exceed \$100 a month.

## AUTHORITY FOR ISSUANCE

Section 1101: The Secretary of the Treasury is authorized, with the approval of the President, to borrow funds to meet public expenditures and to retire the public debt and to issue therefor under the authority of the Second Liberty Bond Act, as amended, bonds to be known as "United States Annuity Bonds". The Secretary of the Treasury is authorized to prescribe the forms, amounts, terms, and conditions of such bonds.

## TERMS OF ANNUITY BONDS

Section 1102 (a): Annuity bonds shall be payable in installments.

(b): The Secretary of the Treasury may offer annuity bonds to be payable during (1) a fixed term of years, or (2) the life of the annuitant or the lives of two annuitants, or (3) a term of years fixed or the life of the annuitant, whichever period may be the longer, or (4) a term of years fixed or the lives of two annuitants, whichever period may be the longer.

(c): The installments shall be such as to afford an investment yield not in excess of 3 percent per annum compounded semiannually.

(d): Annuity bonds shall be redeemable (1) in case of the death of the annuitant, or (2) in such other cases as the Secretary of the Treasury may prescribe.

## TERMS AND CONDITIONS OF ISSUE

Section 1103 (a): Annuity bonds may be purchased by payment in full (1) in cash, or (2) by surrender of United States savings bonds at redemption value thereof, or (3) in installments.

(b): Annuity bonds may be issued only to citizens of the United States and in amounts to provide an annuity of not less than \$60 or more than \$1,200 in any 1 year, and no individual shall be entitled to receive under United States annuity bonds, annuities aggregating more than \$1,200 in any 1 year.

## CONTRACTS FOR ANNUITY BONDS

Section 1104: The Secretary of the Treasury is authorized to make contracts for the issuance of annuity bonds under which the annuity bonds may be bought by the payment of small amounts from time to time.

## TAXES AND TAX EXEMPTIONS

Section 1105: Annuity bonds shall be exempt from taxation, but annuity and redemption payments shall be subject to taxation by the United States, the States, and local taxing authorities to the extent that such payments upon other annuity bonds or agreements are taxed.

## GENERAL CONDITIONS

Section 1106: Annuity bonds, contracts therefor, and rights existing thereunder shall not be transferable or assignable in law or in equity, except that if the Secretary of the Treasury is furnished with a copy of an order, judgment, or decree of a court establishing that the payments for the annuity bond were made with the actual intent to defraud creditors of the person making the payment, the Secretary

of the Treasury shall pay into the court an amount equal to the payments so made. In such cases the Secretary is authorized to cancel the annuity bond or contract therefor upon payment of any balance to the annuitant or contracting party, or to reduce the amount of the installments under the annuity bond.

#### RECEIPTS AND PAYMENTS

Section 1107: All payments received for or on account of annuity bonds shall be covered into the Treasury as public-debt receipts and the Secretary is authorized and directed to make, from any money in the Treasury not otherwise appropriated, as public-debt redemptions, the payments provided for in the annuity bonds.

#### PENALTIES

Section 1108: Whoever, in any application for an annuity bond or contract therefor, makes any false statement as to any material fact, knowing such statement to be false, shall forfeit to the United States twice the difference between (1) the net value of the annuity bond or the credits under such contract, at the time of such forfeiture, and (2) the amount which would have been the net value of such annuity bond or credits at that time had such false statement not been made. The Secretary of the Treasury is authorized to enforce such forfeiture in any court of competent jurisdiction, and upon such forfeiture the Secretary of the Treasury shall cancel such annuity bond or contract therefor and make payment of the balance to the annuitant or contracting party after satisfying the forfeiture and any costs of the proceedings.

#### FISCAL AGENCY SERVICES

Section 1109: At the request of the Secretary of the Treasury, the Postmaster General shall require the employees of the Post Office Department and of the Postal Service to perform such fiscal services as may be desirable in connection with the sale and delivery of annuity bonds, contracts therefor, and stamps and other evidence or means of payment therefor.

#### DEPOSITS WITH POSTAL SAVINGS SYSTEM

Section 1110: At the request of the Secretary of the Treasury, the board of trustees of the Postal Savings System is authorized to permit (a) the withdrawal of Postal Savings deposits on less than 60 days' notice for the purpose of acquiring United States annuity bonds; and (b) deposits with it to the credit of the United States as payment for United States annuity bonds or under contracts therefor.

#### REPORTS

Section 1111: The Secretary of the Treasury shall include in his annual report to Congress a full account of the administration of this title.

## TITLE XII. GENERAL PROVISIONS

## DEFINITIONS

Section 1201 contains definitions of "State", "United States", "person", "corporation", "shareholder", and "employee."

Section 1201 (d) provides that nothing in this act shall be construed as authorizing any Federal official in carrying out the provisions of this act to take charge, in violation of the law of a State, of any child over the objection of the parents.

## RULES AND REGULATIONS

Section 1202 provides for the making of regulations by the Secretary of the Treasury, the Secretary of Labor, and the Social Security Board, respectively, for carrying out the functions with which each is charged.

## SEPARABILITY

Section 1203 is the usual separability clause.

## RESERVATION OF POWER

Section 1204 reserves to Congress the right to alter, amend, or repeal any portion of the act.

## SHORT TITLE

Section 1205 provides that the act may be cited as the "Social Security Act."



Union Calendar No. 186

74<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 7260

[Report No. 615]

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 4, 1935

Mr. DOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means and ordered to be printed

APRIL 5, 1935.

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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## A BILL

To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*

## 1       TITLE I—GRANTS TO STATES FOR OLD-AGE

## 2                                       ASSISTANCE

## 3                                       APPROPRIATION

4       SECTION 1. For the purpose of enabling each State  
5 to furnish financial assistance assuring, as far as practicable  
6 under the conditions in such State, a reasonable subsistence  
7 compatible with decency and health to aged individuals with-  
8 out such subsistence, there is hereby authorized to be appro-  
9 priated for the fiscal year ending June 30, 1936, the sum  
10 of \$49,750,000, and there is hereby authorized to be appro-  
11 priated for each fiscal year thereafter a sum sufficient to  
12 carry out the purposes of this title. The sums made avail-  
13 able under this section shall be used for making payments to  
14 States which have submitted, and had approved by the Social  
15 Security Board established by Title VII (hereinafter  
16 referred to as the "Board"), State plans for old-age  
17 assistance.

## 18                                       STATE OLD-AGE ASSISTANCE PLANS

19       SEC. 2. (a) A State plan for old-age assistance must  
20 (1) provide that it shall be in effect in all political subdivi-  
21 sions of the State, and, if administered by them, be manda-  
22 tory upon them; (2) provide for financial participation  
23 by the State; (3) either provide for the establishment or  
24 designation of a single State agency to administer the plan,  
25 or provide for the establishment or designation of a single



1 State agency to supervise the administration of the plan;  
2 (4) provide for granting to any individual, whose claim for  
3 old-age assistance is denied, an opportunity for a fair hear-  
4 ing before such State agency; (5) provide such methods  
5 of administration (other than those relating to selection,  
6 tenure of office, and compensation of personnel) as are  
7 found by the Board to be necessary for the efficient oper-  
8 ation of the plan; (6) provide that the State agency will  
9 make such reports, in such form and containing such informa-  
10 tion, as the Board may from time to time require, and  
11 comply with such provisions as the Board may from time  
12 to time find necessary to assure the correctness and verifica-  
13 tion of such reports; and (7) provide that, if the State or  
14 any of its political subdivisions collects from the estate of  
15 any recipient of old-age assistance any amount with respect  
16 to old-age assistance furnished him under the plan, one-half  
17 of the net amount so collected shall be promptly paid to the  
18 United States. Any payment so made shall be deposited  
19 in the Treasury to the credit of the appropriation for the  
20 purposes of this title.

21 (b) The Board shall approve any plan which fulfills  
22 the conditions specified in subsection (a), except that it shall  
23 not approve any plan which imposes, as a condition of  
24 eligibility for old-age assistance under the plan—

1           (1) An age requirement of more than sixty-five  
2           years, except that the plan may impose, effective until  
3           January 1, 1940, an age requirement of as much as  
4           seventy years; or

5           (2) Any residence requirement which excludes  
6           any resident of the State who has resided therein five  
7           years during the nine years immediately preceding the  
8           application for old-age assistance and has resided therein  
9           continuously for one year immediately preceding the  
10          application; or

11          (3) Any citizenship requirement which excludes  
12          any citizen of the United States.

13    PAYMENT TO STATES

14          SEC. 3. (a) From the sums appropriated therefor, the  
15          Secretary of the Treasury shall pay to each State which  
16          has an approved plan for old-age assistance, for each quarter,  
17          beginning with the quarter commencing July 1, 1935, (1)  
18          an amount, which shall be used exclusively as old-age as-  
19          sistance, equal to one-half of the total of the sums expended  
20          during such quarter as old-age assistance under the State  
21          plan with respect to each individual who at the time of such  
22          expenditure is sixty-five years of age or older and is not  
23          an inmate of a public institution, not counting so much  
24          of such expenditure with respect to any individual for any  
25          month as exceeds \$30, and (2) 5 per centum of such

1 amount, which shall be used for paying the costs of ad-  
2 ministering the State plan or for old-age assistance, or both,  
3 and for no other purpose.

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

6 (1) The Board shall, prior to the beginning of  
7 each quarter, estimate the amount to be paid to the  
8 State for such quarter under the provisions of clause  
9 (1) of subsection (a), such estimate to be based  
10 on (A) a report filed by the State containing its  
11 estimate of the total sum to be expended in such  
12 quarter in accordance with the provisions of such  
13 clause, and stating the amount appropriated or made  
14 available by the State and its political subdivisions  
15 for such expenditures in such quarter, and if such  
16 amount is less than one-half of the total sum of such  
17 estimated expenditures, the source or sources from which  
18 the difference is expected to be derived, (B) records  
19 showing the number of aged individuals in the State,  
20 and (C) such other investigation as the Board may find  
21 necessary.

22 (2) The Board shall then certify to the Secretary  
23 of the Treasury the amount so estimated by the Board,  
24 reduced or increased, as the case may be, by any sum  
25 by which it finds that its estimate for any prior quarter

1 was greater or less than the amount which should have  
2 been paid to the State under clause (1) of sub-  
3 section (a) for such quarter, except to the extent that  
4 such sum has been applied to make the amount certified  
5 for any prior quarter greater or less than the amount  
6 estimated by the Board for such prior quarter.

7 (3) The Secretary of the Treasury shall there-  
8 upon, through the Division of Disbursement of the  
9 Treasury Department and prior to audit or settlement  
10 by the General Accounting Office, pay to the State,  
11 at the time or times fixed by the Board, the amount  
12 so certified, increased by 5 per centum.

13 OPERATION OF STATE PLANS

14 SEC. 4. In the case of any State plan for old-age  
15 assistance which has been approved by the Board, if the  
16 Board, after notice and opportunity for hearing to the State  
17 agency administering or supervising the administration of  
18 such plan, finds—

19 (1) that the plan has been so changed as to im-  
20 pose any age, residence, or citizenship requirement  
21 prohibited by section 2 (b), or that in the administra-  
22 tion of the plan any such prohibited requirement is  
23 imposed, with the knowledge of such State agency, in  
24 a substantial number of cases; or

1 (2) that in the administration of the plan there  
 2 is a failure to comply substantially with any provision  
 3 required by section 2 (a) to be included in the plan;  
 4 the Board shall notify such State agency that further pay-  
 5 ments will not be made to the State until the Board is satis-  
 6 fied that such prohibited requirement is no longer so imposed,  
 7 and that there is no longer any such failure to comply.  
 8 Until it is so satisfied it shall make no further certification  
 9 to the Secretary of the Treasury with respect to such State.

#### 10 ADMINISTRATION

11 SEC. 5. There is hereby authorized to be appropri-  
 12 ated for the fiscal year ending June 30, 1936, the sum  
 13 of \$250,000, for all necessary expenses of the Board in  
 14 administering the provisions of this title.

#### 15 DEFINITION

16 SEC. 6. When used in this title the term "old-age  
 17 assistance" means money payments to aged individuals.

### 18 TITLE II—FEDERAL OLD-AGE BENEFITS

#### 19 OLD-AGE RESERVE ACCOUNT

20 SECTION 201. (a) There is hereby created an account  
 21 in the Treasury of the United States to be known as the  
 22 "Old-Age Reserve Account" hereinafter in this title called  
 23 the "Account". There is hereby authorized to be appro-  
 24 priated to the Account for each fiscal year, beginning with

1 the fiscal year ending June 30, 1937, an amount sufficient as  
2 an annual premium to provide for the payments required  
3 under this title, such amount to be determined on a reserve  
4 basis in accordance with accepted actuarial principles, and  
5 based upon such tables of mortality as the Secretary of the  
6 Treasury shall from time to time adopt, and upon an interest  
7 rate of 3 per centum per annum compounded annually. The  
8 Secretary of the Treasury shall submit annually to the  
9 Bureau of the Budget an estimate of the appropriations to  
10 be made to the Account.

11 (b) It shall be the duty of the Secretary of the  
12 Treasury to invest such portion of the amounts credited  
13 to the Account as is not, in his judgment, required to  
14 meet current payments. Such investment shall be made  
15 in any interest-bearing obligations of the United States or  
16 in any obligations guaranteed as to both principal and interest  
17 by the United States. The Secretary of the Treasury may at  
18 any time sell any such obligations. The interest on, and the  
19 proceeds from the sale of, any such obligations shall be  
20 credited to the Account.

21 (c) All amounts credited to the Account shall be  
22 available for making payments required under this title.

23 (d) The Secretary of the Treasury shall include in  
24 his annual report the actuarial status of the Account.

## 1 OLD-AGE BENEFIT PAYMENTS

2 SEC. 202. (a) Every qualified individual (as defined in  
3 section 210) shall be entitled to receive, with respect to the  
4 period beginning on the date he attains the age of sixty-five,  
5 or on January 1, 1942, whichever is the later, and ending  
6 on the date of his death, an old-age benefit (payable as  
7 nearly as practicable in equal monthly installments) as  
8 follows:

9 (1) If the total wages (as defined in section  
10 210) determined by the Board to have been paid to  
11 him, with respect to employment (as defined in section  
12 210) after December 31, 1936, and before he attained  
13 the age of sixty-five, were not more than \$3,000, the  
14 old-age benefit shall be at a monthly rate of one-half  
15 of 1 per centum of such total wages;

16 (2) If such total wages were more than \$3,000,  
17 the old-age benefit shall be at a monthly rate equal to  
18 the sum of the following:

19 (A) One-half of 1 per centum of \$3,000;  
20 plus

21 (B) One-twelfth of 1 per centum of the  
22 amount by which such total wages exceeded  
23 \$3,000 and did not exceed \$45,000; plus

24 (C) One-twenty-fourth of 1 per centum of  
25 the amount by which such total wages exceeded  
26 \$45,000.

1           (b) In no case shall the monthly rate computed under  
2 subsection (a) exceed \$85.

3           (c) If the Board finds at any time that more or less  
4 than the correct amount has theretofore been paid to any  
5 individual under this section, then, under regulations made  
6 by the Board, proper adjustments shall be made in con-  
7 nection with subsequent payments under this section to the  
8 same individual.

9   PAYMENTS UPON DEATH

10          SEC. 203. (a) If any individual dies before attaining  
11 the age of sixty-five, there shall be paid to his estate an  
12 amount equal to  $3\frac{1}{2}$  per centum of the total wages deter-  
13 mined by the Board to have been paid to him, with respect  
14 to employment after December 31, 1936.

15          (b) If the Board finds that the correct amount of the  
16 old-age benefit payable to a qualified individual during his  
17 life under section 202 was less than  $3\frac{1}{2}$  per centum of the  
18 total wages by which such old-age benefit was measurable,  
19 then there shall be paid to his estate a sum equal to the  
20 amount, if any, by which such  $3\frac{1}{2}$  per centum exceeds the  
21 amount (whether more or less than the correct amount)  
22 paid to him during his life as old-age benefit.

23          (c) If the Board finds that the total amount paid  
24 to a qualified individual under an old-age benefit during  
25 his life was less than the correct amount to which he was



1 entitled under section 202, and that the correct amount of  
2 such old-age benefit was  $3\frac{1}{2}$  per centum or more of the  
3 total wages by which such old-age benefit was measurable,  
4 then there shall be paid to his estate a sum equal to the  
5 amount, if any, by which the correct amount of the old-age  
6 benefit exceeds the amount which was so paid to him  
7 during his life.

8 PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR  
9 BENEFITS

10 SEC. 204. (a) There shall be paid in a lump sum to any  
11 individual who, upon attaining the age of sixty-five, is not a  
12 qualified individual, an amount equal to  $3\frac{1}{2}$  per centum of the  
13 total wages determined by the Board to have been paid to  
14 him, with respect to employment after December 31, 1936,  
15 and before he attained the age of sixty-five.

16 (b) After any individual becomes entitled to any pay-  
17 ment under subsection (a), no other payment shall be made  
18 under this title in any manner measured by wages paid  
19 to him, except that any part of any payment under subsection  
20 (a) which is not paid to him before his death shall be paid to  
21 his estate.

22 AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATES

23 SEC. 205. If any amount payable to an estate under  
24 section 203 or 204 is \$500 or less, such amount may, under  
25 regulations prescribed by the Board, be paid to the persons

1 found by the Board to be entitled thereto under the law of  
2 the State in which the deceased was domiciled, without the  
3 necessity of compliance with the requirements of law with  
4 respect to the administration of such estate.

5 OVERPAYMENTS DURING LIFE

6 SEC. 206. If the Board finds that the total amount paid  
7 to a qualified individual under an old-age benefit during his  
8 life was more than the correct amount to which he was  
9 entitled under section 202, and was  $3\frac{1}{2}$  per centum or more  
10 of the total wages by which such old-age benefit was meas-  
11 urable, then upon his death there shall be repaid to the  
12 United States by his estate the amount, if any, by which  
13 such total amount paid to him during his life exceeds which-  
14 ever of the following is the greater: (1) Such  $3\frac{1}{2}$  per  
15 centum, or (2) the correct amount to which he was entitled  
16 under section 202.

17 METHOD OF MAKING PAYMENTS

18 SEC. 207. The Board shall from time to time certify  
19 to the Secretary of the Treasury the name and address of  
20 each person entitled to receive a payment under this title,  
21 the amount of such payment, and the time at which it  
22 should be made, and the Secretary of the Treasury through  
23 the Division of Disbursement of the Treasury Department,  
24 and prior to audit or settlement by the General Account-  
25 ing Office, shall make payment in accordance with the  
26 certification by the Board.

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## ASSIGNMENT

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SEC. 208. The right of any person to any future payment under this title shall not be transferable or assignable, at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

## PENALTIES

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SEC. 209. Whoever in any application for any payment under this title makes any false statement as to any material fact, knowing such statement to be false, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

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## DEFINITIONS

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SEC. 210. When used in this title—

(a) The term “wages” means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include that part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year.

1           (b) The term “employment” means any service,  
2 of whatever nature, performed within the United States by  
3 an employee for his employer, except—

4           (1) Agricultural labor;

5           (2) Domestic service in a private home;

6           (3) Casual labor not in the course of the em-  
7 ployer’s trade or business;

8           (4) Service performed as an officer or member  
9 of the crew of a vessel documented under the laws of  
10 the United States or of any foreign country;

11           (5) Service performed in the employ of the  
12 United States Government or of an instrumentality of  
13 the United States;

14           (6) Service performed in the employ of a State,  
15 a political subdivision thereof, or an instrumentality  
16 of one or more States or political subdivisions;

17           (7) Service performed in the employ of a cor-  
18 poration, community chest, fund, or foundation, organ-  
19 ized and operated exclusively for religious, charitable,  
20 scientific, literary, or educational purposes, no part of  
21 the net earnings of which inures to the benefit of any  
22 private shareholder or individual.

23           (c) The term “qualified individual” means any indi-  
24 vidual with respect to whom it appears to the satisfaction of  
25 the Board that—

1 (1) He is at least sixty-five years of age; and

2 (2) The total amount of wages paid to him, with  
3 respect to employment after December 31, 1936, and  
4 before he attained the age of sixty-five, was not less  
5 than \$2,000; and

6 (3) Wages were paid to him, with respect to  
7 employment on some five days after December 31,  
8 1936, and before he attained the age of sixty-five,  
9 each day being in a different calendar year.

10 TITLE III—GRANTS TO STATES FOR UNEMPLOY-  
11 MENT COMPENSATION ADMINISTRATION

12 APPROPRIATION

13 SECTION 301. For the purpose of assisting the States  
14 in the administration of their unemployment compensation  
15 laws, there is hereby authorized to be appropriated, for the  
16 fiscal year ending June 30, 1936, the sum of \$4,000,000,  
17 and for each fiscal year thereafter the sum of \$49,000,000,  
18 to be used as hereinafter provided.

19 PAYMENTS TO STATES

20 SEC. 302. (a) The Board shall from time to time cer-  
21 tify to the Secretary of the Treasury for payment to each  
22 State which has an unemployment compensation law ap-  
23 proved by the Board under Title IX, such amounts as the  
24 Board determines to be necessary for the proper adminis-  
25 tration of such law during the fiscal year in which such

1 payment is to be made. The Board's determination shall  
2 be based on (1) the population of the State; (2) an esti-  
3 mate of the number of persons covered by the State law and  
4 of the cost of proper administration of such law; and (3)  
5 such other factors as the Board finds relevant. The Board  
6 shall not certify for payment under this section in any fiscal  
7 year a total amount in excess of the amount appropriated  
8 therefor for such fiscal year.

9 (b) Out of the sums appropriated therefor, the Secre-  
10 tary of the Treasury shall, upon receiving a certification  
11 under subsection (a), pay, through the Division of Dis-  
12 bursement of the Treasury Department and prior to audit or  
13 settlement by the General Accounting Office, to the State  
14 agency charged with the administration of such law the  
15 amount so certified.

16 PROVISIONS OF STATE LAWS

17 SEC. 303. (a) The Board shall make no certification  
18 for payment to any State unless it finds that the law of such  
19 State, approved by the Board under Title IX, includes  
20 provisions for—

21 (1) Such methods of administration (other than  
22 those relating to selection, tenure of office, and com-  
23 pensation of personnel) as are found by the Board to  
24 be reasonably calculated to insure full payment of  
25 unemployment compensation when due; and

1           (2) Payment of unemployment compensation  
2 solely through public employment offices in the State;  
3 and

4           (3) Opportunity for a fair hearing, before an  
5 impartial tribunal, for all individuals whose claims for  
6 unemployment compensation are denied; and

7           (4) The payment of all money received in the  
8 unemployment fund of such State, immediately upon  
9 such receipt, to the Secretary of the Treasury to the  
10 credit of the Unemployment Trust Fund established by  
11 section 904; and

12           (5) Expenditure of all money requisitioned by  
13 the State agency from the Unemployment Trust Fund,  
14 in the payment of unemployment compensation, exclu-  
15 sive of expenses of administration; and

16           (6) The making of such reports, in such form  
17 and containing such information, as the Board may  
18 from time to time require, and compliance with such  
19 provisions as the Board may from time to time find  
20 necessary to assure the correctness and verification of  
21 such reports; and

22           (7) Making available upon request to any agency  
23 of the United States charged with the administration  
24 of public works or assistance through public employ-  
25 ment, the name, address, ordinary occupation and em-

1        employment status of each recipient of unemployment com-  
2        pensation, and a statement of such recipient's rights to  
3        further compensation under such law.

4        (b) Whenever the Board, after notice and opportunity  
5        for hearing to the State agency charged with the administra-  
6        tion of the State law, finds that in the administration of the  
7        law there is—

8                (1) a denial, in a substantial number of cases, of  
9                unemployment compensation to individuals entitled  
10              thereto under such law; or

11              (2) a failure to comply substantially with any  
12              provision specified in subsection (a);

13        the Board shall notify such State agency that further pay-  
14        ments will not be made to the State until the Board is sat-  
15        isfied that there is no longer any such denial or failure to  
16        comply. Until it is so satisfied it shall make no further  
17        certification to the Secretary of the Treasury with respect  
18        to such State.

19        TITLE IV—GRANTS TO STATES FOR AID TO  
20    DEPENDENT CHILDREN

21    APPROPRIATION

22        SECTION 401. For the purpose of enabling each State  
23        to furnish financial assistance assuring, as far as practicable  
24        under the conditions in such State, a reasonable subsistence  
25        compatible with decency and health to dependent children



1 without such subsistence, there is hereby authorized to be ap-  
2 propriated for the fiscal year ending June 30, 1936, the sum  
3 of \$24,750,000, and there is hereby authorized to be appro-  
4 priated for each fiscal year thereafter a sum sufficient to  
5 carry out the purposes of this title. The sums made avail-  
6 able under this section shall be used for making payments to  
7 States which have submitted, and had approved by the  
8 Board, State plans for aid to dependent children.

9 STATE PLANS FOR AID TO DEPENDENT CHILDREN

10 SEC. 402. (a) A State plan for aid to dependent chil-  
11 dren must (1) provide that it shall be in effect in all political  
12 subdivisions of the State, and, if administered by them, be  
13 mandatory upon them; (2) provide for financial partici-  
14 pation by the State; (3) either provide for the establish-  
15 ment or designation of a single State agency to administer  
16 the plan, or provide for the establishment or designation of  
17 a single State agency to supervise the administration of the  
18 plan; (4) provide for granting to any individual, whose claim  
19 with respect to aid to a dependent child is denied, an oppor-  
20 tunity for a fair hearing before such State agency; (5) pro-  
21 vide such methods of administration (other than those relat-  
22 ing to selection, tenure of office, and compensation of per-  
23 sonnel) as are found by the Board to be necessary for the  
24 efficient operation of the plan; and (6) provide that the  
25 State agency will make such reports, in such form and con-

1 taining such information, as the Board may from time to time  
2 require, and comply with such provisions as the Board may  
3 from time to time find necessary to assure the correctness and  
4 verification of such reports.

5 (b) The Board shall approve any plan which fulfills  
6 the conditions specified in subsection (a), except that it  
7 shall not approve any plan which imposes as a condition of  
8 eligibility for aid to dependent children, a residence require-  
9 ment which denies aid with respect to any child residing in  
10 the State (1) who has resided in the State for one year  
11 immediately preceding the application for such aid, or (2)  
12 who was born within the State within one year immediately  
13 preceding the application.

14 PAYMENT TO STATES

15 SEC. 403. (a) From the sums appropriated therefor,  
16 the Secretary of the Treasury shall pay to each State which  
17 has an approved plan for aid to dependent children, for each  
18 quarter, beginning with the quarter commencing July 1,  
19 1935, an amount, which shall be used exclusively for carry-  
20 ing out the State plan, equal to one-third of the total of the  
21 sums expended during such quarter under such plan, not  
22 counting so much of such expenditure with respect to any  
23 dependent child for any month as exceeds \$18, or if there  
24 is more than one dependent child in the same home, as  
25 exceeds \$18 for any month with respect to one such depend-

1 ent child and \$12 for such month with respect to each of  
2 the other dependent children.

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

5 (1) The Board shall, prior to the beginning of  
6 each quarter, estimate the amount to be paid to the  
7 State for such quarter under the provisions of subsec-  
8 tion (a), such estimate to be based on (A) a report  
9 filed by the State containing its estimate of the total  
10 sum to be expended in such quarter in accordance with  
11 the provisions of such subsection and stating the  
12 amount appropriated or made available by the  
13 State and its political subdivisions for such expenditures  
14 in such quarter, and if such amount is less than two-  
15 thirds of the total sum of such estimated expenditures,  
16 the source or sources from which the difference is  
17 expected to be derived, (B) records showing the num-  
18 ber of dependent children in the State, and (C) such  
19 other investigation as the Board may find necessary.

20 (2) The Board shall then certify to the Secre-  
21 tary of the Treasury the amount so estimated by the  
22 Board, reduced or increased, as the case may be, by  
23 any sum by which it finds that its estimate for any  
24 prior quarter was greater or less than the amount which  
25 should have been paid to the State for such quarter,

1       except to the extent that such sum has been applied  
2       to make the amount certified for any prior quarter  
3       greater or less than the amount estimated by the Board  
4       for such prior quarter.

5               (3) The Secretary of the Treasury shall there-  
6       upon, through the Division of Disbursement of the  
7       Treasury Department and prior to audit or settlement  
8       by the General Accounting Office, pay to the State,  
9       at the time or times fixed by the Board, the amount so  
10      certified.

11                               OPERATION OF STATE PLANS

12      SEC. 404. In the case of any State plan for aid to  
13      dependent children which has been approved by the Board,  
14      if the Board, after notice and opportunity for hearing to the  
15      State agency administering or supervising the administra-  
16      tion of such plan, finds—

17               (1) that the plan has been so changed as to im-  
18      pose any residence requirement prohibited by section  
19      402 (b), or that in the administration of the plan any  
20      such prohibited requirement is imposed, with the knowl-  
21      edge of such State agency, in a substantial number of  
22      cases; or

23               (2) that in the administration of the plan there is  
24      a failure to comply substantially with any provision  
25      required by section 402 (a) to be included in the plan;

1 the Board shall notify such State agency that further pay-  
2 ments will not be made to the State until the Board is  
3 satisfied that such prohibited requirement is no longer so  
4 imposed, and that there is no longer any such failure to  
5 comply. Until it is so satisfied it shall make no further  
6 certification to the Secretary of the Treasury with respect  
7 to such State.

8

## ADMINISTRATION

9 SEC. 405. There is hereby authorized to be appro-  
10 priated for the fiscal year ending June 30, 1936, the sum of  
11 \$250,000 for all necessary expenses of the Board in admin-  
12 istering the provisions of this title.

13

## DEFINITIONS

14 SEC. 406. When used in this title—

15 (a) The term “ dependent child ” means a child under  
16 the age of sixteen who is living with his father, mother,  
17 grandfather, grandmother, brother, sister, stepfather, step-  
18 mother, stepbrother, stepsister, uncle, or aunt, in a residence  
19 maintained by one or more of such relatives as his or their  
20 own home;

21 (b) The term “ aid to dependent children ” means  
22 money payments with respect to a dependent child or  
23 dependent children.

1 TITLE V—GRANTS TO STATES FOR MATERNAL  
2 AND CHILD WELFARE

3 PART 1—MATERNAL AND CHILD HEALTH SERVICES  
4 APPROPRIATION

5 SECTION 501. For the purpose of enabling each State  
6 to extend and improve, as far as practicable under the condi-  
7 tions in such State, services for promoting the health of  
8 mothers and children, especially in rural areas and in areas  
9 suffering from severe economic distress, there is hereby  
10 authorized to be appropriated for each fiscal year, beginning  
11 with the fiscal year ending June 30, 1936, the sum of  
12 \$3,800,000. The sums made available under this section  
13 shall be used for making payments to States which have  
14 submitted, and had approved by the Chief of the Children's  
15 Bureau, State plans for such services.

16 ALLOTMENTS TO STATES

17 SEC. 502. (a) Out of the sums appropriated pursuant to  
18 section 501 for each fiscal year the Secretary of Labor shall  
19 allot to each State \$20,000, and such part of \$1,800,000  
20 as he finds that the number of live births in such State bears  
21 to the total number of live births in the United States.

22 (b) Out of the sums appropriated pursuant to section  
23 501 for each fiscal year the Secretary of Labor shall allot  
24 to the States \$980,000 (in addition to the allotments made  
25 under subsection (a) ), according to the financial need of

1 each State for assistance in carrying out its State plan, as  
2 determined by him after taking into consideration the num-  
3 ber of live births in such State.

4 (c) The amount of any allotment to a State under  
5 subsection (a) for any fiscal year remaining unpaid to  
6 such State at the end of such fiscal year shall be available  
7 for payment to such State under section 504 until the end  
8 of the second succeeding fiscal year. No payment to a  
9 State under section 504 shall be made out of its allotment  
10 for any fiscal year until its allotment for the preceding  
11 fiscal year has been exhausted or has ceased to be available.

#### 12 APPROVAL OF STATE PLANS

13 SEC. 503. (a) A State plan for maternal and child-  
14 health services must (1) provide for financial participa-  
15 tion by the State; (2) provide for the administration of the  
16 plan or the supervision of the administration of the plan by  
17 the State health agency; (3) provide such methods of ad-  
18 ministration (other than those relating to selection, tenure  
19 of office, and compensation of personnel) as are found by  
20 the Chief of the Children's Bureau to be necessary for the  
21 efficient operation of the plan; (4) provide that the State  
22 health agency will make such reports, in such form and con-  
23 taining such information, as the Secretary of Labor may  
24 from time to time require, and comply with such provisions  
25 as he may from time to time find necessary to assure the

1 correctness and verification of such reports; (5) provide  
2 for the extension and improvement of local maternal and  
3 child-health services administered by local child-health units;  
4 (6) provide for cooperation with medical, nursing, and wel-  
5 fare groups and organizations; and (7) provide for the  
6 development of demonstration services in needy areas and  
7 among groups in special need.

8 (b) The Chief of the Children's Bureau shall approve  
9 any plan which fulfills the conditions specified in subsection  
10 (a) and shall thereupon notify the Secretary of Labor and  
11 the State health agency of his approval.

12 PAYMENT TO STATES

13 SEC. 504. (a) From the sums appropriated therefor  
14 and the allotments available under section 502 (a), the Secre-  
15 tary of the Treasury shall pay to each State which has an  
16 approved plan for maternal and child-health services, for  
17 each quarter, beginning July 1, 1935, an amount, which  
18 shall be used exclusively for carrying out the State plan,  
19 equal to one-half of the total sum expended during such  
20 quarter for carrying out such plan.

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

23 (1) The Secretary of Labor shall, prior to the  
24 beginning of each quarter, estimate the amount to be  
25 paid to the State for such quarter under the provisions



1 of subsection (a), such estimate to be based on (A)  
2 a report filed by the State containing its estimate of  
3 the total sum to be expended in such quarter in ac-  
4 cordance with the provisions of such subsection and stat-  
5 ing the amount appropriated or made available  
6 by the State for such expenditures in such quarter,  
7 and if such amount is less than one-half of the total  
8 sum of such estimated expenditures, the source or  
9 sources from which the difference is expected to be  
10 derived, and (B) such investigation as he may find  
11 necessary.

12 (2) The Secretary of Labor shall then certify the  
13 amount so estimated by him to the Secretary of the  
14 Treasury, reduced or increased, as the case may be,  
15 by any sum by which the Secretary of Labor finds  
16 that his estimate for any prior quarter was greater  
17 or less than the amount which should have been paid  
18 to the State for such quarter, except to the extent  
19 that such sum has been applied to make the amount  
20 certified for any prior quarter greater or less than the  
21 amount estimated by the Secretary of Labor for such  
22 prior quarter.

23 (3) The Secretary of the Treasury shall there-  
24 upon, through the Division of Disbursement of the  
25 Treasury Department and prior to audit or settlement

1 by the General Accounting Office, pay to the State, at  
2 the time or times fixed by the Secretary of Labor, the  
3 amount so certified.

4 (c) The Secretary of Labor shall from time to time  
5 certify to the Secretary of the Treasury the amounts to be  
6 paid to the States from the allotments available under sec-  
7 tion 502 (b), and the Secretary of the Treasury shall,  
8 through the Division of Disbursement of the Treasury De-  
9 partment and prior to audit or settlement by the General  
10 Accounting Office, make payments of such amounts from  
11 such allotments at the time or times specified by the  
12 Secretary of Labor.

13

#### OPERATION OF STATE PLANS

14 SEC. 505. In the case of any State plan for maternal  
15 and child-health services which has been approved by the  
16 Chief of the Children's Bureau, if the Secretary of Labor,  
17 after notice and opportunity for hearing to the State agency  
18 administering or supervising the administration of such plan,  
19 finds that in the administration of the plan there is a failure  
20 to comply substantially with any provision required by sec-  
21 tion 503 to be included in the plan, he shall notify such  
22 State agency that further payments will not be made to the  
23 State until he is satisfied that there is no longer any such  
24 failure to comply. Until he is so satisfied he shall make no  
25 further certification to the Secretary of the Treasury with  
26 respect to such State.

## 1           PART 2—SERVICES FOR CRIPPLED CHILDREN

## 2                           APPROPRIATION

3           SEC. 511. For the purpose of enabling each State to  
4 extend and improve (especially in rural areas and in areas  
5 suffering from severe economic distress), as far as prac-  
6 ticable under the conditions in such State, services for locating  
7 crippled children, and for providing medical, surgical, cor-  
8 rective, and other services and care, and facilities for  
9 diagnosis, hospitalization, and aftercare, for children who are  
10 crippled or who are suffering from conditions which lead  
11 to crippling, there is hereby authorized to be appropriated  
12 for each fiscal year, beginning with the fiscal year ending  
13 June 30, 1936, the sum of \$2,850,000. The sums made  
14 available under this section shall be used for making pay-  
15 ments to States which have submitted, and had approved  
16 by the Chief of the Children's Bureau, State plans for such  
17 services.

## 18                           ALLOTMENTS TO STATES

19           SEC. 512. (a) Out of the sums appropriated pursuant  
20 to section 511 for each fiscal year the Secretary of Labor  
21 shall allot to each State \$20,000, and the remainder to the  
22 States according to the need of each State as determined  
23 by him after taking into consideration the number of  
24 crippled children in such State in need of the services  
25 referred to in section 511 and the cost of furnishing such  
26 services to them.

1           (b) The amount of any allotment to a State under  
2 subsection (a) for any fiscal year remaining unpaid to  
3 such State at the end of such fiscal year shall be available  
4 for payment to such State under section 514 until the end  
5 of the second succeeding fiscal year. No payment to a  
6 State under section 514 shall be made out of its allotment  
7 for any fiscal year until its allotment for the preceding fiscal  
8 year has been exhausted or has ceased to be available.

9                                   APPROVAL OF STATE PLANS

10           SEC. 513. (a) A State plan for services for crippled  
11 children must (1) provide for financial participation by  
12 the State; (2) provide for the administration of the plan or  
13 the supervision of the administration of the plan by a State  
14 agency; (3) provide such methods of administration (other  
15 than those relating to selection, tenure of office, and compen-  
16 sation of personnel) as are found by the Chief of the Chil-  
17 dren's Bureau to be necessary for the efficient operation of  
18 the plan; (4) provide that the State agency will make such  
19 reports, in such form and containing such information, as  
20 the Secretary of Labor may from time to time require, and  
21 comply with such provisions as he may from time to time  
22 find necessary to assure the correctness and verification of  
23 such reports; (5) provide for carrying out the purposes  
24 specified in section 511; and (6) provide for cooperation

1 with medical, health, nursing, and welfare groups and organi-  
2 zations and with any agency in such State charged with  
3 administering State laws providing for vocational rehabili-  
4 tation of physically handicapped children.

5 (b) The Chief of the Children's Bureau shall approve  
6 any plan which fulfills the conditions specified in subsection  
7 (a) and shall thereupon notify the Secretary of Labor and  
8 the State agency of his approval.

9 PAYMENT TO STATES

10 SEC. 514. (a) From the sums appropriated therefor  
11 and the allotments available under section 512, the Secre-  
12 tary of the Treasury shall pay to each State which has an  
13 approved plan for services for crippled children, for each  
14 quarter, beginning July 1, 1935, an amount, which shall  
15 be used exclusively for carrying out the State plan, equal  
16 to one-half of the total sum expended during such quarter  
17 for carrying out such plan.

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

20 (1) The Secretary of Labor shall, prior to the  
21 beginning of each quarter, estimate the amount to be  
22 paid to the State for such quarter under the provisions  
23 of subsection (a), such estimate to be based on (A)  
24 a report filed by the State containing its estimate of the

1 total sum to be expended in such quarter in accordance  
2 with the provisions of such subsection and stating the  
3 amount appropriated or made available by the State  
4 for such expenditures in such quarter, and if such  
5 amount is less than one-half of the total sum of such  
6 estimated expenditures, the source or sources from  
7 which the difference is expected to be derived, and (B)  
8 such investigation as he may find necessary.

9 (2) The Secretary of Labor shall then certify the  
10 amount so estimated by him to the Secretary of the  
11 Treasury, reduced or increased, as the case may be, by  
12 any sum by which the Secretary of Labor finds that  
13 his estimate for any prior quarter was greater or less  
14 than the amount which should have been paid to the  
15 State for such quarter, except to the extent that such  
16 sum has been applied to make the amount certified  
17 for any prior quarter greater or less than the amount  
18 estimated by the Secretary of Labor for such prior  
19 quarter.

20 (3) The Secretary of the Treasury shall there-  
21 upon, through the Division of Disbursement of the  
22 Treasury Department and prior to audit or settlement  
23 by the General Accounting Office, pay to the State, at  
24 the time or times fixed by the Secretary of Labor, the  
25 amount so certified.

## OPERATION OF STATE PLANS

1  
2       SEC. 515. In the case of any State plan for services  
3 for crippled children which has been approved by the Chief  
4 of the Children's Bureau, if the Secretary of Labor, after  
5 notice and opportunity for hearing to the State agency ad-  
6 ministering or supervising the administration of such plan,  
7 finds that in the administration of the plan there is a failure  
8 to comply substantially with any provision required by sec-  
9 tion 513 to be included in the plan, he shall notify such  
10 State agency that further payments will not be made to the  
11 State until he is satisfied that there is no longer any such  
12 failure to comply. Until he is so satisfied he shall make  
13 no further certification to the Secretary of the Treasury with  
14 respect to such State.

## PART 3—CHILD-WELFARE SERVICES

15  
16       SEC. 521. For the purpose of enabling the United  
17 States, through the Children's Bureau, to cooperate with  
18 State public-welfare agencies in establishing, extending,  
19 and strengthening, in rural areas, public-welfare services for  
20 the protection and care of homeless, dependent, and neglected  
21 children, and children in danger of becoming delinquent,  
22 there is hereby authorized to be appropriated for each fiscal  
23 year, beginning with the fiscal year ending June 30, 1936,  
24 the sum of \$1,500,000. Such amount shall be allotted for  
25 use by cooperating State public-welfare agencies, to each

1 State, \$10,000, and such part of the balance as the rural  
2 population of such State bears to the total rural population  
3 of the United States. The amount so allotted shall be ex-  
4 pended for payment of part of the costs of county and local  
5 child-welfare services in rural areas. The amount of any  
6 allotment to a State under this section for any fiscal year  
7 remaining unpaid to such State at the end of such fiscal  
8 year shall be available for payment to such State under this  
9 section until the end of the second succeeding fiscal year.  
10 No payment to a State under this section shall be made out  
11 of its allotment for any fiscal year until its allotment for  
12 the preceding fiscal year has been exhausted or has ceased  
13 to be available.

14 PART 4—VOCATIONAL REHABILITATION

15 SEC. 531. (a) In order to enable the United States  
16 to cooperate with the States and Hawaii in extending and  
17 strengthening their programs of vocational rehabilitation of  
18 the physically disabled, and to continue to carry out the  
19 provisions and purposes of the Act entitled "An Act to  
20 provide for the promotion of vocational rehabilitation of  
21 persons disabled in industry or otherwise and their return  
22 to civil employment", approved June 2, 1920, as amended  
23 (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29,  
24 secs. 31, 32, 34, 35, 37, 39, and 40), there is hereby  
25 authorized to be appropriated for the fiscal years end-  
26 ing June 30, 1936, and June 30, 1937, the sum of



1 \$841,000 for each such fiscal year in addition to the  
2 amount of the existing authorization, and for each fiscal year  
3 thereafter the sum of \$1,938,000. Of the sums appropriated  
4 pursuant to such authorization for each fiscal year, \$5,000  
5 shall be apportioned to the Territory of Hawaii and the re-  
6 mainder shall be apportioned among the several States in the  
7 manner provided in such Act of June 2, 1920, as amended.

8 (b) For the administration of such Act of June 2,  
9 1920, as amended, by the Federal agency authorized to  
10 administer it, there is hereby authorized to be appropriated  
11 for the fiscal years ending June 30, 1936, and June 30,  
12 1937, the sum of \$22,000 for each such fiscal year in  
13 addition to the amount of the existing authorization, and for  
14 each fiscal year thereafter the sum of \$102,000.

15 PART 5—ADMINISTRATION

16 SEC. 541. (a) There is hereby authorized to be appro-  
17 priated for the fiscal year ending June 30, 1936, the sum  
18 of \$425,000, for all necessary expenses of the Children's  
19 Bureau in administering the provisions of this title.

20 (b) The Children's Bureau shall make such studies  
21 and investigations as will promote the efficient administration  
22 of this title.

23 (c) The Secretary of Labor shall include in his  
24 annual report to Congress a full account of the administra-  
25 tion of this title, except section 531.

## 1 TITLE VI—PUBLIC HEALTH WORK

## 2 APPROPRIATION

3 SECTION 601. For the purpose of assisting States,  
4 counties, health districts, and other political subdivisions of  
5 the States in establishing and maintaining adequate public-  
6 health services, including the training of personnel for State  
7 and local health work, there is hereby authorized to be  
8 appropriated for each fiscal year, beginning with the fiscal  
9 year ending June 30, 1936, the sum of \$8,000,000 to be  
10 used as hereinafter provided.

## 11 STATE AND LOCAL PUBLIC HEALTH SERVICES

12 SEC. 602. (a) The Surgeon General of the Public  
13 Health Service, with the approval of the Secretary of the  
14 Treasury, shall, at the beginning of each fiscal year, allot  
15 to the States the total of (1) the amount appropriated for  
16 such year pursuant to section 601; and (2) the amounts of  
17 the allotments under this section for the preceding fiscal year  
18 remaining unpaid to the States at the end of such fiscal year.  
19 The amounts of such allotments shall be determined on the  
20 basis of (1) the population; (2) the special health problems;  
21 and (3) the financial needs; of the respective States. Upon  
22 making such allotments the Surgeon General of the Public  
23 Health Service shall certify the amounts thereof to the Secre-  
24 tary of the Treasury.

1           (b) The amount of an allotment to any State under  
2 subsection (a) for any fiscal year, remaining unpaid at the  
3 end of such fiscal year, shall be available for allotment to  
4 States under subsection (a) for the succeeding fiscal year, in  
5 addition to the amount appropriated for such year.

6           (c) Prior to the beginning of each quarter of the fiscal  
7 year, the Surgeon General of the Public Health Service  
8 shall, with the approval of the Secretary of the Treasury,  
9 determine in accordance with rules and regulations pre-  
10 scribed by such Surgeon General after consultation with a  
11 conference of the State and Territorial health authorities,  
12 the amount to be paid to each State for such quarter from  
13 the allotment to such State, and shall certify the amount  
14 so determined to the Secretary of the Treasury. Upon  
15 receipt of such certification, the Secretary of the Treasury  
16 shall, through the Division of Disbursement of the Treasury  
17 Department and prior to audit or settlement by the General  
18 Accounting Office, pay in accordance with such certification.

19           (d) The moneys so paid to any State shall be expended  
20 solely in carrying out the purposes specified in section 601,  
21 and in accordance with plans presented by the health author-  
22 ity of such State and approved by the Surgeon General of  
23 the Public Health Service.

## INVESTIGATIONS

1  
2       SEC. 603. (a) There is hereby authorized to be  
3 appropriated for each fiscal year, beginning with the fiscal  
4 year ending June 30, 1936, the sum of \$2,000,000 for  
5 expenditure by the Public Health Service for investigation  
6 of disease and problems of sanitation (including the printing  
7 and binding of the findings of such investigations), and for  
8 the pay and allowances and traveling expenses of personnel  
9 of the Public Health Service, including commissioned officers,  
10 engaged in such investigations or detailed to cooperate with  
11 the health authorities of any State in carrying out the pur-  
12 poses specified in section 601: *Provided*, That no personnel  
13 of the Public Health Service shall be detailed to cooperate  
14 with the health authorities of any State except at the request  
15 of the proper authorities of such State.

16       (b) The personnel of the Public Health Service paid  
17 from any appropriation not made pursuant to subsection  
18 (a) may be detailed to assist in carrying out the purposes of  
19 this title. The appropriation from which they are paid  
20 shall be reimbursed from the appropriation made pursuant  
21 to subsection (a) to the extent of their salaries and allow-  
22 ances for services performed while so detailed.

23       (c) The Secretary of the Treasury shall include in his  
24 annual report to Congress a full account of the administration  
25 of this title.

## 1 TITLE VII—SOCIAL SECURITY BOARD

## 2 ESTABLISHMENT

3 SECTION 701. There is hereby established a Social  
4 Security Board (in this Act referred to as the "Board")  
5 to be composed of three members to be appointed by the  
6 President, by and with the advice and consent of the Sen-  
7 ate. Each member shall receive a salary at the rate of  
8 \$10,000 a year and shall hold office for a term of six years,  
9 except that (1) any member appointed to fill a vacancy oc-  
10 ccurring prior to the expiration of the term for which his  
11 predecessor was appointed, shall be appointed for the re-  
12 mainder of such term; and (2) the terms of office of the  
13 members first taking office after the date of the enactment of  
14 this Act shall expire, as designated by the President at the  
15 time of appointment, one at the end of two years, one at  
16 the end of four years, and one at the end of six years, after  
17 the date of the enactment of this Act. The President shall  
18 designate one of the members as the chairman of the Board.

## 19 DUTIES OF SOCIAL SECURITY BOARD

20 SEC. 702. The Board shall perform the duties imposed  
21 upon it by this Act and shall also have the duty of studying  
22 and making recommendations as to the most effective  
23 methods of providing economic security through social  
24 insurance, and as to legislation and matters of administra-  
25 tive policy concerning old-age pensions, unemployment

1 compensation, accident compensation, and related subjects.

2 EXPENSES OF THE BOARD

3 SEC. 703. The Board is authorized to appoint and fix  
4 the compensation of such officers and employees, and to  
5 make such expenditures, as may be necessary for carrying  
6 out its functions under this Act.

7 REPORTS

8 SEC. 704. The Board shall make a full report to Con-  
9 gress, at the beginning of each regular session, of the admin-  
10 istration of the functions with which it is charged.

11 TITLE VIII—TAXES WITH RESPECT TO  
12 EMPLOYMENT

13 INCOME TAX ON EMPLOYEES

14 SECTION 801. In addition to other taxes, there shall be  
15 levied, collected, and paid upon the income of every indi-  
16 vidual a tax equal to the following percentages of the wages  
17 (as defined in section 811) received by him after December  
18 31, 1936, with respect to employment (as defined in section  
19 811) after such date:

20 (1) With respect to employment during the calendar  
21 years 1937, 1938, and 1939, the rate shall be 1 per centum.

22 (2) With respect to employment during the calendar  
23 years 1940, 1941, and 1942, the rate shall be 1½ per centum.

24 (3) With respect to employment during the calendar  
25 years 1943, 1944, and 1945, the rate shall be 2 per centum.

1           (4) With respect to employment during the calendar  
2 years 1946, 1947, and 1948, the rate shall be  $2\frac{1}{2}$  per  
3 centum.

4           (5) With respect to employment after December 31,  
5 1948, the rate shall be 3 per centum.

6                           DEDUCTION OF TAX FROM WAGES

7           SEC. 802. (a) The tax imposed by section 801 shall  
8 be collected by the employer of the taxpayer, by deduct-  
9 ing the amount of the tax from the wages as and when  
10 paid. Every employer required so to deduct the tax is  
11 hereby made liable for the payment of such tax, and is  
12 hereby indemnified against the claims and demands of any  
13 person for the amount of any such payment made by such  
14 employer.

15           (b) If more or less than the correct amount of tax  
16 imposed by section 801 is paid with respect to any wage pay-  
17 ment, then, under regulations made under this title, proper  
18 adjustments, with respect both to the tax and the amount  
19 to be deducted, shall be made in connection with subsequent  
20 wage payments to the same individual by the same  
21 employer.

22                           DEDUCTIBILITY FROM INCOME TAX

23           SEC. 803. For the purposes of the income tax imposed  
24 by Title I of the Revenue Act of 1934 or by any Act of  
25 Congress in substitution therefor, the tax imposed by sec-

1 tion 801 shall not be allowed as a deduction to the taxpayer  
 2 in computing his net income for the year in which such  
 3 tax is deducted from his wages.

4                                   EXCISE TAX ON EMPLOYERS

5       SEC. 804. In addition to other taxes, every employer  
 6 shall pay an excise tax, with respect to having individuals  
 7 in his employ, equal to the following percentages of the  
 8 wages (as defined in section 811) paid by him after Decem-  
 9 ber 31, 1936, with respect to employment (as defined in  
 10 section 811) after such date:

11           (1) With respect to employment during the calendar  
 12 years 1937, 1938, and 1939, the rate shall be 1 per centum.

13           (2) With respect to employment during the calendar  
 14 years 1940, 1941, and 1942, the rate shall be  $1\frac{1}{2}$  per  
 15 centum.

16           (3) With respect to employment during the calendar  
 17 years 1943, 1944, and 1945, the rate shall be 2 per centum.

18           (4) With respect to employment during the calendar  
 19 years 1946, 1947, and 1948, the rate shall be  $2\frac{1}{2}$  per  
 20 centum.

21           (5) With respect to employment after December 31,  
 22 1948, the rate shall be 3 per centum.

23                                   ADJUSTMENT OF EMPLOYERS' TAX

24       SEC. 805. If more or less than the correct amount of  
 25 tax imposed by section 804 is paid with respect to any wage



1 payment, then, under regulations made under this title,  
2 proper adjustments with respect to the tax shall be made  
3 in connection with subsequent wage payments to the same  
4 individual by the same employer.

5 REFUNDS AND DEFICIENCIES

6 SEC. 806. If more or less than the correct amount  
7 of tax imposed by section 801 or 804 is paid or deducted  
8 with respect to any wage payment and the overpayment or  
9 underpayment of tax cannot be adjusted under section 802 (b)  
10 or 805 the amount of the overpayment shall be refunded  
11 and the amount of the underpayment shall be collected,  
12 in such manner and at such times (subject to the statutes  
13 of limitations properly applicable thereto) as may be pre-  
14 scribed by regulations made under this title.

15 COLLECTION AND PAYMENT OF TAXES

16 SEC. 807. (a) The taxes imposed by this title shall  
17 be collected by the Bureau of Internal Revenue under the  
18 direction of the Secretary of the Treasury and shall be  
19 paid into the Treasury of the United States as internal-  
20 revenue collections.

21 (b) Such taxes shall be collected and paid in such  
22 manner, at such times, and under such conditions, not incon-  
23 sistent with this title (either by making and filing returns,  
24 or by stamps, coupons, tickets, books, or other reasonable  
25 devices or methods necessary or helpful in securing a com-

1 plete and proper collection and payment of the tax or in  
2 securing proper identification of the taxpayer), as may be  
3 prescribed by the Commissioner of Internal Revenue, with  
4 the approval of the Secretary of the Treasury.

5 (c) All provisions of law, including penalties, appli-  
6 cable with respect to any tax imposed by section 600 or  
7 section 800 of the Revenue Act of 1926, and the provisions  
8 of section 607 of the Revenue Act of 1934, shall, insofar  
9 as applicable and not inconsistent with the provisions of this  
10 title, be applicable with respect to the taxes imposed by this  
11 title.

12 (d) In the payment of any tax under this title a frac-  
13 tional part of a cent shall be disregarded unless it amounts  
14 to one-half cent or more, in which case it shall be increased  
15 to 1 cent.

#### 16 RULES AND REGULATIONS

17 SEC. 808. The Commissioner of Internal Revenue,  
18 with the approval of the Secretary of the Treasury, shall  
19 make and publish rules and regulations for the enforcement  
20 of this title.

#### 21 SALE OF STAMPS BY POSTMASTERS

22 SEC. 809. The Commissioner of Internal Revenue  
23 shall furnish to the Postmaster General without prepayment  
24 a suitable quantity of stamps, coupons, tickets, books, or  
25 other devices prescribed by the Commissioner under section

1 807 for the collection or payment of any tax imposed by this  
2 title, to be distributed to, and kept on sale by, the various  
3 postmasters in the United States. The Postmaster General  
4 may require each such postmaster to furnish bond in such  
5 increased amount as he may from time to time determine,  
6 and each such postmaster shall deposit the receipts from the  
7 sale of such stamps, coupons, tickets, books, or other  
8 devices, to the credit of, and render accounts to, the Post-  
9 master General at such times and in such form as the  
10 Postmaster General may by regulations prescribe. The  
11 Postmaster General shall at least once a month transfer to  
12 the Treasury as internal-revenue collections all receipts so  
13 deposited.

#### 14 PENALTIES

15 SEC. 810. (a) Whoever buys, sells, offers for sale,  
16 uses, transfers, takes or gives in exchange, or pledges or  
17 gives in pledge, except as authorized in this title or in  
18 regulations made pursuant thereto, any stamp, coupon, ticket,  
19 book, or other device, prescribed by the Commissioner of  
20 Internal Revenue under section 807 for the collection or  
21 payment of any tax imposed by this title, shall be fined not  
22 more than \$1,000 or imprisoned for not more than six  
23 months, or both.

24 (b) Whoever, with intent to defraud, alters, forges,  
25 makes, or counterfeits any stamp, coupon, ticket, book, or

1 other device prescribed by the Commissioner of Internal  
2 Revenue under section 807 for the collection or payment of  
3 any tax imposed by this title, or uses, sells, lends, or has in  
4 his possession any such altered, forged, or counterfeited  
5 stamp, coupon, ticket, book, or other device, or makes, uses,  
6 sells, or has in his possession any material in imitation of the  
7 material used in the manufacture of such stamp, coupon,  
8 ticket, book, or other device, shall be fined not more than  
9 \$5,000 or imprisoned not more than five years, or both.

10 **DEFINITIONS**

11 **SEC. 811.** When used in this title—

12 (a) The term “wages” means all remuneration for  
13 employment, including the cash value of all remuneration  
14 paid in any medium other than cash; except that such term  
15 shall not include that part of the remuneration which, after  
16 remuneration equal to \$3,000 has been paid to an individual  
17 by an employer with respect to employment during any  
18 calendar year, is paid to such individual by such employer  
19 with respect to employment during such calendar year.

20 (b) The term “employment” means any service, of  
21 whatever nature, performed within the United States by an  
22 employee for his employer, except—

23 (1) Agricultural labor;

24 (2) Domestic service in a private home;

1           (3) Casual labor not in the course of the em-  
2           ployer's trade or business;

3           (4) Service performed by an individual who has  
4           attained the age of sixty-five;

5           (5) Service performed as an officer or member  
6           of the crew of a vessel documented under the laws of  
7           the United States or of any foreign country;

8           (6) Service performed in the employ of the  
9           United States Government or of an instrumentality of  
10          the United States;

11          (7) Service performed in the employ of a State,  
12          a political subdivision thereof, or an instrumentality of  
13          one or more States or political subdivisions;

14          (8) Service performed in the employ of a corpo-  
15          ration, community chest, fund, or foundation, organized  
16          and operated exclusively for religious, charitable, scien-  
17          tific, literary, or educational purposes, no part of the  
18          net earnings of which inures to the benefit of any  
19          private shareholder or individual.

20   **TITLE IX—TAX ON EMPLOYERS OF TEN OR MORE**

21                           **IMPOSITION OF TAX**

22          **SECTION 901.** On and after January 1, 1936, every  
23          employer (as defined in section 907) shall pay for each  
24          calendar year an excise tax, with respect to having indi-

1   viduals in his employ, equal to the following percentages of  
2   the total wages (as defined in section 907) payable by  
3   him (regardless of the time of payment) with respect to  
4   employment (as defined in section 907) during such  
5   calendar year:

6       (1) With respect to employment during the calendar  
7   year 1936 the rate shall be 1 per centum;

8       (2) With respect to employment during the calendar  
9   year 1937 the rate shall be 2 per centum;

10      (3) With respect to employment after December 31,  
11   1937, the rate shall be 3 per centum.

12                                   CREDIT AGAINST TAX

13      SEC. 902. The taxpayer may credit against the tax  
14   imposed by section 901 the amount of contributions, with  
15   respect to employment during the taxable year, paid by  
16   him (before the date of filing his return for the taxable  
17   year) into an unemployment fund under a State law. The  
18   total credit allowed to a taxpayer under this section for all  
19   contributions paid into unemployment funds with respect  
20   to employment during such taxable year shall not exceed  
21   90 per centum of the tax against which it is credited, and  
22   credit shall be allowed only for contributions made under  
23   the laws of States certified for the taxable year as provided  
24   in section 903.

## CERTIFICATION OF STATE LAWS

1  
2 SEC. 903. (a) The Social Security Board shall  
3 approve any State law submitted to it, within thirty days of  
4 such submission, which it finds provides that—

5 (1) All compensation is to be paid through  
6 public employment offices in the State;

7 (2) No compensation shall be payable with  
8 respect to any day of unemployment occurring within  
9 two years after the first day of the first period with  
10 respect to which contributions are required;

11 (3) All money received in the unemployment  
12 fund shall immediately upon such receipt be paid over  
13 to the Secretary of the Treasury to the credit of the  
14 Unemployment Trust Fund established by section  
15 904;

16 (4) All money withdrawn from the Unemploy-  
17 ment Trust Fund by the State agency shall be used  
18 solely in the payment of compensation, exclusive of  
19 expenses of administration;

20 (5) Compensation shall not be denied in such  
21 State to any otherwise eligible individual for refusing to  
22 accept new work under any of the following condi-  
23 tions: (A) If the position offered is vacant due directly  
24 to a strike, lockout, or other labor dispute; (B) if the

1 wages, hours, or other conditions of the work offered  
2 are substantially less favorable to the individual than  
3 those prevailing for similar work in the locality; (C)  
4 if as a condition of being employed the individual  
5 would be required to join a company union or to resign  
6 from or refrain from joining any bona fide labor  
7 organization;

8 (6) All the rights, privileges, or immunities con-  
9 ferred by such law or by acts done pursuant thereto  
10 shall exist subject to the power of the legislature to  
11 amend or repeal such law at any time.

12 The Board shall, upon approving such law, notify the Gov-  
13 ernor of the State of its approval.

14 (b) On December 31 in each taxable year the Board  
15 shall certify to the Secretary of the Treasury each State  
16 whose law it has previously approved, except that it shall  
17 not certify any State which, after notice and opportunity  
18 for hearing to the State agency, the Board finds has changed  
19 its law so that it no longer contains the provisions specified  
20 in subsection (a) or has with respect to such taxable year  
21 failed to comply substantially with any such provision.

22 (c) If, at any time during the taxable year, the Board  
23 has reason to believe that a State whose law it has pre-  
24 viously approved, may not be certified under subsection (b),  
25 it shall promptly so notify the Governor of such State.



## UNEMPLOYMENT TRUST FUND

1  
2 SEC. 904. (a) There is hereby established in the  
3 Treasury of the United States a trust fund to be known as  
4 the "Unemployment Trust Fund", hereinafter in this title  
5 called the "Fund". The Secretary of the Treasury is  
6 authorized and directed to receive and hold in the Fund  
7 all moneys deposited therein by a State agency from a State  
8 unemployment fund. Such deposit may be made directly  
9 with the Secretary of the Treasury or with any Federal  
10 reserve bank or member bank of the Federal Reserve Sys-  
11 tem designated by him for such purpose.

12 (b) It shall be the duty of the Secretary of the  
13 Treasury to invest such portion of the Fund as is not, in  
14 his judgment, required to meet current withdrawals. Such  
15 investment may be made only in interest bearing obligations  
16 of the United States or in obligations guaranteed as to both  
17 principal and interest by the United States. For such  
18 purpose such obligations may be acquired (1) on original  
19 issue at par, or (2) by purchase of outstanding obligations  
20 at the market price. The purposes for which obligations  
21 of the United States may be issued under the Second Lib-  
22 erty Bond Act, as amended, are hereby extended to authorize  
23 the issuance at par of special obligations exclusively to the  
24 Fund. Such special obligations shall bear interest at a  
25 rate equal to the average rate of interest, computed as of

1 the end of the calendar month next preceding the date of  
2 such issue, borne by all interest-bearing obligations of the  
3 United States then forming part of the public debt; except  
4 that where such average rate is not a multiple of one-eighth  
5 of 1 per centum, the rate of interest of such special obliga-  
6 tions shall be the multiple of one-eighth of 1 per centum  
7 next lower than such average rate. Obligations other than  
8 such special obligations may be acquired for the Fund only  
9 on such terms as to provide an investment yield not less  
10 than the yield which would be required in the case of  
11 special obligations if issued to the Fund upon the date of  
12 such acquisition.

13 (c) Any obligations acquired by the Fund (except  
14 special obligations issued exclusively to the Fund) may be  
15 sold at the market price, and such special obligations may be  
16 redeemed at par plus accrued interest.

17 (d) The interest on, and the proceeds from the sale or  
18 redemption of, any obligations held in the Fund shall be  
19 credited to and form a part of the Fund.

20 (e) The Fund shall be invested as a single fund, but  
21 the Secretary of the Treasury shall maintain a separate book  
22 account for each State agency and shall credit quarterly on  
23 March 31, June 30, September 30, and December 31, of  
24 each year, to each account, on the basis of the average

1 daily balance of such account, a proportionate part of the  
2 earnings of the Fund for the quarter ending on such date.

3 (f) The Secretary of the Treasury is authorized and  
4 directed to pay out of the Fund to any State agency such  
5 amount as it may duly requisition, not exceeding the amount  
6 standing to the account of such State agency at the time  
7 of such payment.

8 ADMINISTRATION, REFUNDS, AND PENALTIES

9 SEC. 905. (a) The tax imposed by this title shall be  
10 collected by the Bureau of Internal Revenue under the direc-  
11 tion of the Secretary of the Treasury and shall be paid into  
12 the Treasury of the United States as internal-revenue  
13 collections.

14 (b) Not later than January 31, next following the  
15 close of the taxable year, each employer shall make a  
16 return of the tax under this title for such taxable year.  
17 Each such return shall be made under oath, shall be filed  
18 with the collector of internal revenue for the district in which  
19 is located the principal place of business of the employer,  
20 or, if he has no principal place of business in the United  
21 States, then with the collector at Baltimore, Maryland,  
22 and shall contain such information and be made in such  
23 manner as the Commissioner of Internal Revenue, with the  
24 approval of the Secretary of the Treasury, may by regula-  
25 tions prescribe. All provisions of law (including penalties)

1 applicable in respect of the taxes imposed by section 600 of  
2 the Revenue Act of 1926, shall, insofar as not inconsistent  
3 with this title, be applicable in respect of the tax imposed  
4 by this title. The Commissioner may extend the time for  
5 filing the return of the tax imposed by this title, under such  
6 rules and regulations as he may prescribe with the approval  
7 of the Secretary of the Treasury, but no such extension shall  
8 be for more than sixty days.

9 (c) Returns filed under this title shall be open to in-  
10 spection in the same manner, to the same extent, and sub-  
11 ject to the same provisions of law, including penalties, as  
12 returns made under Title II of the Revenue Act of 1926.

13 (d) The taxpayer may elect to pay the tax in four  
14 equal installments instead of in a single payment, in which  
15 case the first installment shall be paid not later than the  
16 last day prescribed for the filing of returns, the second in-  
17 stallment shall be paid on or before the last day of the  
18 third month, the third installment on or before the last day  
19 of the sixth month, and the fourth installment on or before  
20 the last day of the ninth month, after such last day. If the  
21 tax or any installment thereof is not paid on or before the  
22 last day of the period fixed for its payment, the whole  
23 amount of the tax unpaid shall be paid upon notice and  
24 demand from the collector.

1           (e) At the request of the taxpayer the time for pay-  
2 ment of the tax or any installment thereof may be ex-  
3 tended under regulations prescribed by the Commissioner  
4 with the approval of the Secretary of the Treasury, for a  
5 period not to exceed six months from the last day of the  
6 period prescribed for the payment of the tax or any install-  
7 ment thereof. The amount of the tax in respect of which  
8 any extension is granted shall be paid (with interest at  
9 the rate of one-half of 1 per centum per month) on or before  
10 the date of the expiration of the period of the extension.

11           (f) In the payment of any tax under this title a frac-  
12 tional part of a cent shall be disregarded unless it amounts  
13 to one-half cent or more, in which case it shall be increased  
14 to 1 cent.

#### 15                                   INTERSTATE COMMERCE

16           SEC. 906. No person required under a State law to  
17 make payments to an unemployment fund shall be relieved  
18 from compliance therewith on the ground that he is engaged  
19 in interstate commerce, or that the State law does not  
20 distinguish between employees engaged in interstate com-  
21 merce and those engaged in intrastate commerce.

#### 22                                   DEFINITIONS

23           SEC. 907. When used in this title—

24           (a) The term “ employer ” does not include any person  
25 unless on each of some twenty days during the taxable year,

1 each day being in a different calendar week, the total num-  
2 ber of individuals who were in his employ for some portion  
3 of the day (whether or not at the same moment of time)  
4 was ten or more.

5 (b) The term "wages" means all remuneration for  
6 employment, including the cash value of all remuneration  
7 paid in any medium other than cash.

8 (c) The term "employment" means any service, of  
9 whatever nature, performed within the United States by an  
10 employee for his employer, except—

11 (1) Agricultural labor;

12 (2) Domestic service in a private home;

13 (3) Service performed as an officer or member  
14 of the crew of a vessel on the navigable waters of the  
15 United States;

16 (4) Service performed by an individual in the  
17 employ of his son, daughter, or spouse, and service  
18 performed by a child under the age of twenty-one in  
19 the employ of his father or mother;

20 (5) Service performed in the employ of the  
21 United States Government or of an instrumentality of  
22 the United States;

23 (6) Service performed in the employ of a State,  
24 a political subdivision thereof, or an instrumentality of  
25 one or more States or political subdivisions;

1           (7) Service performed in the employ of a corpo-  
 2           ration, community chest, fund, or foundation, organ-  
 3           ized and operated exclusively for religious, charitable,  
 4           scientific, literary, or educational purposes, no part of  
 5           the net earnings of which inures to the benefit of any  
 6           private shareholder or individual.

7           (d) The term "State agency" means any State officer,  
 8           board, or other authority, designated under a State law to  
 9           administer the unemployment fund in such State.

10          (e) The term "unemployment fund" means a special  
 11          fund, established under a State law and administered by a  
 12          State agency, for the payment of compensation, all the  
 13          assets of which are mingled and undivided, and in which  
 14          no separate account is maintained with respect to any  
 15          person.

16          (f) The term "contributions" means payments re-  
 17          quired by a State law to be made by an employer into an  
 18          unemployment fund, to the extent that such payments are  
 19          made by him without any part thereof being deducted or  
 20          deductible from the wages of individuals in his employ.

21          (g) The term "compensation" means cash benefits  
 22          payable to individuals with respect to their unemployment.

23                                       RULES AND REGULATIONS

24          SEC. 908. The Commissioner of Internal Revenue,  
 25          with the approval of the Secretary of the Treasury, shall

1 make and publish rules and regulations for the enforcement  
2 of this title, except sections 903 and 904.

### 3 TITLE X—GENERAL PROVISIONS

#### 4 DEFINITIONS

5 SECTION 1001. (a) When used in this Act—

6 (1) The term “State” (except when used in  
7 section 531) includes Alaska, Hawaii, and the District  
8 of Columbia.

9 (2) The term “United States” when used in a  
10 geographical sense means the States, Alaska, Hawaii,  
11 and the District of Columbia.

12 (3) The term “person” means an individual, a  
13 trust or estate, a partnership, or a corporation.

14 (4) The term “corporation” includes associa-  
15 tions, joint-stock companies, and insurance companies.

16 (5) The term “shareholder” includes a member  
17 in an association, joint-stock company, or insurance  
18 company.

19 (6) The term “employee” includes an officer of  
20 a corporation.

21 (b) The terms “includes” and “including” when  
22 used in a definition contained in this Act shall not be deemed  
23 to exclude other things otherwise within the meaning of the  
24 term defined.

25 (c) Whenever under this Act or any Act of Congress,  
26 or under the law of any State, an employer is required or



1 permitted to deduct any amount from the remuneration of  
2 an employee and to pay the amount deducted to the United  
3 States, a State, or any political subdivision thereof, then  
4 for the purposes of this Act the amount so deducted shall  
5 be considered to have been paid to the employee at the  
6 time of such deduction.

7 (d) Nothing in this Act shall be construed as author-  
8 izing any Federal official, agent, or representative, in carry-  
9 ing out any of the provisions of this Act, to take charge  
10 of any child over the objection of either of the parents of  
11 such child, or of the person standing in loco parentis to  
12 such child, in violation of the law of a State.

#### 13 RULES AND REGULATIONS

14 SEC. 1002. The Secretary of the Treasury, the Secre-  
15 tary of Labor, and the Social Security Board, respectively,  
16 shall make and publish such rules and regulations, not incon-  
17 sistent with this Act, as may be necessary to the efficient  
18 administration of the functions with which each is charged  
19 under this Act.

#### 20 SEPARABILITY

21 SEC. 1003. If any provision of this Act, or the  
22 application thereof to any person or circumstance, is held  
23 invalid, the remainder of the Act, and the application of  
24 such provision to other persons or circumstances shall not  
25 be affected thereby.

RESERVATION OF POWER

1

2 SEC. 1004. The right to alter, amend, or repeal any  
3 provision of this Act is hereby reserved to the Congress.

4

SHORT TITLE

5 SEC. 1005. This Act may be cited as the "Social  
6 Security Act".

74<sup>TH</sup> CONGRESS }  
1<sup>ST</sup> SESSION

H. R. 7260

Union Calendar No. 186

[Report No. 615 ]

**A BILL**

To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

By Mr. DOUGHTON

APRIL 4, 1935

Referred to the Committee on Ways and Means and ordered to be printed

APRIL 5, 1935

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

**SOCIAL SECURITY**

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that I may have until midnight tonight to file a report on the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes. And that any Member desiring to file individual or minority views may have the same time within which to file the same.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND  
RESOLUTIONS

Under clause 2 of rule XIII,

Mr. DOUGHTON: Committee on Ways and Means. H. R. 7260. A bill to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes; without amendment (Rept. No. 615). Referred to the Committee of the Whole House on the state of the Union.

## THE SOCIAL-SECURITY BILL

Mr. KNUTSON asked and was given permission to revise and extend his remarks.

Mr. KNUTSON. Mr. Speaker, the social-security bill will probably come before the House for consideration within a few days. Title I, the section having to do with old-age pensions, contemplates setting up a dual contributory system whereby the Government will match the State dollar for dollar up to \$15 per month for each pensioner.

After having given much study to this set-up I am firmly convinced that it would work a great injustice in a number of States that are bankrupt or nearly so. I attach herewith table no. 2, taken from the majority report on the social-security bill, which enumerates the States now having an old-age-pension system. It will be noted from this table that two of these States are in default in the payment of the pension.

In this connection I desire to call particular attention to the situation in North Dakota where a yearly pension calling for \$150 was settled in the sum of \$3.96 for the year 1934. No doubt there are other States in the same financial condition as North Dakota and West Virginia, and in such States the pension plan of the administration could not be made operative. Therefore, the plan is discriminatory and not workable.

I trust that the membership of this body will give this phase of the old-age-pension proposal of the administration most serious consideration before the measure is taken up for consideration by the House.

## Operation of old-age-pension laws of the United States, 1934

State	Type of law	Number of pensioners	Number of eligible age, 1930	Percentage of pensioners to number of eligible age	Average pension	Yearly cost
Alaska.....	Mandatory..	446	3,437	11.1	\$20.82	\$95,705
Arizona.....	do.....	1,974	9,118	21.6	9.01	200,927
California.....	do.....	19,300	210,379	9.2	21.15	3,502,000
Colorado.....	do.....	8,705	61,787	14.1	8.59	172,481
Delaware.....	do.....	1,610	16,678	9.7	9.79	188,740
Hawaii.....	Optional....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Idaho.....	Mandatory..	1,275	22,310	5.7	8.85	114,521
Indiana.....	do.....	23,418	138,428	16.9	6.13	1,254,169
Iowa.....	do.....	3,000	184,239	1.6	13.50	475,500
Kentucky.....	Optional....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Maine.....	Mandatory..	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Maryland.....	Optional....	141	92,972	.2	20.00	50,217
Massachusetts.....	Mandatory..	20,023	156,590	12.8	24.35	5,411,723
Michigan.....	do.....	2,660	148,853	1.8	9.59	300,090
Minnesota.....	Optional....	2,655	94,401	2.8	13.20	420,536
Montana.....	do.....	1,781	14,377	12.4	7.28	155,525
Nebraska.....	Mandatory..	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Nevada.....	Optional....	23	4,814	.5	15.00	3,320
New Hampshire.....	Mandatory..	1,423	25,714	5.5	19.06	298,722
New Jersey.....	do.....	10,550	112,594	9.4	12.72	1,375,693
New York.....	do.....	51,228	373,878	13.7	22.16	13,502,080
North Dakota.....	do.....	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )
Ohio.....	do.....	24,000	414,836	5.8	13.99	3,000,000
Oregon.....	do.....	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Pennsylvania.....	do.....	( <sup>7</sup> )	( <sup>7</sup> )	( <sup>7</sup> )	( <sup>7</sup> )	( <sup>7</sup> )
Utah.....	do.....	930	22,665	4.1	8.56	95,599
Washington.....	do.....	2,239	101,503	2.2	( <sup>1</sup> )	( <sup>1</sup> )
West Virginia.....	Optional....	( <sup>8</sup> )	( <sup>8</sup> )	( <sup>8</sup> )	( <sup>8</sup> )	( <sup>8</sup> )
Wisconsin.....	do.....	1,969	112,112	1.8	16.75	395,707
Wyoming.....	Mandatory..	643	8,707	7.4	10.79	83,231
Total.....		180,003	2,330,390	7.7	16.48	31,192,492

<sup>1</sup> No information available or not computed.

<sup>2</sup> Not in operation.

<sup>3</sup> Not yet in effect.

<sup>4</sup> Not much being done due to lack of funds.

<sup>5</sup> No pensions being paid now.

<sup>6</sup> Administered by counties; no information available for State.

<sup>7</sup> Law just being put into effect.

Source: Data collected by the Committee on Economic Security.

## COMMITTEE ON RULES

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file a report.

Mr. MONAGHAN. Mr. Speaker, reserving the right to object, may I ask the gentleman from New York what the nature of the rule under consideration is?

Mr. O'CONNOR. It relates to the social-security bill.

Mr. MONAGHAN. May I ask further what the nature of the rule is; that is, what the gentleman thinks it will be?

Mr. O'CONNOR. The Rules Committee has never considered it and is hearing the Ways and Means Committee this afternoon. Then the Rules Committee, with its accustomed deliberation, will arrive at the form of the rule.

Mr. MONAGHAN. I read in the newspapers that the committee has been conferring at length on it, and I should like to have some light on the subject.

Mr. O'CONNOR. I cannot predict what will happen.

Mr. TRUAX. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. I yield.

Mr. TRUAX. I hope the distinguished Chairman of the Rules Committee will not bring out a gag rule and attempt to force it down the throats of the Members.

Mr. MONAGHAN. Mr. Speaker, the social-security legislation is no doubt the most important legislation that we shall consider at this session of Congress.

The regular order was demanded.

Mr. MONAGHAN. I believe it should be considered under an open rule and without assurance to that effect I am constrained to object.

## SOCIAL-SECURITY LEGISLATION

Mr. O'CONNOR. Mr. Speaker, I call up House Resolution 197, which I send to the desk and ask to have read.

The Clerk read as follows:

## House Resolution 197

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for consideration of H. R. 7260, a bill to provide for the general welfare by establishing a system of Federal old-age benefits, and so forth. That after general debate, which shall be confined to the bill and shall continue not to exceed 20 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit, with or without instructions.

Mr. O'CONNOR. Mr. Speaker, I yield 30 minutes to the gentleman from Pennsylvania [Mr. RANSLEY]. All I can say at this time is that this is a wide open rule, as open as any rule ever presented to the House. It permits amendment under the rules of the House. No rule was ever presented to the House that was more open.

I reserve the remainder of my time, and yield 5 minutes to the gentleman from Indiana [Mr. GREENWOOD].

Mr. MONAGHAN. Mr. Speaker, I rise to a question of personal privilege, and, if the Chair please, to the privilege of the House.

The SPEAKER. The gentleman will state it.

Mr. MONAGHAN. The point of order I wish to make is this. I read in the rules that the rights of the House must be safeguarded as to its integrity, safety, and efficiency, and this matter of social security is one of the most im-

portant subjects that will come before this House during this whole session of Congress.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman is not addressing himself to the point of order.

The SPEAKER. The gentleman from Montana will please state his question of privilege.

Mr. MONAGHAN. Mr. Speaker, I am stating the point of order. It affects the dignity of this House to safeguard the rights of its Members to speak upon a matter in which they have vitally concerned themselves. That is a matter of paramount importance and constitutional importance, and the right cannot even be infringed by civil officers.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman is not stating a question of personal privilege, or a matter involving the privilege of the House.

Mr. LEHLBACH. Mr. Speaker, I make the point of order that the question of the privilege of the House must be raised by resolution.

The SPEAKER. The gentleman from New Jersey is correct.

Mr. BLANTON. But that does not apply to the matter of personal privilege.

The SPEAKER. A matter of the privilege of the House must be raised by resolution. The Chair understood the gentleman from Montana to raise a question of the privileges of the House.

Mr. MONAGHAN. And a matter of personal privilege. I said also the privilege of the House.

The SPEAKER. The gentleman will state his question of personal privilege.

Mr. MONAGHAN. I read from rule IX:

Questions of privilege shall be, first, those affecting the rights of the House collectively, its safety, dignity, and the integrity of its proceedings.

Under the question of personal privilege I cite the integrity of the proceedings of the House. I cannot see that this rule adequately protects this House so far as giving it and the public adequate information as to the rule.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman is not stating a question of personal privilege.

The SPEAKER. The point of order is well taken. The gentleman will state the question of personal privilege.

Mr. MONAGHAN. Then I appeal from the decision of the Chair, if any has been made.

The SPEAKER. But the Chair has not made any ruling. The Chair is simply seeking to have the question of personal privilege stated by the gentleman.

Mr. MONAGHAN. I have stated it.

The SPEAKER. What is it?

Mr. MONAGHAN. This matter of social security is one in which I am vitally interested and have interested myself from my first session in Congress, and I have interested myself on this rule to the extent of circularizing every Member of the House. I am not permitted to speak upon it. It is my constitutional right that my constituents may be heard here. That is denied.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman is not stating a question of personal privilege, and I move that his remarks be stricken from the Record.

The SPEAKER. Permit the Chair to rule.

Mr. MONAGHAN. Mr. Speaker, I should like to continue, if I shall not be interrupted.

The SPEAKER. But the gentleman cannot make an argument at this time. He must succinctly state his question of personal privilege.

Mr. MONAGHAN. I will state it.

The SPEAKER. Without accompanying it with an argument at this time.

Mr. MONAGHAN. Am I not permitted to argue the point of order?

The SPEAKER. It is necessary for the gentleman first to state his question of personal privilege as a basis for any

argument that he may desire to submit. The Chair has no desire other than to see that the gentleman and every Member of the House is protected under the rules. The rules provide that a gentleman who raises a question of personal privilege must first state his question before he proceeds to argue with reference to it.

Mr. MONAGHAN. I have asked for time from the minority and the majority—

Mr. O'CONNOR. Mr. Speaker, a point of order. The gentleman is not stating a question of personal privilege.

Mr. MONAGHAN. How could I state my question of personal privilege if I do not state the right that has been denied me? I maintain that the right of any Member should be safeguarded to speak upon any question in which he has vitally interested himself at every session of the Congress. By reason of the fact that the gentleman from New York [Mr. O'CONNOR] will not assign me time, and I am not assigned time by the minority, and my unanimous-consent request is denied, my personal privilege—

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman from Montana, under the guise of raising a question of personal privilege, is making a speech to his constituents in behalf of the Townsend plan.

Mr. CONNERY. Mr. Speaker, a point of order. The gentleman from New York [Mr. O'CONNOR] has no right to make that statement.

The SPEAKER. The rules provide that a Member may rise to a question of personal privilege where his rights, reputation, and conduct individually, in his representative capacity, is assailed or reflected upon. The Chair fails to see where the gentleman has presented a question of personal privilege which will bring himself within that rule. The rules provide for the conduct of the business of the House—

Mr. BLANTON. Mr. Speaker, a point of order.

The SPEAKER. The rules are necessary—

Mr. BLANTON. Mr. Speaker, I want to ask that the improper words of the gentleman from New York referring to the remarks of the gentleman from Montana as "a demagogic speech" be taken down—

The SPEAKER. The Chair is in the midst of a ruling. The Chair hopes the gentleman will respect the Chair until he finishes with his statement.

Mr. BLANTON. I want to ask that the gentleman's improper words be taken down, and do not want to lose that right—

The SPEAKER. The Chair is in the midst of a ruling. The Chair trusts the gentleman from Texas will refrain from interruption until the Chair has concluded.

Mr. BLANTON. I will.

The SPEAKER. The Chair was about to state to the gentleman from Montana [Mr. MONAGHAN] that these rules have been adopted for the proper conduct of the business of the House. They provide the method of procedure. If this rule is adopted the gentleman may, of course, appeal to those who have charge of the time for time, but there are 435 Members of the House, and the gentleman must appreciate, as the Chair does, that it is impossible for those gentlemen to yield to everyone. However, the Chair is very sure that opportunity will be afforded the gentleman sometime during the discussion of the bill to express his views.

The Chair fails to see where the gentleman has been denied any right that has not been denied to every Member of this House. The gentleman has his right of appeal to get time, as the Chair stated, if this rule is adopted. If the rule is not adopted and the bill is taken up, then the gentleman may proceed under the rules of the House. The Chair fails to see where the gentleman has raised a question of personal privilege.

Mr. BLANTON. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. BLANTON. I make the point of order, unless the gentleman from New York [Mr. O'CONNOR] withdraws the word "demagogic", that the statement of the gentleman from New York [Mr. O'CONNOR] that the gentleman from Montana [Mr. MONAGHAN] was making "a demagogic

speech" is out of order. It attributes improper motives to the gentleman from Montana, who, I think, is earnest and sincere, and I ask that those words, "a demagogic speech", be taken down, as used by the gentleman from New York [Mr. O'CONNOR], unless the gentleman sees fit to withdraw them.

Mr. O'CONNOR. Well, I did not pronounce it just that way, but I have no intention of withdrawing it.

Mr. BLANTON. Mr. Speaker, I ask that those words embracing "demagogic" be taken down, because while he and I do not agree on this bill, I think the gentleman from Montana [Mr. MONAGHAN] is sincere and in earnest in his declaration. [Applause.]

The SPEAKER. The gentleman requests that the words of the gentleman from New York be taken down.

The Clerk will report the words.

Mr. MARTIN of Massachusetts. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MARTIN of Massachusetts. I wonder if the request to take down the gentleman's words does not come too late?

Mr. BLANTON. Oh, no; it does not. I made it in due order.

Mr. O'CONNOR. Mr. Speaker, in order to save time and to get down to the business of the House, and without relinquishing any of my private opinions, I withdraw the word I used.

Mr. BLANTON. Mr. Speaker, I therefore withdraw my request.

The SPEAKER. The gentleman from Indiana is recognized for 5 minutes.

Mr. GREENWOOD. Mr. Speaker, this resolution provides for what is commonly known as a "wide open" rule for the consideration of the so-called "social security bill." The rule provides for 20 hours of general debate to be confined to the bill and is wide open for all amendments that are germane that any Member may wish to offer. We think the importance of this legislation calls for a rule of this liberality.

I want to congratulate the Ways and Means Committee on the presentation of this bill after many days of consideration. It is a great and wonderful step in advance providing for the security of old age, for the security of motherhood and of childhood. We have learned many lessons from the depression, among them that in a land of surpluses, in a land of plenty, where we raise a surplus of foodstuffs, thousands if not millions are hungry; that in a land where we produce a surplus of wool, cotton, and other material for clothing, many are unclothed; that in a land where we produce a surplus of fuel, coal, oil, and electric power, many are cold and homes are unheated. From this depression we have learned that there must be new formulas for the security of humanity. After all, the supreme purpose of government is the protection of its citizens and the protection of humanity.

This legislation is a wonderful step in advance along the line of security. It may not go as far as some would like, but certainly it is a movement in the right direction as an initial step.

The rule provides that anyone who has an amendment they believe will improve the details of this legislation may offer it and will have ample opportunity and time in which to discuss it.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. GREENWOOD. I yield.

Mr. COX. The effect of the proposed rule is to give a privileged status to the bill and to make possible its consideration at this time.

Mr. GREENWOOD. That is all.

Mr. COX. And in that it provides for 20 hours' general debate it enlarges the privileges of the Members rather than restricts them.

Mr. GREENWOOD. That is true. I thank the gentleman for his contribution. It is one of the most liberal rules I have ever seen.



Mr. McFARLANE. Mr. Speaker, will the gentleman yield?  
Mr. GREENWOOD. I yield.

Mr. McFARLANE. How long will we be permitted to discuss the rule before the previous question will be ordered on the rule?

Mr. GREENWOOD. The rules of the House provide for 1 hour of debate on the rule.

Mr. McFARLANE. I do not so read it in the rule.

Mr. GREENWOOD. That is the rule of the House touching this matter, as I understand it.

Mr. McFARLANE. Another question, if the gentleman will permit. The Parliamentarian has had some 19 or 20 amendments submitted to him but he has not passed upon them. If this rule is adopted, can the gentleman state whether or not the different measures that have been discussed before the country would be germane to the bill?

Mr. GREENWOOD. Why, certainly the gentleman cannot state that; that is the province of the Speaker and the Chairman of the Committee of the Whole House on the state of the Union when the amendment is offered and after he knows what it is.

Mr. BLANTON. Mr. Speaker, will the gentleman yield?

Mr. GREENWOOD. I yield.

Mr. BLANTON. In its ultimate finality it is within the control of the House, because even though the Speaker rules, the House can pass on all rulings. Is not that true?

[Here the gavel fell.]

Mr. COX. Mr. Speaker, I ask unanimous consent that the gentleman may have 5 additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. TRUAX. Mr. Speaker, will the gentleman yield?

Mr. GREENWOOD. I yield.

Mr. TRUAX. If this rule is adopted, may the so-called "Townsend plan" be offered as a substitute?

Mr. GREENWOOD. I have no reason to believe it would not be germane.

Mr. TRUAX. I thank the gentleman.

Mr. GREENWOOD. But I am not the Speaker of the House, nor am I the Parliamentarian. Perhaps the gentleman from Ohio knows as much about it as I do.

Mr. GRAY of Pennsylvania. Mr. Speaker, will the gentleman yield?

Mr. GREENWOOD. I yield.

Mr. GRAY of Pennsylvania. A few moments ago the Speaker of the House in ruling on a point of order stated that he felt sure the gentleman from Montana would be able to get time in the discussion of this bill. The Rules Committee brings out a rule dividing the time equally between the minority and the majority.

Mr. GREENWOOD. That is always customary, and there is nothing unusual about that.

Mr. GRAY of Pennsylvania. Has the Rules Committee ever thought of the injustice of that, in this respect: There are three times as many Democratic Members in the House as Republicans, yet Republicans are given an equal amount of time.

Mr. GREENWOOD. The time has always been divided between the majority and the minority not with the idea of politics, but that has been the custom of the House ever since I have been a Member of the House. This rule is no different from every other rule in that respect.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. GREENWOOD. I yield.

Mr. RICH. When mention was made of the Townsend plan being germane under this rule, did the gentleman mean the plan by which \$200 a month was to be paid people over a certain age on the condition that they spend it during the month, that foolish, ridiculous, obnoxious bill?

Mr. GREENWOOD. I do not know what the gentleman may mean or what any man may have in the back of his head, but when the appropriate time comes, the gentleman can propound the parliamentary inquiry to the Speaker.

Also in connection with the purposes of this legislation I am sure we all appreciate that we live in a machine age, an age of great invention; and unless we are going to correct this position, under the laws of invention, the monopoly that is granted and the principal profits that come from an invention are going to accrue to the management of industry and not be divided as an appanage to those who work with their hands. The invention of machinery crowds out hundreds and thousands of men and women who labor with their hands. We know that the future holds in store much unemployment and its attendant distress, especially unemployment in old age, and we may as well make this step now looking forward to that future date so that the advantages that accrue from the machine and this age of discovery in which we live shall take care of the people displaced. All our people must be taken care of under legislation of this character, and I say that the bill is a wonderful step in advance.

Mr. FITZPATRICK. Mr. Speaker, will the gentleman yield?

Mr. GREENWOOD. I yield.

Mr. FITZPATRICK. Speaking of the machine age, if the 48 States of the Union would shorten hours of labor we could meet the threat of the machine age, and that is the only way in which we can meet it.

Mr. GREENWOOD. I will agree with the gentleman from New York that the shortening of hours of labor would be very beneficial, but nevertheless there will always be that distress of old age; there will always be the necessity for assistance to be rendered to motherhood and childhood. I believe it is our duty as a nation of great wealth and of great surpluses to provide a scheme of government that through the years will build up the necessary reserves to provide for security in old age, of motherhood, and of childhood. This bill, in my opinion, is a step in the right direction.

Mr. Speaker, I want to congratulate the Ways and Means Committee for the care with which this bill has been prepared and for the work they have performed. I trust that the House will sustain the Committee by voting favorably on this rule in order that we may have full consideration and full opportunity for amendment of this bill.

Mr. COX. Will the gentleman yield?

Mr. GREENWOOD. I yield to the gentleman from Georgia.

Mr. COX. May I make the suggestion that if the membership will read the report of the committee, they will find it is most instructive and explanatory of the measure.

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to myself.

Mr. Speaker, the Rules Committee has given an open rule to the security bill, giving the House an opportunity to amend the bill when it comes before this body.

The bill provides that the Federal Government pay one-half of the cost of State old-age pensions, with a Federal limit of \$15 per month to one person. You will admit that this is by no means a princely sum and there is grave doubt as to the constitutionality of part of the bill; the Government, in the minds of many, has not the power to enforce social insurance under the guise of a tax. Again, no credit is allowed for the private pension funds set up by individual employers. The bill is, to say the least, loosely drawn and will probably reach the courts. I, however, propose to vote for the rule.

Mr. Speaker, I yield 5 minutes to the gentleman from Oregon [Mr. MOTT].

Mr. MOTT. Mr. Speaker, although this bill, the administration's old-age pension bill, comes into the House under an ostensibly open rule, yet insofar as that rule permits the administration bill to be amended in the way that many Members of the House would like to see it amended, this rule is not an open rule at all. It is to all practical intents and purposes virtually a gag rule, and I desire to try to show you, in the short time allotted for discussion on the rule, just why it is a gag rule.

Mr. COX. Will the gentleman yield?

Mr. MOTT. I have only 5 minutes on the rule, and I would appreciate it if the gentleman would allow me to finish my statement.

Mr. COX. Is the gentleman in favor of liberalizing the rules of the House?

Mr. MOTT. Mr. Speaker, I do not yield. I am sorry, but the gentleman must realize that my time is too limited to yield at this point for questions if I am to conclude my own statement within the time.

Mr. Speaker, it is generally conceded, and I have consulted several of the best parliamentarians in the House on the point, that under a general open rule of the House no such old-age pension plan as that embraced in the Lundeen bill or in the revised McGroarty bill may be offered by way of amendment as a substitute to section 1 of the pending bill, which is the old-age-pension feature of the President's economic-security bill, which bill we are now about to consider under this rule.

Now, let me say frankly at the outset that the only part of the President's economic-security bill that I am very greatly interested in for the moment, or that many Members are very greatly interested in, is section 1 of that bill, which contains the old-age-pensions provisions. I dare say not 2 percent of the people of the United States either know or care a great deal about any part of this administration bill, except the old-age-pension part of it, but, on the other hand, I venture to say that 90 percent of the people of the United States do know and do care about the old-age-pension features of it and that they are very much interested in knowing whether or not we intend at this session of Congress to give to them an adequate old-age-pension bill.

Now, Mr. Speaker, while I intend to confine my remarks at this stage to the rule itself, and not to the bill reported in under the rule, I desire to say in this connection that the old-age pension provided in the administration bill is not an adequate old-age pension and that most of the membership of the House freely admit that it is not adequate. I doubt very much whether there will be any serious contention in the debate which is to follow the disposition of this rule that the pension here proposed is an adequate old-age pension. Furthermore, few people outside of the Congress believe this to be an adequate pension. Since the convening of the present Congress I have replied to more than 9,000 letters inquiring about and commenting upon the old-age-pension provision of the administration bill, but I have yet to receive a single letter in which the writer expressed the opinion that the pension here proposed is adequate.

Please do not misunderstand me. I am not for the purpose of the debate on the rule criticizing the bill itself. What criticism I may have for it I shall reserve for debate upon the bill. But I am telling you what the people you yourselves represent think about it, for the purpose of urging upon you the liberalization of the rule, so that what your constituents have asked for in the way of an old-age pension may at least be considered and debated under the rule.

Mr. Speaker, there are millions of people in this country who in good faith have petitioned the Congress to consider and discuss and to decide upon the merits of certain old-age-pension plans which they believe to be solutions to the old-age-pension problem. It is said that 20,000,000 people have signed petitions asking Congress to consider the so-called "Townsend plan", which is now before the Congress in the shape of a new bill known as the revised McGroarty bill. It is reported also that more than a million people have by the similar orderly method of petition prayed Congress to consider the Lundeen bill, which has been favorably reported to the House by the Committee on Labor. Is this body, the duly constituted representatives of the people and the law-making authority of the people, going to deny completely these petitions of the people?

The Constitution of the United States guarantees to its people the right of petition to the proper authority, which in

this case is the Congress of the United States, and that right presupposes and carries with it the right to have their orderly petitions properly considered and passed upon by the Congress in an orderly manner. I am not contending that you must grant those petitions by enacting their proposals into law, because to say that would be to deny to Congress the right to legislate as the representatives of the whole people. But I do say to you that you have no right to refuse to allow the legislation prayed for in those petitions to be considered on the floor of this House. I do say that you have no right, figuratively speaking, to throw those petitions in the waste basket. And finally I say that although you may have the legal right you have no moral right to adopt any rule today which will render it impossible for the House to consider and act upon either the revised McGroarty bill, the Lundeen bill, or any other old-age-pension bill now before Congress which proposes a different old-age-pension plan than that proposed in the President's bill. And that, Mr. Speaker, is precisely what the majority of this House will do if it adopts this rule.

The other bills to which I have referred are tax bills, and that is the reason why they cannot be offered as amendments or substitutes for section 1 of the pending bill, under the supposedly open rule which you are now proposing to adopt. Under this rule all tax bills must be held to be not germane to section 1 because section 1 contains no tax provision. The revised McGroarty bill is a tax bill providing, among other things, for a 2-percent transaction tax for the purpose of financing the pension provided for in the bill. The Lundeen bill is also a tax bill. All the other old-age-pension bills now pending before Congress are tax bills, and this rule will shut them all out from any consideration whatever.

Mr. Speaker, I trust the point I make is clear to everyone—that under the general rules of the House and under this particular rule—no one will be allowed to offer any other old-age plan as a substitute to section 1 of the administration bill which, of course, is the only bill before the House for consideration under the rule. I have no right to say to Members how they shall vote for any of these other bills if they are offered, but I think I have a right to insist that the Rules Committee ought to give the Membership of the House an opportunity to consider those other plans and to debate them, and, if they are satisfied with one of the other plans they ought to have the right to substitute it for the old-age-pension provision of this administration bill.

The only way that that can be done, and the only way that this House will have any opportunity whatever of considering any other old-age-pension plan except the particular plan specified in the pending bill, is to vote down the previous question on the rule and then amend the rule so as to provide that any other old-age-pension plan, together with any other system or scheme of raising revenue to finance it, may be offered by way of amendment to section 1 of this bill. Gentlemen will have an opportunity to do this by simply voting down the previous question and amending the rule, or by voting down the rule itself and requiring the Rules Committee to bring in a new rule. If you refuse to do that, then by your vote you will declare to your colleagues and to the country that you have prevented and forbidden consideration and debate in this House upon any other kind or type of old-age-pension bill except the specific plan provided in the pending bill, which, in the opinion of the majority of the Members here, is altogether inadequate and with which the country as a whole is not satisfied. [Applause.]

[Here the gavel fell.]

Mr. MONAGHAN. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman from Montana rise?

Mr. MONAGHAN. For the purpose of submitting a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MONAGHAN. Is not the statement that was made by the gentleman from Oregon [Mr. Morr] correct, that if this

rule passes, then only one particular plan, the plan that we now have under discussion, may be passed upon by the Congress?

The SPEAKER. The Chair is not in position to answer that parliamentary inquiry. That is a matter which will come up subsequently under the rules of the House. The Chair would not seek to anticipate what the Chairman of the Committee of the Whole may rule or what the Committee itself may do. The Chair feels very certain that the Chairman of the Committee will be governed, as all chairmen of committees are, by the rules and precedents of the House. Certainly the Chair would not anticipate his ruling; and in addition to this, the Chair cannot pass upon any particular amendment until it has been presented in all its phases.

#### SOCIAL-SECURITY BILL

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Speaker, I do not think this legislation should have been accompanied by a special rule—

Mr. COX. Mr. Speaker, will the gentleman yield there?

Mr. KNUTSON. If the gentleman please, I have only 5 minutes.

Bringing in this bill under a special rule is a reflection upon you Democrats.

Mr. DOUGHTON. Mr. Speaker, will my colleague yield?

Mr. KNUTSON. I always yield to my chairman.

Mr. DOUGHTON. We were advised by what we considered good parliamentary authority that this is the only way by which the bill could be considered. We were advised that it is not privileged and could only come in under a rule. Apparently, the gentleman would not want it considered at all.

Mr. KNUTSON. The CONGRESSIONAL RECORD shows there are 319 Democrats in the House, 103 Republicans, 7 Progressives, and 3 Farmer-Laborites. In other words, you have three times as many Members as the three other parties combined [applause], but you cannot be trusted to pass upon a measure of this kind without a gag rule. [Laughter.] Now, applaud that. [Laughter.]

Mr. MONAGHAN and Mr. SAMUEL B. HILL rose.

The SPEAKER. Does the gentleman yield; and if so, to whom?

Mr. KNUTSON. To my good friend from Montana, who started the fireworks.

Mr. MONAGHAN. Does not the gentleman feel that my rights in this House have been infringed when I have been refused the right to express myself on this, the most important part of the whole program, the rule under which the bill will be considered?

Mr. KNUTSON. Technically, no; morally, yes. [Laughter and applause.]

When we were in control we very rarely brought legislation in under a gag rule. [Laughter.] That is all right, but the RECORD will bear me out. I notice that the proponents of this rule are going to some pains to explain to you that this is an open rule.

Now, do not deceive yourselves. If you adopt this rule, you vote to tie your hands so that you cannot substitute any provisions for section 1 that provides for raising the money through taxation.

Mr. WARREN. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. WARREN. The gentleman is complaining because this measure is brought in under a rule. Will he please say how in the world it could be considered without a rule? To show you how absolutely absurd—

Mr. KNUTSON. I cannot yield for a speech. If the gentleman wants to propound a question, all right.

Mr. WARREN. I want to propound a question.

Mr. KNUTSON. I think you are taking too much of my time, and I refuse to yield further.

Mr. WARREN. It could only come up otherwise, on Calendar Wednesday.

Mr. KNUTSON. Mr. Speaker, I cannot yield for a statement.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield to me?

Mr. KNUTSON. For a question, yes; but not a statement.

Mr. MARCANTONIO. Could we not adopt the same procedure we followed when we considered the bonus bill? You then brought in a special rule for the Patman bill and the Andrews bill, so that we could amend the Vinson bill by substituting those two bills. Why do you not do the same thing here?

Mr. LUNDEEN. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Minnesota.

Mr. LUNDEEN. I wish to inquire as to the gentleman's opinion of whether we could, under this rule, substitute H. R. 2827, or the McGroarty bill.

Mr. KNUTSON. Is H. R. 2827 the gentleman's bill?

Mr. LUNDEEN. H. R. 2827 is the Lundeen bill.

Mr. KNUTSON. No; you cannot.

Mr. BLANTON. Mr. Speaker, will the gentleman yield for a question?

Mr. KNUTSON. Yes.

Mr. BLANTON. If we did not have a rule there would be just 1 hour of debate under the rules of the House, whereas under the rule there is 20 hours of debate.

Mr. KNUTSON. Why could you not bring in a rule to give us 20 hours of debate and let it go at that?

As I look into your faces on this side you appear to me like intelligent people. You look as though you can be trusted, but evidently your leaders feel that you cannot be trusted, and perhaps they know you better than I do. [Laughter and applause.]

Mr. O'CONNOR. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina [Mr. WARREN].

Mr. WARREN. Mr. Speaker, just to show how absolutely ridiculous and fallacious the argument made by the gentleman from Minnesota is I call attention of the House to this fact: He is complaining of the wide-open rule brought out on this occasion. Had there been no rule this bill would have been considered on some Calendar Wednesday, and there would have been only 1 hour of general debate on each side on the whole subject. The gentleman from Minnesota knows that, and that shows how entirely ridiculous his argument is. His reason for opposing this rule is absurd on its face.

Mr. MONAGHAN. Will the gentleman yield?

Mr. WARREN. I yield.

Mr. MONAGHAN. I wonder how the length of debate would give us a better bill.

Mr. WARREN. The same rules of germaneness would apply then as now.

Mr. MONAGHAN. How about the bonus bill?

Mr. WARREN. That was brought in under a rule.

Mr. MONAGHAN. But a very much more liberal rule than this.

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. MARCANTONIO].

Mr. MARCANTONIO. Mr. Speaker, the press of the Nation has heralded this rule as wide open. I agree that it is a wide-open rule technically, but from a practical standpoint it is a rule which accomplishes the same purpose of a stringent gag rule. It prevents this House from discussing and passing on genuine social-security plans.

The argument has been raised here that legislation on social security is just as important, if not more important, than that of the soldiers' bonus. I agree with that statement. The rule on the soldiers' bonus provided that the House could vote for either the Vinson plan, the Patman plan, or the Andrews plan. The Rules Committee brought in a special rule giving the Membership the right to offer any of these plans as amendments in the Committee of the Whole or in the House with two motions to recommit.

Why should not a special rule be adopted, providing the same procedure for this legislation, which is the most important long-range legislation presented before this House in 25 years?

Nobody can deny that the Lundeen bill may be ruled out on a point of order on the ground that it is not germane under this trick rule. Nobody can deny that it will also be argued that the Townsend old-age plan is not germane. As far as the Townsend plan is concerned it may be ruled out because it provides for taxation. It may be held not to be germane because it provides for revenue raising, and the Doughton bill before us has no revenue-raising provisions for Federal old-age provisions. The Townsend plan may be ruled out on a further point according to the Mapes precedent in that it raises revenue by a different method than that in the bill. Why not adopt a special rule making both these plans in order.

Throughout the Nation millions of people are in favor of the McGroarty-Townsend plan, millions of people are in favor of the Lundeen workers' plan. Although I am for H. R. 2827, the Lundeen bill, known as the "workers' bill", and although I am opposed to the Townsend plan because it would impose a sales tax, which is just as bad as the payroll tax imposed under the Doughton bill. I do not care to discuss the merits of any of the plans at this time. I shall do so under general debate. However I do say that the House of Representatives should have an opportunity to vote on these plans and to deliberate on matters which are being discussed by millions of our citizens. We should vote these plans up or down and assume our responsibilities like real Representatives of the people and not dodge issues which millions of Americans have raised throughout the Nation. Their causes should be given a trial before this House and this House should be given an opportunity to pass judgment. We should not hide behind a trick rule. We should face issues squarely. That is our duty and that is why we are here. This rule, in all likelihood will preclude this House from voting on any of these plans. So when you say you are giving us a wide-open rule, you are giving us a wide-open bag; you have got this thing in the bag and you are getting away with it. [Laughter and applause.]

I propose that the only method by which we can amend this rule so as to make the Townsend plan germane and the Lundeen plan germane is to vote down the previous question and then amend this trick rule. We cannot amend this trick rule unless we vote down the previous question. If the previous question is voted down, then I shall propose the following amendment:

On page 1, line 11, after the word "rule", insert "In the consideration of the bill it shall be in order to consider as amendments the provisions of H. R. 2827 (the Lundeen) plan and of H. R. 7154 (the Townsend) plan, notwithstanding any rule of the House."

This will give a real hearing to a great portion of the American people.

Mr. CONNERY. Will the gentleman yield?

Mr. MARCANTONIO. I yield.

Mr. CONNERY. The Lundeen bill is a bill that has been reported by a committee of this House?

Mr. MARCANTONIO. Exactly. The Labor Committee reported the Lundeen bill favorably. Why should not this House be given an opportunity to discuss and pass on this plan?

Mr. Speaker, you may call this "social security", you may call this a "new deal", you may call it what you please, but it is simply the same old stacked deck of cards that were sent to the laundry 2 years ago to be powdered and polished and

are now being dealt out in the same old manner. You can call it "social security"; you can call it "the new deal." I say to you this is not social security, not a new deal, but it is just a new delusion. [Applause.]

The SPEAKER. The time of the gentleman from New York [Mr. MARCANTONIO] has expired.

Mr. O'CONNOR. Mr. Speaker, I yield 2 minutes to the gentleman from Georgia [Mr. Cox].

Mr. COX. Mr. Speaker, as has been explained, this bill did not enjoy privilege. The effect of the rule is to give it a privileged status, thereby making possible consideration at this time. The rule reported and now offered to the House deprives no Member of any privilege or right which he enjoys under the general rules of the House. As a matter of fact, in providing 20 hours' general debate, it enlarges the privileges of the Membership.

It does seem to me, Mr. Speaker, most unreasonable for anyone to complain of the action of the Rules Committee in reporting this rule, especially in view of the fact that the Ways and Means Committee, asking for a rule, simply requested such rule as the Rules Committee in its judgment might see fit to grant. That committee reported a rule which preserves to the Members all rights that they enjoy under the general rules of the House.

Mr. MONAGHAN. Will the gentleman yield?

Mr. COX. Not now. It could not in reason be expected that the Rules Committee would have gone out of its way to the extent of seeking to liberalize the general rules of the House in order to make possible the consideration of some extreme and impossible a measure as is the Townsend plan.

The SPEAKER. The time of the gentleman from Georgia has expired.

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from Minnesota [Mr. LUNDEEN].

Mr. LUNDEEN. Mr. Speaker, I agree with the statement of the gentleman from New York [Mr. MARCANTONIO], well stated, that the House should have an opportunity to pass on these two measures supported by millions of people in these United States. For instance, H. R. 2827, considered by a subcommittee of the Committee on Labor, and reported out, 6 to 1, by that subcommittee, should be included. I have the hearings on that bill before me in which the constitutionality of the workers' unemployment, old-age, and social-security bill is clearly upheld.

Mr. RAMSPECK. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. RAMSPECK. I am sure the gentleman does not want to misstate the facts. The committee reported the bill 7 to 6.

Mr. LUNDEEN. I was speaking of the subcommittee when I said the vote was 6 to 1.

Mr. RAMSPECK. Well, let us get it straight.

Mr. LUNDEEN. Well, my statement is correct; the subcommittee of the Labor Committee favorably reported H. R. 2827 and the full Labor Committee reported the bill out by a majority of one.

Mr. CONNERY. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. CONNERY. This bill was passed upon favorably by the Committee on Labor, and I put in for a resolution with the Rules Committee and we received no action on it.

Mr. LUNDEEN. I thank the gentleman; and I wish to say to the gentleman from Georgia [Mr. RAMSPECK] that the subcommittee reported the bill out 6 to 1, as I have already stated. The main Committee on Labor passed the bill by a majority of one, which is the vote to which the gentleman from Georgia referred.

These hearings are quite complete. There are 800 pages of testimony of economists and leaders of thought along the line of social security from all over the United States.

Mr. KNUTSON. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. KNUTSON. Did I understand the gentleman to say his bill had been reported out by the Committee on Labor?

Mr. LUNDEEN. Yes, indeed.

Mr. KNUTSON. It would be an act of discourtesy to the Committee on Labor if we refused to consider it during the consideration of this measure.

Mr. LUNDEEN. I think the gentleman is correct. I think the Committee on Labor is one of the finest committees in this House, and it has as its chairman one of the ablest and finest leaders that American labor has ever had. [Applause.]

Mr. CONNERY. Will the gentleman yield?

Mr. LUNDEEN. Certainly.

Mr. CONNERY. I will say that we are used to the discourtesy to which the gentleman from Minnesota [Mr. KNUTSON] referred.

Mr. MONAGHAN. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. MONAGHAN. Since this rule will not permit a vote either upon the Lundeen measure or the McGroarty bill, and since it has 20 hours of debate, is it not a rule that provides for "all bull" and no real bill?

Mr. LUNDEEN. I will leave that to the gentleman's own judgment. I wish to say that the thing to do, in my opinion, when the previous question is voted upon, is to vote down the previous question and throw open this rule to amendment. [Applause.] That is what we should do in this House, so that we can vote on the Townsend plan and vote it up or down, as the Members think best, and vote on this Lundeen plan—H. R. 2827—as the House thinks best, either one way or the other.

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. SAMUEL B. HILL. Is H. R. 2827, known as the "Lundeen bill", an old-age-pension bill?

Mr. LUNDEEN. Unemployment, old-age, and social-security bill.

Mr. SAMUEL B. HILL. But is it distinctly an old-age-pension bill, or does it pension all unemployed.

Mr. LUNDEEN. It covers the unemployed and old-age pensions.

Mr. SAMUEL B. HILL. Let us get this straight. It is not strictly an old-age-pension bill.

Mr. LUNDEEN. It is an unemployment, old-age, and social-insurance bill.

Mr. TRUAX. Mr. Speaker, will the gentleman yield?

Mr. LUNDEEN. Yes.

Mr. TRUAX. If we vote for this rule then we preclude the consideration of the Lundeen workers' bill and the Townsend old-age bill. We shut the door against those two bills.

Mr. LUNDEEN. In my opinion we do, and that is based on the judgment of the best parliamentarians of the House of Representatives. I hope we can persuade the leaders of the majority to permit a vote on the Lundeen bill (H. R. 2827) and the Townsend bill (H. R. 7154), introduced by Representative MCGROARTY. [Applause.]

The SPEAKER. The time of the gentleman from Minnesota has expired.

Mr. O'CONNOR. Mr. Speaker, how much time have I remaining?

The SPEAKER. Sixteen minutes.

Mr. O'CONNOR. Mr. Speaker, I yield 3 minutes to the gentleman from Montana [Mr. MONAGHAN].

Mr. MONAGHAN. Mr. Speaker, first, I thank the gentleman from New York [Mr. O'CONNOR] and say that I have the profoundest respect for him. His action in granting these 3 minutes is proof to me of what I have always thought—that he is one of the most sportsmanlike, as well as one of the most brilliant, men in the House. [Applause.]

The reason that I rise in opposition to this rule is quite simple. It is regarded generally by those who know that, even while opportunity is presented here for amendment, the amendments desired to be offered will be ruled out, as the gentleman from New York [Mr. MARCANTONIO] has so well stated, as not being germane to the bill under consideration. It is further true that there is a right to a motion to recommit, but that right goes by proper rule to the minority side of the Ways and Means Committee of the House, with the power in their hands to offer an innocuous

and harmless motion and thereby defeat any bill such as the Lundeen bill or the McGroarty bill, or any other type of social-security bill.

Mr. MOTT. Mr. Speaker, will the gentleman yield?

Mr. MONAGHAN. Yes; I yield to the distinguished gentleman from Oregon [Mr. MOTT].

Mr. MOTT. And may I suggest that even if the minority should offer on a motion to recommit the revised McGroarty bill, it would be held not germane, the same as it would be if it were offered as an amendment to the bill, so that the right to recommit gives the people no right whatever so far as putting in a substitute for the administration bill is concerned.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. MONAGHAN. Yes; always, to my good friend from Mississippi.

Mr. RANKIN. A motion to recommit is subject to amendment. I looked that up the other day. One can offer an amendment to a motion to recommit.

The SPEAKER. The time of the gentleman from Montana has expired.

Mr. KOPPLEMANN. Mr. Speaker, before the gentleman begins, will he yield for a question?

Mr. O'CONNOR. Yes.

Mr. KOPPLEMANN. In view of statements that have been made to the effect of a vote for the rule having the same effect as a vote against the so-called "Lundeen and McGroarty bills", what has the gentleman to say?

Mr. O'CONNOR. I cannot interpret that. That is a parliamentary question which should be addressed to the Chair.

Mr. KOPPLEMANN. I thought the gentleman was a good parliamentarian.

Mr. O'CONNOR. Mr. Speaker, there has been a lot of excitement about this rule. It has been stated many times that it is a wide-open rule and that is what it is, and no one by talking from now until doomsday can convince anybody with reason that it is not. No more wide-open rule could be devised. It is just a form. The committee clerk draws it when told to bring out an open rule and that is all it is. The Ways and Means Committee, different from the time when we had up for consideration the bonus bill, left the matter entirely to the Committee on Rules. So far as the bonus bill is concerned, I might say that the Committee on Ways and Means requested the Rules Committee to make the Patman bill in order.

Why a rule? As has been said, you would never consider this legislation during this session of Congress without a rule. The bill has no privileged status. While it has partial revenue features in it, it does not come within clause 45 of rule XI which makes bills raising revenue in order. So a rule is necessary.

There has been a lot of talk here for weeks and weeks about gag rules on this measure. I am disclosing no confidence when I say that many of us, including the Speaker and myself, have stood against any gag rule for the consideration of this measure, and let me say to the distinguished gentleman from Minnesota [Mr. KNUTSON] that this is a pension bill in a great measure. I do not know whether the distinguished orator from Minnesota was ever on a pensions committee, but I have an idea that at one time he was chairman of a pensions committee. In the whole history of Congress no pension bill was ever brought in otherwise than under suspension of the rules, with 40 minutes of debate, no amendments permitted, no motion to recommit, with every rule of the House suspended. That is the way it was always brought in under Republican administration.

Mr. CONNERY. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. CONNERY. The gentleman said the Ways and Means Committee requested that the Patman bill be made germane to the Vinson bill.

Mr. O'CONNOR. Yes.

Mr. CONNERY. The Committee on Labor asked a rule from the Committee on Rules after favorably reporting the Lundeen bill.

Mr. O'CONNOR. Let me say right there that we hear a lot of criticism of the Rules Committee in the House here and we are supposed to take it. My information as to the Lundeen bill is that in the gentleman's committee a vote was taken to table the measure and that vote was 7 to 7.

Mr. CONNERY. That is correct.

Mr. O'CONNOR. Seven to seven to table it. That did not carry and one member who voted to table the measure left the room and the bill was reported out on a vote of 7 to 6. Further, I do not recall that the gentleman has ever asked me or approached the Rules Committee to give even a hearing on the Lundeen bill.

Mr. CONNERY. Does not the gentleman want me to state the situation?

Mr. O'CONNOR. I have not the time to go into that now.

Mr. CONNERY. The gentleman referred to me.

Mr. O'CONNOR. If I am not correct, I stand corrected.

Mr. CONNERY. Does the gentleman want me to mention private conversations we have had about the Lundeen bill?

Mr. O'CONNOR. I must be mistaken. The gentleman must be correct when he states he did mention the subject to me.

Mr. CONNERY. I have mentioned it to the gentleman three or four times. I am not going to say what the gentleman said, except there was no chance for the Lundeen bill.

Mr. O'CONNOR. I am perfectly willing that the Lundeen bill be made in order on this bill. I hope it is in order and I hope the Townsend plan is in order on this bill.

Mr. McFARLANE. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. I yield.

Mr. McFARLANE. I know the gentleman is a good parliamentarian. I ask the gentleman to tell the House whether or not he thinks the Lundeen bill or the Townsend plan bill, either, is germane to this bill?

Mr. O'CONNOR. The gentleman is now asking me to go into a matter which I have not gone into. Nobody is entitled to stand on the floor of the House and say that either the Townsend plan or the Lundeen plan is not germane to this bill. The Parliamentarian has a stack of bills yet to examine. Some Member will preside as Chairman of the Committee of the Whole House on the state of the Union and will pass upon these questions as they rise. Off-hand, I will say now that I think the Townsend plan is germane, although I attach little importance to my opinion because I have not sufficiently studied the bill. I hope it is, so I can vote against it. [Applause.]

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. I yield.

Mr. McCORMACK. May I also call the gentleman's attention to the fact that it is always possible to appeal from a decision of the Chair? I would call the gentleman's attention to this additional fact also, that in the matter of the bonus question we had but one bill and not, as in the present instance, a bill with several parts. The two situations are entirely different. My own personal opinion is in complete harmony with that of the distinguished gentleman from New York, that this being a bill of several parts, not one particular bill, but several bills in one, either one of those bills is in order as an additional part of this bill.

Mr. O'CONNOR. I hope they are.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield for a brief observation?

Mr. O'CONNOR. I have not time, I am sorry.

There is no man in the House for whom I hold more affection than the distinguished gentleman from Montana [Mr. MONAGHAN]. It must be remembered, however, that the tactics here today of voting down a rule, and the tactics of the gentleman from Montana [Mr. MONAGHAN] yesterday in objection to my request to have until midnight to file a rule, were against this bill. If these tactics succeed, no Townsendite, no Lundeenite, no lift-the-burden-off-the-Federal-Governmentite would ever get a chance to consider this bill.

I did not know that the gentleman from Montana [Mr. MONAGHAN] was the leader of the Townsendites. I thought my beloved friend the poet laureate of California, JOHN STEVEN MCGROARTY, had introduced the bill and led his valiant fight for the Townsend plan. I did not know until yesterday that Dr. Townsend, who is now presiding in all his dignity over this House, had selected the young admiral from Montana [laughter] to lead his forces in this battle.

Mr. MONAGHAN. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. Briefly.

Mr. MONAGHAN. The gentleman does know, however, that my interest in old-age pensions antedates the Townsend plan or any other plan.

Mr. O'CONNOR. I did not know that.

Mr. MONAGHAN. And that it dates back to the time when the railroad retirement bill had to be fought through Congress against the united and combined opposition of the leadership of both House and Senate.

Mr. O'CONNOR. Something has been said about an innocuous motion to recommit. Wait until you see it. The motion to recommit will be to strike out the heart of this bill. It will not be any perfunctory motion, and that motion is in the hands of the minority.

What would you have us do? Would you have us hold the N. R. A. bill, the banking bill, and other bills are germane to this bill? Would you tear up Jefferson's Manual just to suit those who have sent all this propaganda throughout the country?

Mr. MONAGHAN. If the gentleman will yield, I would not.

Mr. O'CONNOR. Under one plan only 6,000,000 people would be eligible for old-age pensions instead of 22,000,000 and we would have the spectacle of sons and daughters giving up supporting their parents and wanting the Federal Government to support them. We of the great State of New York take care of our deserving aged people, but we do not deceive and delude them. There is going to be a day of reckoning for the people who are advocating this Townsend plan when our poor, distressed, desperate people wake up to the situation and find the snare and the delusion they have been drawn into. [Applause.]

Mr. MONAGHAN. May I say to the gentleman—

Mr. O'CONNOR. Mr. Speaker, I do not yield.

Mr. MONAGHAN. There will be a day of reckoning for those advocating the delusion plan suggested.

Mr. O'CONNOR. Mr. Speaker, I do not yield.

The SPEAKER. The Chair will state that the rules provide that a Member desiring to interrogate the Member who has the floor must first address himself to the Chair and obtain consent of the gentleman addressing the House. [Applause.] It is highly improper, although indulged in practically all the time, for a Member to rise and interrupt the Member addressing the House without first addressing the Chair and obtaining consent of the gentleman who has the floor.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. For a brief question.

Mr. MARCANTONIO. When it comes to the question of despair, does not the gentleman from New York believe that the imposition of a pay-roll tax which eventually will fall on the employees will bring greater despair than the despair the gentleman describes?

Mr. O'CONNOR. That I do not know. The gentleman from New York knows that the great Empire State has never neglected its aged and its children; and we do not have to depend upon the Federal Government to take care of our people.

Mr. MARCANTONIO. That is only so far as the State of New York goes.

Mr. O'CONNOR. Mr. Speaker, we have been struggling with this problem for at least 10 days. We have done what we thought was the very best thing to do.

I have seen statements in the paper that the administration was in favor of a gag rule. That is not the fact. The

administration does not intrude into the province of this House and tell it how to conduct its business.

Mr. Speaker, we allotted 20 hours of general debate. I hope the members of the Ways and Means Committee will stay on the floor. I hope the membership as a whole will stay here and give attention to the consideration of this bill. This bill probably should be perfected. There may be mistakes, errors, and fallacies in it, so we appeal to the membership to stay here during its consideration. We hope every opportunity for debate will be granted. We hope that every amendment may be offered, in spite of what has been said here today. Whoever presides in that chair as Chairman must rule in accordance with the precedents of the House, and if I am the only man left alive I am going to stand against the day when you take the Manual of that beloved Democrat, Thomas Jefferson, and tear it into shreds.

[Here the gavel fell.]  
Mr. O'CONNOR. Mr. Speaker, I move the previous question.

Mr. CONNERY. Mr. Speaker, a parliamentary inquiry. The SPEAKER. The gentleman will state it.

Mr. CONNERY. On the previous question, would a vote of "no" leave the rule open for amendment?

The SPEAKER. And debate, of course.  
Mr. MARCANTONIO. Mr. Speaker, I demand the yeas and nays.

The SPEAKER. The Chair will count. [After counting.] Thirty-six Members have risen; not a sufficient number.

The yeas and nays were refused.  
The SPEAKER. The question is on ordering the previous question.

The question was taken; and on a division (demanded by Mr. MARCANTONIO) there were—ayes 188, noes 54.  
So the previous question was ordered.

The SPEAKER. The question is on the adoption of the resolution.

The question was taken; and on a division (demanded by Mr. MARCANTONIO) there were—ayes 177, noes 50.

Mr. CONNERY. Mr. Speaker, I demand the yeas and nays.

The SPEAKER. The Chair will count. [After counting.] Fifty-three Members have risen; a sufficient number.

The yeas and nays were ordered.  
The Clerk called the roll; and there were—yeas 288, nays 103, not voting 40, as follows:

[Roll No. 54]  
YEAS—288

- |              |               |                |                 |
|--------------|---------------|----------------|-----------------|
| Adair        | Cole, Md.     | Eckert         | Hess            |
| Allen        | Cole, N. Y.   | Edmiston       | Higgins, Conn.  |
| Arnold       | Colmer        | Eicher         | Higgins, Mass.  |
| Ashbrook     | Cooley        | Ellenbogen     | Hill, Ala.      |
| Barden       | Cooper, Tenn. | Evans          | Hill, Samuel B. |
| Beam         | Corning       | Faddis         | Hobbs           |
| Belter       | Cox           | Farley         | Hoffman         |
| Berlin       | Cravens       | Fenerty        | Holmes          |
| Biermann     | Crosby        | Ferguson       | Hope            |
| Blackney     | Cross, Tex.   | Fernandes      | Huddleston      |
| Bland        | Crowe         | Fiesinger      | Igoe            |
| Blanton      | Crowther      | Fitzpatrick    | Imhoff          |
| Bloom        | Cullen        | Fletcher       | Jacobsen        |
| Boehne       | Cummings      | Focht          | Jenkins, Ohio   |
| Bolleau      | Daly          | Ford, Calif.   | Johnson, Okla.  |
| Boland       | Darden        | Ford, Miss.    | Johnson, Tex.   |
| Bolton       | Darrow        | Frey           | Johnson, W. Va. |
| Boylan       | Dear          | Fuller         | Jones           |
| Brennan      | Dean          | Fulmer         | Kee             |
| Brooks       | Delaney       | Gasque         | Keller          |
| Brown, Ga.   | Dempsy        | Gassaway       | Kelly           |
| Brunner      | Dickstein     | Gavagan        | Kenney          |
| Buchanan     | Dies          | Gillette       | Kerr            |
| Buck         | Dietrich      | Gingery        | Kimball         |
| Bulwinkle    | Dingell       | Goodwin        | Kinzer          |
| Burch        | Disney        | Granfield      | Kleberg         |
| Caldwell     | Dittler       | Gray, Ind.     | Kloeb           |
| Cannon, Mo.  | Dobbins       | Green          | Kulfin          |
| Carden       | Dondero       | Greenwood      | Kociaowski      |
| Carmichael   | Dorsey        | Greever        | Koppelman       |
| Cartwright   | Doughton      | Gregory        | Lambertson      |
| Cary         | Doxey         | Guyer          | Lambeth         |
| Casey        | Drewry        | Haines         | Lanham          |
| Castellow    | Driscoll      | Halleck        | Larrabee        |
| Celler       | Driver        | Hamlin         | Lee, Calif.     |
| Chandler     | Duffey, Ohio  | Hancock, N. Y. | Lee, Okla.      |
| Citron       | Duffy, N. Y.  | Harlan         | Leibach         |
| Claiborne    | Duncan        | Hart           | Lewis, Colo.    |
| Clark, N. C. | Dunn, Miss.   | Harter         | Lloyd           |
| Cochran      | Eagle         | Healey         | Lord            |
| Coffee       | Eaton         | Hennings       | Lucas           |

- |                 |                |                |               |
|-----------------|----------------|----------------|---------------|
| Luckey          | O'Day          | Robinson, Utah | Taylor, Tenn. |
| McAndrews       | O'Leary        | Robison, Ky.   | Terry         |
| McClellan       | Oliver         | Rogers, N. H.  | Thom          |
| McCormack       | O'Neal         | Rogers, Okla.  | Thomason      |
| McGehee         | Owen           | Romjue         | Thompson      |
| McKeough        | Palmsano       | Rudd           | Tinkham       |
| McLaughlin      | Parks          | Sabath         | Tonry         |
| McLeod          | Parsons        | Sanders, La.   | Treadway      |
| McReynolds      | Patman         | Sanders, Tex.  | Turver        |
| McSwain         | Patton         | Schaefter      | Turpin        |
| Mahon           | Pearson        | Schuets        | Umstead       |
| Maloney         | Peterson, Fla. | Schulte        | Utterback     |
| Mansfield       | Peterson, Ga.  | Sears          | Vinson, Ga.   |
| Mapes           | Pfeifer        | Shanley        | Vinson, Ky.   |
| Marshall        | Pierce         | Shannon        | Wadsworth     |
| Mason           | Plumley        | Sisson         | Walter        |
| May             | Polk           | Smith, Conn.   | Warren        |
| Mead            | Quinn          | Smith, Va.     | Wearin        |
| Merritt, N. Y.  | Rabaut         | Smith, W. Va.  | Weaver        |
| Millard         | Ramsay         | Snell          | Welch         |
| Miller          | Ramspeck       | Snyder         | Whittington   |
| Mitchell, Ill.  | Randolph       | Somers, N. Y.  | Wilcox        |
| Mitchell, Tenn. | Rankin         | South          | Williams      |
| Montague        | Ransley        | Spence         | Wilson, La.   |
| Montet          | Reece          | Stack          | Wilson, Pa.   |
| Moran           | Reed, N. Y.    | Starnes        | Wolcott       |
| Nelson          | Relly          | Sullivan       | Wood          |
| Nichols         | Rich           | Sumners, Tex.  | Woodruff      |
| O'Brien         | Richards       | Tarver         | Woodrum       |
| O'Connell       | Richardson     | Taylor, Colo.  | Young         |
| O'Connor        | Robertson      | Taylor, S. C.  | Zimmerman     |

NAYS—103

- |                |             |                |              |
|----------------|-------------|----------------|--------------|
| Amle           | Culkin      | Lemke          | Sadowski     |
| Andresen       | Dirksen     | Ludlow         | Sauthoff     |
| Andrews, N. Y. | Dockweller  | Lundeen        | Schneider    |
| Arends         | Doutrich    | McFarlane      | Scott        |
| Ayers          | Dunn, Pa.   | McGrath        | Scrugham     |
| Bacon          | Ekwall      | McGroarty      | Secret       |
| Binderup       | Engel       | Maas           | Short        |
| Brewster       | Englebright | Marcantonio    | Shovich      |
| Buckbee        | Gearhart    | Martin, Colo.  | Smith, Wash. |
| Buckler, Minn. | Gehrmann    | Martin, Mass.  | Stefan       |
| Burdick        | Gifford     | Massingale     | Stubbs       |
| Burnham        | Gilchrist   | Maverick       | Sutphin      |
| Carlson        | Glida       | Merritt, Conn. | Taber        |
| Carpenter      | Gray, Pa.   | Michener       | Thurston     |
| Carter         | Greenway    | Monaghan       | Tobey        |
| Cavicchia      | Gwynne      | Moritz         | Tolan        |
| Christianson   | Hildebrandt | Moritt         | Trux         |
| Church         | Hill, Knute | Murdock        | Wallgren     |
| Clark, Idaho   | Hoepfel     | O'Malley       | Welch        |
| Colden         | Hollister   | Patterson      | Werner       |
| Collins        | Hook        | Perkins        | White        |
| Connery        | Houston     | Pittenger      | Wigglesworth |
| Cooper, Ohio   | Hull        | Powers         | Withrow      |
| Costello       | Kahn        | Reed, Ill.     | Wolverton    |
| Crawford       | Knutson     | Rogers, Mass.  | Zioncheck    |
| Crosser, Ohio  | Kramer      | Ryan           |              |

NOT VOTING—40

- |                |                |            |           |
|----------------|----------------|------------|-----------|
| Andrew, Mass.  | Flannagan      | Lamneck    | Russell   |
| Bacharach      | Gambrill       | Lesinski   | Seger     |
| Bankhead       | Goldsborough   | Lewis, Md. | Shannon   |
| Bell           | Griswold       | McLean     | Stegall   |
| Brown, Mich.   | Hancock, N. C. | McMillan   | Stewart   |
| Buckley, N. Y. | Hartley        | Meeks      | Sweeney   |
| Cannon, Wis.   | Jenckes, Ind.  | Norton     | Thomas    |
| Chapman        | Kennedy, Md.   | Pettengill | Underwood |
| DeRouen        | Kennedy, N. Y. | Peyser     | West      |
| Fish           | Kvale          | Rayburn    | Wolfenden |

So the resolution was agreed to.  
The Clerk announced the following pairs:

- Mr. Bankhead with Mr. Bacharach.
- Mr. Chapman with Mr. Stewart.
- Mrs. Norton with Mr. Fish.
- Mr. Goldsborough with Mr. Thomas.
- Mr. Rayburn with Mr. Seger.
- Mr. Stegall with Mr. Andrew of Massachusetts.
- Mr. Lamneck with Mr. McLean.
- Mr. DeRouen with Mr. Hartley.
- Mr. Flannagan with Mr. Wolfenden.
- Mr. Griswold with Mr. Kvale.
- Mr. Hancock of North Carolina with Mr. West.
- Mr. Gambrill with Mr. Buckley of New York.
- Mr. Meeks with Mr. Cannon of Wisconsin.
- Mr. Underwood with Mrs. Jenckes of Indiana.
- Mr. Kennedy of New York with Mr. Russell.
- Mr. Pettengill with Mr. Lesinski.
- Mr. Kennedy of Maryland with Mr. Bell.
- Mr. Shannon with Mr. Brown of Michigan.
- Mr. McMillan with Mr. Peyser.

Mr. HIGGINS of Massachusetts changed his vote from "nay" to "yea."

Mr. ARENDS changed his vote from "yea" to "nay."  
The result of the vote was announced as above recorded.  
A motion to reconsider was laid on the table.

M'GROARTY BILL

Mr. WHITE. Mr. Speaker, I ask unanimous consent to address the House for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Idaho?

There was no objection.

Mr. WHITE. Mr. Speaker, as one in favor of the McGroarty bill, I desire that the Record show at this point that I voted against the previous question on the rule to consider the security bill.



state of the Union for the consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a social-security board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7260, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I yield myself such time as I may desire to use.

The CHAIRMAN. The gentleman from North Carolina is recognized for 1 hour.

Mr. DOUGHTON. Mr. Chairman, as this is one of the most important measures coming before the Congress for consideration at this session and, perhaps, as important as any measure that the Congress in recent years has been called upon to consider, I prefer not to be interrupted until I have finished my statement. However, I shall not decline to yield. It is my purpose, so far as I may be able to do so, to explain the purposes and the provisions of this bill and I desire to do so in as consecutive a manner as I am capable of doing.

The social-security bill (H. R. 7260), which has been favorably reported by the Ways and Means Committee, is based upon the recommendations of the President in his message to both Houses of Congress on January 17 of this year, and the detailed report and recommendations of his Committee on Economic Security, which was transmitted at that time.

Nearly a year ago, on June 8, the President transmitted a message to Congress advocating social-security legislation, and shortly thereafter he created, by Executive order, a committee consisting of the Secretary of Labor as chairman, the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator, instructing his committee to make a comprehensive study of the many factors in our industrial life which lead to dependency and destitution, and to recommend appropriate measures which would provide protection against these causes of insecurity.

The Ways and Means Committee, to whom these recommendations for legislation were referred, held hearings on the subject for 3 weeks, at which time all persons desiring to be heard were given an opportunity to express their opinions. The record of the public hearings fills a volume of over 1,100 pages. Practically every person appearing before the committee was in favor of the broad purposes of the economic-security program, and their criticisms were directed to particular features of it rather than to its fundamental purposes. These criticisms have been taken into account in the thorough revision made by the committee. Following the hearings, the Ways and Means Committee worked over this legislation in executive session for more than a month, and carefully considered every part and phase of the broad problem of social security. The proposed bill has been entirely rewritten, and important modifications have been made at many points. The fundamental recommendations of the President and his Committee on Economic Security, however, are embodied in the new bill reported to you by the Ways and Means Committee.

I do not believe since I have been a Member of this body any bill that has been considered by the Congress has been given more thorough, more careful, or more painstaking consideration, or where broader latitude has been afforded to everyone desiring to be heard and express his view than has been the case in the consideration of this legislation.

#### SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the

The proposed bill has been entirely rewritten and many important modifications made, as I believe will be testified to by each member of the committee.

The proposed bill presents a broad plan for social security, embracing measures for (1) protection against destitution and dependency in old age, (2) unemployment compensation, (3) security for children, and (4) increased public health protection. These measures of protection against the principle causes of destitution and dependency, taken together, in conjunction with the immediate program of public works, and with the cooperation of the States, will provide a coordinated plan for social security. It is of great importance that the many overlapping phases of insecurity should be approached in this manner, rather than through separate piecemeal proposals.

The social-security bill is one of the most important measures ever placed before Congress for its consideration. While it is designed to enhance very greatly the security of the American worker and to provide a larger measure of social justice, it does so within the scope of our existing economic order. In no way does it resemble the many panaceas and nostrums which propose that we legislate ourselves into prosperity by lifting ourselves by our bootstraps, and which would upset our established economic and political institutions. The fact that several of these proposals have attracted a wide-spread following implies a threat to our existing institutions which should not be regarded lightly.

We do not claim the bill under consideration to be a perfect measure, nor one that will not require amendment from time to time, in the light of experience, but, in view of the present very great lack of economic security of the American worker, it represents a long step forward and a step which we cannot wisely postpone.

The social-security program of the administration is an attempt to mitigate and to prevent the distress and suffering which so frequently arise from our industrial economy. So long as the country was largely agricultural, and industry was conducted on a small scale, there was relatively little need for such measures of protection as the social-security bill will provide. The insecurity of the worker arising from unemployment and dependency in old age was much less than at present. The industrialization of society, the development of large corporations, the increasing use of machinery, the great number of unemployed, as well as the increasing number of persons dependent in old age, make it necessary that we take measures which will restore to the American worker and his family the degree of social security which he formerly enjoyed.

Today we see frightful evidence of insecurity on every hand. The fact that more than 15,000,000 persons are receiving unemployment relief is perhaps our most striking evidence of insecurity. Nearly a million of these persons are over 65 years of age. A much larger number are over 50 years of age, and have little prospect of ever again becoming employed. Nine million of the persons on relief are children under 16 years of age, many of whom have never known what it is to have a regular wage earner in the family. It is estimated that at present 10,000,000 wage earners are unemployed, although only about half of these are receiving unemployment relief.

As long as this large number are unemployed and dependent on public charity for their sustenance, the great mass of American families, those in which there are employed wage earners, can feel no real security.

The existence of such a large relief problem, the presence of insecurity on such a vast scale, is a serious threat to our economic order. We must certainly deplore the extent to which large masses of our people are weighed down by privation and suffering, and we cannot overlook the grave social danger implied in the deterioration and pauperization of a large section of our population. We cannot afford to delay further the legislation which is necessary to protect our American workers against the many hazards of our industrial order which lead to huge relief rolls and threaten the foundations of our society.

The social-security program of the administration grew out of a determination to find a better way of dealing with the causes which have brought about the present acute situation. It should not be regarded as a substitute for relief, for there will always be the necessity for some public charity. It will not benefit immediately all of those now on relief, but other protection is provided for them. What the bill will do is this: Relieve much of the present distress and greatly lessen the incidence of destitution and dependency in future years.

The essential feature of the social-security bill is that of social insurance against the principal hazards or risks which have caused American families to become dependent upon relief. These causes are well known: (1) Unemployment, (2) old age, (3) lack of a breadwinner in families with young children, and (4) sickness. The bill includes comprehensive measures against all but the last of these. Measures proposed to furnish protection against the risks arising out of old age and unemployment are usually called social insurance. Social insurance protects the worker and his family against dependency by enabling them, with the help of their employers, to build up reserves which may be used during periods of unemployment and in old age. Protection for the family with young children under 16 lacking a wage earner, is provided through Government funds rather than through social insurance.

The principle of insurance is familiar to all of us. No country in the world is more insurance-minded than we are, as evidenced by the statistics upon the amount of insurance in effect in this country. Certainly everyone will recognize that the greatest economic risk facing the average American family today is that of unemployment. There should be no argument as to the social desirability for applying the principle of insurance against this risk. Let no one say that insurance against these serious social dangers is contrary to our institutions, or that it will undermine the integrity of the American citizen.

The advantages of social insurance over public relief are many. It does not carry with it the stigma of charity with its devastating effect on the morale of our population and its loss of self-respect. The protection afforded by social insurance comes to the worker as a matter of right. It is contingent upon the previous employment and contributions of the worker himself and does not involve the social investigation and the means test which is inevitable in any system of public relief. Contrary to the mistaken impression of many persons, social insurance does not place a premium upon idleness. Quite the contrary. The worker's right to benefits is conditioned upon his previous employment, and social insurance will do nothing to break down the sacred American tradition of self-reliance and initiative.

Social insurance quite justifiably places on industry itself a part of the burden of unemployment. Under suitable legislation, industry can and will be encouraged to go far toward stabilization and regularization of employment. Social insurance will be beneficial to society as well as to the worker himself. It upholds the purchasing power of the great mass of wage earners upon which the welfare of our industrial order is so greatly dependent. It counteracts deflationary tendencies particularly at the outset of a depression and does much to allay its most disastrous effects. In providing individuals with a real sense of security, it has a social effect of the utmost significance.

Social insurance is now in operation in most of the industrial countries of the world. Some of these countries have had social insurance for as long as 50 years; and the device has an even older history, going back for a hundred years or more in the private systems of European labor organizations. In this country labor organizations and individual employers have operated social-insurance systems on a limited scale for a number of years, but we are one of the latest of the industrial countries to consider social insurance on a broad governmental basis. Practically every other progressive country in the world has not merely one form of social insurance, but a fairly complete system, covering several types of risks not covered in the proposed legislation.

We may very profitably avail ourselves of European experience and avoid many of the mistakes which have been made there. The proposed social-security bill, while based upon careful study of the social-insurance systems of other countries, is not a copy of foreign institutions except in broad outlines. It is designed to fit our own conditions, and economic and political institutions. Our neighboring country to the north—Canada—is now considering very similar legislation proposed by the prime minister. Canada has had Dominion old-age-pension legislation for a number of years.

One of the major features of the social-security bill is protection against dependency and want in old age. This is covered by two titles of the bill. Title I provides for Federal aid to the States for old-age assistance, commonly called "old-age pensions." Title II provides for old-age benefits out of the Federal Treasury, based upon the employment of the wage earner during his lifetime of productive years of work. These represent two separate but complementary provisions for old-age security: The first making provision for persons who are already old and dependent and have passed their span of productive years; the second, for a form of old-age security whereby the employed person who is not yet old may in the future receive benefits which will support him in old age.

Title I, providing for Federal aid to the States for old-age pensions, authorizes an appropriation of \$49,750,000 for the next fiscal year, and as much thereafter as may be required. It is assumed that there will be a considerable lag before the State systems are fully operative, and the appropriation required for the first fiscal year is accordingly much smaller than will be required after a year or so when the States have their systems in full swing.

A number of factors combine to make old-age dependency one of our greatest social problems. The number of aged persons in our population has been increasing for several decades. In 1930 there were 6,500,000 persons in this country over 65 years of age. Within the next 35 years it is estimated that this number will more than double, reaching a total of 15 million persons. Not only is the number of aged persons rapidly increasing, but the percentage of persons over 65 years of age to the total population is also rapidly mounting. In 1860 only 2.7 percent of our population was over 65 years of age; by 1930 it had increased to 5.4, and it is estimated that by 1970 it will be over 10 percent. The old-age problem is not a numerical problem alone. The amount of dependency among aged persons is also rapidly increasing. The plight of the aged wage earner who has lost his job is only too well known. Industry demands younger workers, with the result that wage earners find it increasingly difficult to secure employment after the age of 40 or 50.

At the present time it is estimated that approximately half of the 6,500,000 persons over 65 years of age in this country are dependent upon others—approximately one million receiving public relief. The others are being cared for by relatives and friends or are without sufficient means but too proud to accept public assistance except as a last resort. It is extremely doubtful whether more than a few of this number will ever again be self-supporting. The number of persons now over 50 years of age receiving public relief is much larger. Of this group, many if not most will never be able to find suitable employment again. Those who do will be employed at a very great reduction in the wages formerly enjoyed. Even with the return of prosperity, we may be quite sure that the old-age problem will become more and more acute as time goes on. Millions of workers now middle-aged or approaching old age have seen their lifetime earnings swept away during the depression and now face old age with a degree of insecurity never known heretofore.

The problem calls for immediate action to relieve the suffering and distress of those who are already old and who have been the victims of our economic disorders; but it calls further for a wise long-time plan of action which will be practicable, which will be within our economic ability, and

which will provide in the future a maximum of security to the individual against old-age dependency.

There is a wide-spread demand throughout the country for a better and more humane and self-respecting method of caring for our dependent aged persons. The serious shortcomings of the care provided old persons in our poorhouses and the unhappy stigma attached to these institutions has rendered them unacceptable to public-minded persons for years. Twenty-nine States and the Territories of Alaska and Hawaii have provided for State old-age assistance, commonly called "old-age pensions", based on the policy that needy old persons should be maintained in their own homes rather than subjected to institutional treatment. It must be recognized that the aged person in need of public assistance is in a different class from the ordinary relief case. There is no question of returning him to society as a wage earner. His time of gainful employment has passed. There is a wide-spread sentiment that the assistance granted him should not carry the stigma of pauper's relief. There is a growing feeling also that society can afford to take care of its needy aged upon a more adequate and more respectable basis than heretofore and should retire these persons from competition with younger workers seeking employment.

Since the first State old-age-pension law was enacted in 1923, the movement has spread rapidly. Although, as has been said, 29 States and 2 Territories have such laws, many of them are inoperative for lack of funds or are limited to a few of the wealthier counties of the State.

The problem of dependency in old age is primarily a State and local responsibility, though we must not overlook its national or interstate aspect. Relatively few persons now reside within the same State throughout their lifetime. Old-age pensions supported exclusively by the State and local governments mean that only the wealthier States and the wealthier communities within those States will actually be able to provide such aid. In other communities old-age pensions can be provided only at the expense of the schools or other essential functions of government. The need for Federal aid is so obvious that it hardly requires statement.

Title I of the social-security bill provides Federal aid to State old-age-pension plans up to 50 percent of their expenditures for this purpose but not exceeding \$15 per month per person, and authorizes an appropriation of \$49,750,000 for the first year. With the anticipated lag in securing full operation of the State systems, it is estimated that the appropriation needed for the first year will be less than half of what will be needed thereafter. In fact, it is believed that the amount necessary will rise rapidly as the State systems become effective, and that within a few years the Federal Government will have to contribute several times this amount. The actuaries of the Committee on Economic Security have estimated that with the pensions as recommended, the total cost of old-age pensions will mount to \$800,000,000 within 10 years, half of which would be borne by the Federal Government. These estimates are probably high, but they indicate the very great financial burden of old-age assistance even upon a moderate scale. They show conclusively the need for Federal aid to the States to make old-age pensions possible.

The bill enumerates a certain number of minimum requirements with which the State old-age pension plans must conform in order to qualify for Federal aid. These provisions, which apply alike to Federal aid for old-age pensions and aid to dependent children, do not authorize the Federal agency to arbitrarily cut off the grants to any State. In fact, these provisions limit very strictly the supervisory powers of the Social Security Board over the States, and provide a maximum of State control in these matters. The Federal standards or conditions included in the law may, indeed, be regarded as minimum conditions, leaving to the States the determination of policies, the detailed administration, the amount of aid which shall be given, and questions of personnel. The proposed bill goes further in granting full discretion and authority to the States than any similar Federal-aid legislation within recent years. What the Federal Government is saying to the States in this legisla-

tion is, in effect, we will match your expenditures for these purposes.

The social-security bill also provides that the State old-age-pensions laws must permit the granting of pensions to persons 65 years of age or over, but permits the existing State laws which have a 70-year age minimum to remain in operation until 1940. States may not require more than 5 years' residence during the preceding 9 years and, under the terms of the bill, must not deny pensions to United States citizens who are otherwise qualified. These provisions are designed to liberalize the State laws. With the Federal Government bearing 50 percent of the cost, it is entirely appropriate that the States be required to modify their present long-residence requirements. These were perhaps necessary safeguards so long as the pensions were paid wholly from State funds, but they frequently cause considerable hardship and are unnecessary and unwise with 50-percent Federal support.

The grants in aid to the States for old-age pensions will enable the States already having such laws to make more generous grants and to care for a larger number of their dependent aged persons. They will also stimulate the remaining States to enact such laws. This part of the program wisely builds upon the existing system. It recognizes the primary responsibility of local and State governments for the care of their dependents but concedes that it is a national responsibility as well. It takes into account the variations in standards and in cost of living in different parts of the country and permits the development of old-age pensions designed to meet these conditions. The greatest protection to the Federal Treasury and to all taxpayers in this system is the requirement that the State and local governments assume one-half of the cost. If the Federal Government were to go further and take over the entire problem of old-age pensions, as is advocated by some, it would be contrary to our fundamental political institutions and would place upon the National Government a tremendous financial burden without the protection of local vigilance which will prevail if local taxpayers are required to bear part of the cost.

This is a practical program which can be put into operation without delay. It is well within the financial ability of the Nation and will advance, rather than retard, economic recovery. It will provide care for needy old persons immediately in the 29 States which have such laws, and, in the remaining States, will do so as rapidly as the necessary legislation is enacted. While this program may be attacked on the ground that the old-age pensions are not generous enough, it should be borne in mind that on the scale proposed, they will be the most generous in the world. No limit is placed by the Federal Government on the pensions which any State may pay. The only limitation is upon that part of the pension which will be paid by the Federal Government.

This measure of protection for needy old persons does not represent a new outlay but rather a better method of caring for these persons than the present method of emergency relief.

While the value of old-age pensions as a means of providing for dependent aged persons is well recognized, we must, nevertheless, clearly understand its limitations. It can never be other than a form of public charity, to be granted to persons who are in need. The amounts which can be provided will always necessarily be small. Even upon a moderate scale the financial burden of gratuitous old-age pensions will tend to increase rapidly with the increasing number of old persons and the anticipated increase in dependency. Actuaries of the Committee on Economic Security estimate that within another generation the cost of old-age pensions alone, at an average of \$25 per person per month, would amount to over two and one-half billion dollars annually, or nearly as much as the normal operating cost of the Federal Government. If we provide only for these old-age pensions, we may be sure that constant pressure will be exerted always to increase them. In order to avoid this huge cost, it is necessary to set up a system of old-age benefits by which the worker will receive benefits as a matter of right rather than

as a public charity and in an amount much more adequate than is possible with gratuitous old-age pensions.

Practically every other country in the world which has established free old-age pensions has also found it necessary to set up a system of old-age insurance. If our constitutional limitations did not prevent, this would be, for us as well, unquestionably the best basis for old-age security. It is an infinitely more satisfactory and self-respecting method from the point of view of the worker. It stimulates thrift.

The old-age pension provisions of this bill contained in title I provide for State participation, and the Federal Government will contribute to the States on a 50-50 basis up to \$15 a month per person. The State governments can make the amount as large as they please. They can provide for a pension of \$15 or \$20 or \$30 or \$50, but the Federal Government will participate on a 50-50 basis up to \$30 per month in the aggregate.

Mr. GREEN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. GREEN. With respect to a State that has no old-age-pension law at present, is there any provision in this measure for these Federal funds to be available until such time as the State passes its law?

Mr. DOUGHTON. No; there are 29 States that now have such laws, and it is supposed that the other States will immediately proceed to enact legislation to conform to the provisions of this bill.

Mr. GREEN. And during the grace period there is no Federal benefit?

Mr. DOUGHTON. No.

Mr. FIESINGER. The gentleman just stated "\$30 in the aggregate." Does that refer to the amount that the State provides?

Mr. DOUGHTON. No; the States can go as high as they please.

Mr. FIESINGER. But the Government does not go over \$30?

Mr. DOUGHTON. No; the Government will not contribute over \$15. The amount to be paid is left to the determination of the State. One State can have one rate and another State a different rate, because in certain sections of the country it takes a larger amount to provide for those dependent and destitute than in other sections of the country.

Mr. COX. Mr. Chairman, has the gentleman reached the point in his discussion where it is agreeable to him to yield for questions?

Mr. DOUGHTON. I would prefer to conclude my statement, but I shall not decline to yield.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield for one question right there?

Mr. DOUGHTON. I yield to the gentleman from New York.

Mr. FITZPATRICK. The State of New York today is paying \$30 a month. Assuming this measure is passed providing \$15 by the Government, the State of New York can continue paying the \$30, plus \$15, bringing it up to a total of \$45.

Mr. DOUGHTON. Yes. There is nothing in this bill that will prevent any State from paying pensions at any amount they desire.

Mr. TERRY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. TERRY. Does not the gentleman feel that if the United States Government recognizes the responsibility as a national one, it would be fairer for the United States Government to pay a certain basic amount and then let the States add to that where they are able to do so? In other words, the richer States could then augment this sum to any extent they saw fit, while in the poorer States that might not have money to add to it, the people of such States would not be deprived of this national aid which we are trying to give them.

Mr. DOUGHTON. If all the burden were placed upon the Federal Government we all know that would be unfair to the States that did participate.

Mr. COX. Would not the effect of a law of that kind manifestly be to put the entire burden on the Federal Government?

Mr. DOUGHTON. Absolutely. More than that, if the Federal Government should make the entire contribution, then, of course, the Government would insist on Federal administration, whereas this bill provides State administration.

Mr. GREEN. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. GREEN. We have a constitutional provision in my State which says that the State cannot contribute to old-age pensions, but the counties can. Is there anything in this bill that would prevent matching that fund?

Mr. COOPER of Tennessee. That arrangement could be made, but the bill provides that there must be some participation by the States.

Mr. DOUGHTON. That would have to be done through cooperation by the State and county.

Mr. DUNN of Pennsylvania. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. DUNN of Pennsylvania. As I understand, it is necessary for every State to provide for a pension for the aged.

Mr. DOUGHTON. States must do so to receive Federal grants. That is under title I.

Mr. KOPPLEMANN. Will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. KOPPLEMANN. Under title I, do I understand that the State must provide as much money as the Government; in other words, must the State provide \$15 to match the \$15 of the Government?

Mr. DOUGHTON. Oh, yes; it may do more, but it cannot do less and receive Federal aid.

Mr. KOPPLEMANN. If the State gives \$10, then the Federal Government only gives \$10.

Mr. LUCAS. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. LUCAS. If I understood the gentleman, a number of States have old-age pensions?

Mr. DOUGHTON. Twenty-nine States and two Territories.

Mr. LUCAS. I understand that it is necessary for the State to pass old-age-pension laws before it can receive aid under title I. If they have a law, and it is not operative, that gives them no right to the fund.

Mr. DOUGHTON. That is correct. Their laws must operate in order to get the Federal aid.

Mr. COX. Will the gentleman yield further for me to ask a question touching title I of the bill?

Mr. DOUGHTON. Yes; I yield.

Mr. COX. As I interpret section 1 of title I, the benefit under the law is altogether on the statement of need.

The bill says:

For the purpose of enabling each to furnish financial assistance assuring, as far as practicable, a reasonable subsistence compatible with decency and health to aged individuals without such subsistence—

And so forth.

I presume that the benefits under this title are all on the basis of need.

Mr. VINSON of Kentucky. If the gentleman will permit, the need is to be determined under the State law.

Mr. COX. Yes; and I presume the need of one State establishing one rule of law and of another State establishing another, the general Government, of course, would recognize the law of the State.

Mr. DOUGHTON. That is one of the benefits of State participation. If it were altogether from the Federal Government, it would have to be uniform.

Mr. COX. In the report on the bill I find a statement that there are about seven and one-half million people in the country at this time over 65 years of age. If all of those were to come under the provisions of the law, it would mean an expenditure on the part of the general Government alone of \$1,350,000,000 annually. What percentage of the seven and one-half million does the gentleman contem-

plate will come under the provisions of the law? You say in another place in the report that there are about a million now depending upon the public for charity.

Mr. DOUGHTON. The majority of those are on relief.

Mr. COX. On relief. What percentage of the total seven and one-half million does the gentleman figure would come under the provisions of title I?

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. COOPER of Tennessee. I think it is fair to state, and I am sure the chairman will agree, that the best evidence presented to the committee while this matter was given very careful and thorough consideration, is to the effect that experience has shown that about one-third of the people of the age limit may reasonably be expected to be able to qualify eventually. It was also shown to the committee that in some States where they have some of the best and most effective and successful old-age-pension plans now in effect, about one-fourth of those of the age limit have been able to qualify.

Mr. COX. If one-third of the seven and one-half million should qualify, it would mean a present charge upon the General Government of around \$500,000,000.

Mr. DOUGHTON. Yes. Seven and a half million is the number over 65. About 1,000,000 of those are dependent.

Mr. COX. The studies of the committee disclose that probably a third or a fourth of the total would come under the law. If that be true, then it would mean an amount above \$400,000,000 to provide for them.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. VINSON of Kentucky. At the present time there are 29 States and 2 Territories that have old-age-pension laws. The total annual expenditure under the existing laws of the States total \$31,000,000 plus. Take, for instance, the State of Ohio. There are eligible for old-age pensions in the State of Ohio 414,000 people. As a matter of fact, after this plan has been in operation for a number of months there are 24,000 people who have qualified under the State law with restrictions that the State legislature throws around the law, and the expenditures there amount to something like \$31,000,000 annually.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield further on that point?

Mr. DOUGHTON. Yes.

Mr. COOPER of Tennessee. Table 2 on page 5 of the report shows the number of eligible age, 1930, in the third column, to be 2,330,390. In the column immediately preceding that is shown the number of pensioners and they amount to 180,003. That is out of a total number of eligibles, 2,330,390.

Mr. VINSON of Kentucky. And might I add that the Ohio rate is practically \$14 per month.

Mr. MAPES. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. MAPES. To make an observation in connection with the statement of the gentleman from Kentucky. I wonder if any very safe conclusion can be arrived at from the experience of the States. For example, Michigan has an old-age-pension law, but the legislature in passing the law made very inadequate provision for raising the money with which to pay the pensions, so that the number actually receiving pensions under that law is very insignificant as compared to the number who would be able to qualify to receive them if there was any money with which to pay them. For that reason no one can draw any reasonable conclusion as to the number of persons in the State who might qualify to receive an old-age pension under a proper law.

Mr. COX. That is the thought that I was about to develop. Does not the Committee accept it with certainty that with Federal participation, and with the power of compulsion in a sense, there will be a more liberal grant on the part of the States under the new law than has heretofore been the case?

Mr. DOUGHTON. Yes; I think it would certainly encourage the States to grant greater benefits to the aged.

Mr. COX. I am wondering just how the gentleman and his committee figured it out that forty-nine and one-half million dollars could be stretched far enough to take care of two and a half million pensioners paid at the rate of \$15 per month.

Mr. DOUGHTON. That is only for the first year. It will take time for them to qualify. They will not pay \$15 a month to all of them. It does not mean that every pensioner will get \$30 a month, half of this from the Federal Government. They may have a home or they may have a small garden and they may not need half of that amount. They may need the full amount. Moreover, it will take some time to get this law into operation and for them to qualify and get on the pension roll.

Mr. COX. The gentleman is making a statement that is informative to me at least. In other words, the gentleman does not understand it to be the intention of this new board that is being set up to compel uniformity of grants on the part of States? In other words, a State might grant a pension of \$5 a month to one pensioner and \$15 to another and \$30 to another?

Mr. DOUGHTON. Oh, absolutely, owing to the need. The State law determines that.

Mr. WHITE. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. WHITE. In States that have old-age-pension laws, where the funds are raised and disbursed by county governments at their discretion, would the people of those States receive old-age pensions under the provisions of this bill?

Mr. DOUGHTON. I did not understand the gentleman.

Mr. WHITE. In States that have old-age-pension laws, where the funds are raised and disbursed by county governments at their discretion, would the people of those States receive old-age pensions under the provisions of this bill?

Mr. DOUGHTON. That will depend upon the State law.

Mr. WHITE. In the State of Idaho, which I represent, we have an old-age-pension law, but we permit the counties to raise the money. The State provides for paying the old-age pensions. Some counties pay and some do not. I would like to know if that State would benefit from the provisions of this act?

Mr. DOUGHTON. It would have to be a State-wide law, operative in all the counties.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. VINSON of Kentucky. It must be in effect in all of the subdivisions affected, and if it is in all of the subdivisions affected, it must be mandatory. Furthermore, the Federal Government transacts its business with the State agency; makes the Federal contribution to the State agency.

Mr. GREEN. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. GREEN. In that connection, our legislature is in session now, considering the advisability of amending the constitution so that we can have a general State tax and a State machine to participate. Pending that arrangement, I suppose from the gentleman's remarks it would be impossible for the various county units, provided every county unit did it, to raise its old-age pension or welfare fund, but it must be paid through the same State agency?

Mr. VINSON of Kentucky. In other words, in section 2 of the bill it is stated in plain language:

A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them.

Then following that provision the bill states there must be a single State agency.

Mr. GREEN. Then the State, in large measure, almost entirely, writes its own provisions in the State old-age pension?

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. DOUGHTON. I yield to my friend, a member of the committee.

Mr. JENKINS of Ohio. I do not believe the gentleman from Kentucky [Mr. VINSON] has quite answered the gentleman from Idaho [Mr. WHITE]. That is going to be a question that will be asked many times, and I think the gentleman from Kentucky is probably as well informed on this bill as anyone else, and if the distinguished Chairman will permit him to elaborate on that, I think he should do so, because that is a question that will be asked many times. In many States the counties administer the old-age pension. Where this is the practice many counties do not have old-age pensions. Just as in Ohio we have a blind pension. There the blind payments are made by the counties. In the poorer counties the poor blind people get practically nothing. What will this bill do in those States? Is it not true that, for instance, the State of Idaho will have to convene its legislature and pass a law that will be uniform in its application all through the State, and every county will have to pay something?

Mr. VINSON of Kentucky. If a State permits the county to provide the funds, every county in the State must operate. It must be State-wide in that respect. If they propose to operate through subdivisions it is mandatory upon those subdivisions.

Mr. JENKINS of Ohio. Let us carry that to a conclusion. Suppose in the State of Idaho there are 10 counties, and 5 of them are pretty well fixed and 5 of them have been able to pay a pension in times gone by, and 5 of them have not been able to carry it; but the 5 who have not been able to carry it and the other 5 will have to pay something to establish a system of old-age pensions and at least pay a minimum?

Mr. VINSON of Kentucky. That is correct. In other words, it must be applicable to all subdivisions of the State. It would not be fair to have rich counties participate and the poor counties which need it most, not participate. It must be State-wide in its application, and if you operate under subdivisions, then all subdivisions must make proper provisions in dollars. It is mandatory upon all the subdivisions.

Mr. DOUGHTON. It is not necessarily uniform in each county in a State, because the needs may be greater in one county than in another county, or in an urban district greater than in a rural district.

Mr. JENKINS of Ohio. I would like to develop that a little further, so that we may conclude it as far as I am concerned at least. Again let us suppose in Idaho there are 10 counties and 5 of them have been able to carry the load. Those five, of course, will be able to continue carrying the load. Suppose they are able to carry \$10 a month pension. Suppose over here is a poor county that cannot pay \$10 a month but can pay \$2 a month, but the rich county will get \$10 from the Federal Government and the other county must do something; is that not right?

Mr. VINSON of Kentucky. I think that subdivision 2 of section 2, which calls for financial participation by a State, will take care of, in large degree, the question which the gentleman raises. In other words, there must be some financial participation on the part of the State. If the richer and more wealthy counties are able to carry their load and the poorer counties cannot carry their burden the State may help the latter with such burden. As I understand, it is mandatory upon the State to participate in bearing this burden.

Mr. DOUGHTON. That is a matter that will have to be regulated by the State.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. ROBSION of Kentucky. Is it not true that each State could assume the whole burden as a State and then could deal with the counties as it saw fit, except that the treatment would have to be uniform in each county?

Mr. VINSON of Kentucky. The State may look to the subdivisions for the money. But if the State so legislates, it is mandatory upon all such subdivisions.

Mr. DOUGHTON. But it would not necessarily be uniform in every county.

Mr. ROBSION of Kentucky. Before we get through I would like to ask the gentleman a further question.

Mr. DOUGHTON. Notice that I said "not necessarily."

Mr. ROBSION of Kentucky. As I understand the bill, if a State passes a pension law, each applicant must be treated alike under similar conditions; the same conditions would apply and the same sums must be paid under like conditions.

Mr. DOUGHTON. Yes; under like conditions.

Mr. COX. Mr. Chairman, will the gentleman yield for one more question?

Mr. DOUGHTON. I shall not decline to yield, but if the Members would only read the report, it contains a more detailed explanation of this bill than any Member could give on this floor in half a day. Nevertheless, I shall be pleased to yield.

Mr. COX. Mr. Chairman, I wonder if the gentleman is in position to advise the committee if there has been an expression of the administration's views on the question of State participation.

Mr. DOUGHTON. There has been a very definite and very emphatic expression of the views of the administration on this subject. This is one of the things on which I do not think there would be any compromise so far as the administration is concerned.

Mr. COX. And the whole thing is impossible except upon a basis of that kind.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER of Tennessee. I believe it will be fair to say that some of us have discussed this very phase of the matter with the President, the question of State participation, and that he is very definite and certain in his view and convictions that there must be State participation. I believe perhaps he has expressed himself further on this question to the chairman of the committee.

Mr. CLAIBORNE. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. CLAIBORNE. Would it be possible for citizens of the same State to draw different sums of money from the Federal Government even though the entire State was not participating?

Mr. DOUGHTON. They do not draw anything from the Federal Government. The Federal Government makes grants to the States. The State gives the money, it comes through the State. The Federal Government makes the grant to the State and the State determines that.

Mr. CLAIBORNE. But would the money sent to the State by the Federal Government on proper request, on duly established forms, be paid out in different sums to different citizens of the same State?

Mr. DOUGHTON. The Federal Government would not have a thing to do with that. It would depend entirely on the State law. Of course, different citizens of the same State would get different sums, but that is discretionary with the State authorities and is based upon need.

Mr. McLAUGHLIN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. McLAUGHLIN. Do I understand that all citizens in one county shall receive the same amount of Federal aid?

Mr. DOUGHTON. No; not at all. That will be determined by the State upon the basis of need. One citizen might be able to half support himself. The bill is intended to supplement that half support so he may have full support.

Mr. McLAUGHLIN. Is the situation this, that individual need is the basis of determining what a person shall receive?

Mr. DOUGHTON. Absolutely. That is the intent of the law. Of course, we cannot say just what will happen in the administration of the law. It just provides for a grant to the States, but that is the purpose of it.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. DUNN of Pennsylvania. I want to get this clear in my mind, for instance. The State of Pennsylvania now pays a maximum pension of \$30 a month. Some people receive \$15, some receive \$10. According to information I received just recently, the Governor has asked \$10,000,000 to provide a pension for the aged. If this bill is passed, would it mean that the Federal Government would give \$10,000,000 to the State of Pennsylvania?

Mr. VINSON of Kentucky. Not necessarily. The amount contributed by the Federal Government is not based upon the amount of money appropriated or allocated in the State for old-age pensions. There is a limit of \$15 a month per individual. Of course, the State may have a larger pension than \$15 if it so choose.

Mr. DUNN of Pennsylvania. For example, how would the gentleman figure this out: The maximum pension is \$30 a month.

Mr. VINSON of Kentucky. The gentleman is now speaking of the present law?

Mr. DUNN of Pennsylvania. Yes.

Mr. VINSON of Kentucky. They are not paying any old-age pension in Pennsylvania now.

Mr. DUNN of Pennsylvania. Yes; they are.

Mr. FOCHT. Yes; they are.

Mr. VINSON of Kentucky. The report we had at the hearing showed that none were being paid in Pennsylvania at that time.

Mr. DUNN of Pennsylvania. But I assure the gentleman they are and have been since last year.

Mr. DOUGHTON. Let us assume that they are, for the sake of argument; what is the gentleman's question?

Mr. DUNN of Pennsylvania. My question is, if the maximum is \$30, how would they arrange that if they still retained the \$30 maximum?

Mr. DOUGHTON. The Federal Government would pay in any case a maximum of not over \$15.

Mr. FULLER. Mr. Chairman, if the gentleman will yield, I think the gentleman is correct in his question. If the State of Pennsylvania pays to its citizens for old-age pensions \$10 and they do not pay over \$30, the Federal Government would match that amount of money.

Mr. DOUGHTON. No; not at all. That might compel the Federal Government to pay as much as \$30 in order to match what the State paid. The Federal Government will not contribute over a maximum of \$15 per month.

Mr. FULLER. I know that.

Mr. DOUGHTON. It was not clear from the gentleman's statement. The Federal Government will match up to \$15. If there were no limit they could go up to \$100 in Pennsylvania or any other State as far as that is concerned.

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. SIROVICH. Is not this the situation, that the Federal Government will match what the State government gives providing it is not more than \$15 per month?

Mr. DOUGHTON. That is correct.

Mr. FULLER. The object of the Pennsylvania law is that they will get a limit of \$30, \$15 of which will come from the Federal Government, and on that basis the Federal Government will pay half.

Mr. SIROVICH. Some get \$5, some get \$10, and some get \$12, and each case will have to be matched, provided it does not require more than \$15 in an individual case.

Mr. VINSON of Kentucky. The gentleman from Pennsylvania stated that the pension in Pennsylvania was a maximum of \$30.

Mr. DUNN of Pennsylvania. Yes; but some of the aged get only \$10 a month.

Mr. SIROVICH. Our Government gives \$15 and that is matched in each case below that amount.

Mr. DUNN of Pennsylvania. I know of a man who gets \$30 and his wife gets \$15.

Mr. VINSON of Kentucky. What is the age limit in Pennsylvania?

Mr. DUNN of Pennsylvania. Seventy.

Mr. FOCHT. They are not paying \$30. The law authorizes \$30, but the State of Pennsylvania is paying less, and only because they do not have the money.

Mr. DUNN of Pennsylvania. I beg the gentleman's pardon. The law says the maximum is \$30, and quite a number in my district are getting \$30. That is probably because I am a better politician than the gentleman.

Mr. FOCHT. They have a better administrator in the gentleman's district perhaps.

Mr. DUNN of Pennsylvania. The law provides for a maximum of \$30.

Mr. FOCHT. That is right.

Mr. McLAUGHLIN. Will the gentleman yield?

Mr. DUNN of Pennsylvania. I yield to the gentleman from Nebraska.

Mr. McLAUGHLIN. May I inquire how the determination is to be made in the individual case as to the amount which that individual is to obtain?

Mr. DOUGHTON. That will be under State law and will be determined entirely by State law.

Mr. McLAUGHLIN. Will there be different formulas set up in the different States, or will there be one national formula?

Mr. DOUGHTON. No; the National Government will not have anything to do with it. The administration of the law is left entirely to the States.

Mr. McLAUGHLIN. The National Government and none of its agencies or instrumentalities will have anything to say about how much the individual gets in a State?

Mr. DOUGHTON. Not a word. The State might set up a system that the Federal Government would not approve, but it will not have the right to say just how much the State should give or not give. Of course, the Federal Government may withhold the appropriation from a State. That would be within its discretion. They would not have any right to say what amount should be paid. That would be left entirely to the State law.

Mr. COOPER of Tennessee. May I refer to section 2, page 2 of the bill entitled "State Old-Age-Assistance Plans", which covers the situation fully. There are seven provisions set out. In subdivision (a) of section 2 those seven provisions are set out and they apply to the State plans. Subdivision (b) sets out three provisions that must be observed by all these State plans. In effect, it simply means that the State legislature of every State enacts a statute which embraces a plan for that State and these guides that are set out in section 2 have to be observed by the State legislature in setting up the State plan.

Mr. GILDEA. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Pennsylvania.

Mr. GILDEA. The State of Pennsylvania has been mentioned by two of my colleagues from Pennsylvania. May I say that the gentleman from Pennsylvania is correct. Pennsylvania is not paying old-age pensions because it has not the money with which to pay these pensions. I am just wondering if making the States responsible for the lending of this money is not going to result in the States repudiating their loans just the same as the foreign governments.

Mr. DOUGHTON. That is not a loan. The States do not have to repay this money. It does not have to be repaid to the Federal Government, and there is no obligation on the part of the State. It is not a loan but a grant outright.

The CHAIRMAN. The gentleman from North Carolina has consumed 1 hour.

Mr. DOUGHTON. I yield myself 15 additional minutes.

Mr. GILDEA. May I carry that thought a little further? The State of Pennsylvania requires residence in the State or citizenship for 15 years before pensions are granted. In writing a national law should we not seek to correct that situation?

Mr. DOUGHTON. The State law will have to be changed in order to get these benefits because the law may require a residence of not over 5 years during the preceding 9 years.

Mr. COOPER of Tennessee. Section 2 of the bill covers that fully in very simple language.

Mr. GILDEA. You still have State regulations which must be recognized. May I refer to a particular case. A citizen of the State of Pennsylvania for 13 years, whose son died in the World War, was denied insurance.

Mr. DOUGHTON. They would have to change the State law in order to get this Federal benefit.

Mr. GILDEA. They would have to conform with this bill?

Mr. DOUGHTON. They certainly would in that respect.

Mr. KENNEY. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from New Jersey.

Mr. KENNEY. The money with which to pay the Federal Government's share of these pensions will come from general taxation?

Mr. DOUGHTON. Yes.

Mr. KENNEY. The gentleman from Pennsylvania has just brought into the discussion the matter of the foreign governments. Does the committee intend to discuss on the floor some of the systems the foreign governments use in connection with their old-age pensions?

Mr. DOUGHTON. I do not know enough about them to enter into a discussion concerning their systems.

Mr. KENNEY. Norway has a very admirable plan to pay their pensions. The money is raised there by lottery. [Applause.]

Mr. DOUGHTON. Does the gentleman advocate that in this country? The Federal Government, I am sure, will not care how the State raises its money.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. DUNN of Pennsylvania. I want to say to my colleague, the gentleman from Pennsylvania [Mr. GILDEA], I understood him to say that the State of Pennsylvania does not give an old-age pension. Whether you call it a pension or assistance, I do not think the gentleman meant to say that the State does not give anything. The law was passed, I believe in 1933, and the way they were to obtain the money was from the liquor stores. It is true that all the men and women who made application for a pension did not get it, but at least several thousand are receiving it, and I know this is a fact, because I had something to do with the law. The maximum amount is \$30. So they do get a pension, although they might call it relief, in the State of Pennsylvania.

Mr. GILDEA. I shall accept the correction with this explanation. They are still considering November applications, and they are 4 months behind in handling the applications.

Mr. DUNN of Pennsylvania. I agree with the gentleman, and the reason they are behind is because the people in Pennsylvania did not drink enough booze to pay the pensions.

Mr. SAMUEL B. HILL. If the gentleman will yield, I would suggest that the gentlemen from Pennsylvania get together and have a caucus on this subject before they come in here with their questions.

Mr. FOCHT. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Pennsylvania.

Mr. FOCHT. We have in Pennsylvania a pension law. We do not call it a pension, but call it assistance. We do not call it a pension because we cannot give pensions to those in civil life, and for this reason we call it an assistance fund, and it comes through the mothers' assistance fund, and they administer it. We give \$30 a month if we have the money you provide here \$15, which will match the State money and will make \$45.

Mr. DOUGHTON. If you continue to give \$30.

Mr. FOCHT. Of course, we could reduce it. The county will then give \$15 and that makes a pretty fair pension.



Now I want to ask my friend on the other side a question. He said that somehow or other Pennsylvania did not have the money. I was not going to say anything about how they get the money or where it is to come from until the gentleman mentioned it. It is to come from the sale of whisky, and I would like to ask him this question: Since they have bought \$50,000,000 worth of whisky up there to be sold, with the profit applied to the old-age pensions, why do they not sell the whisky? It is because it is so rotten that nobody will buy it, and they do not show any profit because the people buy their whisky outside, and this is under the new Democratic administration up there. [Laughter and applause.]

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I shall have to refuse to yield for any further joint debate between the gentlemen from the State of Pennsylvania.

Mr. WOOD. Mr. Chairman, I would like to ask the gentleman a question if he will yield a moment.

Mr. DOUGHTON. I yield.

Mr. WOOD. Since we have finished this discussion of Pennsylvania and whisky, there is some doubt in some minds as to just how this Federal aid is going to be administered. For instance, a State has an old-age-pension law with a minimum of \$10 a month and a maximum of \$20. If one person is drawing \$10 a month from the State, he would then draw \$10 from the Federal Government, would he not?

Mr. DOUGHTON. No; he would not draw anything from the Federal Government—not a cent.

Mr. WOOD. I mean there would be a contribution from the Federal Government including the \$10.

Mr. DOUGHTON. He would get that through the State.

Mr. WOOD. If he were receiving \$30 a month from the State then he would receive an additional \$15 a month to augment the \$30 from the Federal Government, making a total of \$45 a month.

Mr. DOUGHTON. That is correct.

Mr. WOOD. In other words, there was some question about whether a State can participate, although they are paying less than \$30 a month.

Mr. DOUGHTON. There should not be any question about that.

#### TITLE II

The system of direct Federal old-age benefits is included under title II. The benefits payable are based upon the wages of the employee. The minimum benefit is set at \$10 per month and the maximum at \$85 and the benefits become payable in 1942.

It must be clearly understood that neither Federal aided State old-age pensions nor Federal old-age benefits, taken alone, will be adequate to care for the problem of old-age dependency, a problem which is certain to become greater as time goes on. We cannot wisely adopt one of these measures without the other. We must recognize that what the American citizen wants is not public charity, but an opportunity to care for himself in old age in a self-respecting manner and on a more adequate basis than he can ever hope for through State pensions. Old-age pensions are provided for those who are already old and dependent and those who cannot be covered under the Federal-benefit system in the future.

Titles III and IX deal with unemployment compensation. Title III provides grants in aid to the States for the administration of State unemployment compensation laws. There is authorized under title III to be appropriated during the fiscal year ending 1936, the sum of \$4,000,000, and in 1937 and thereafter, the sum of \$49,000,000 for this purpose. This will not be an ordinary type of grant in aid, for it is expected that this will be sufficient to pay the entire administrative cost of the State systems.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. LUNDEEN. Will there be anything done for those who are now unemployed or is this for those who are now employed who may become unemployed?

Mr. DOUGHTON. It is for the latter.

Mr. LUNDEEN. It will cover those now employed who become unemployed?

Mr. DOUGHTON. Certainly.

Mr. VINSON of Kentucky. And who qualify under the State law?

Mr. DOUGHTON. Who qualify under the State law; yes.

Mr. LUNDEEN. I wish to call attention to the fact that the 15,000,000, more or less, and there is disagreement about the number, now unemployed will not be covered by this bill, unless I am mistaken, and if I am I hope the gentleman will correct me.

Mr. DOUGHTON. The gentleman is right.

Mr. LUNDEEN. There will be nothing for those who are now unemployed in this bill and I think there will be bitter disappointment over that phase of the measure.

Mr. DOUGHTON. The gentleman has evidently forgotten the relief measure just enacted, providing over \$4,880,000,000 out of the Federal Treasury to help that class of people. The gentleman certainly is not unmindful of the passage of that act and, certainly, the gentleman does not expect the Government to do everything for everybody, which would certainly make it beyond the capacity of the Government to help anybody.

Mr. LUNDEEN. Then I will ask the very able and distinguished gentleman whether, in his opinion, this \$4,000,000,000 will take care of the 15,000,000 who are unemployed?

Mr. DOUGHTON. It is intended, of course, to give employment to the employable who are unemployed. It is a relief measure and is intended to take the place of the dole. I think the gentleman will agree that the Government is going a long way, and much further than any government under the sun has ever gone, in its effort in so many directions to help not only the unemployed, but every class of business which is in distress, as well as individual distress.

The gentleman realizes that every burden, physical and economical, cannot possibly be carried on by the Federal Government. It seems to be the opinion abroad in the land that the funds of the Government are inexhaustible.

Mr. LUNDEEN. I wish to observe that I voted for the \$4,800,000,000 bill.

Mr. DOUGHTON. And I hope that the gentleman will vote for this bill.

Mr. LUNDEEN. I cannot pledge myself to do that until we are through with the consideration of the bill.

Mr. DOUGHTON. I know the gentleman's humanitarian instincts and I know of his desire to help the unemployed and needy, and I am confident he will vote for this measure.

Mr. LUNDEEN. Judging from the disappointingly small number of people employed as a result of the \$3,650,000,000 appropriation of the last Congress, I have my doubts that this \$4,800,000,000 bill will help very many of the 15,000,000 now unemployed. If we do not aid them, we shall hear from them.

Mr. DUNN of Pennsylvania. I would like to ask the gentleman from Minnesota a question. His bill, H. R. 2827, I believe is a good piece of legislation, and would relieve the unemployment, would it not?

Mr. LUNDEEN. I dislike to take any more time from the gentleman from North Carolina, but I am certain that it will.

Mr. DOUGHTON. Mr. Chairman, I cannot yield further.

Title IX provides for an excise tax on employers based upon pay rolls of 1 percent beginning January 1, 1936, 2 percent the following year, and 3 percent thereafter. Against this tax, employers may credit payments to State unemployment-compensation systems up to 90 percent of the Federal tax. A few minimum requirements are imposed which State plans must satisfy in order to qualify for credit, the principal one being that the fund shall be used solely for the payment of unemployment benefits. In general, the States are left free to determine the provisions of their un-

employment-insurance laws, the scale of benefits which they will pay, and the other features.

The need for unemployment insurance is well recognized. Eighty-five percent of the families on relief are in want because of unemployment. Unemployment, or the fear of unemployment, has been the principal reason for the unfortunate decline of our purchasing power. No greater hazard confronts the American worker today than that of losing his job. Many State and Federal commissions have recommended the enactment of laws along this line for a number of years. But, in spite of this, States have found it impossible to enact such legislation until the Federal Government protects their industries from unfair competition by placing a uniform tax upon industry throughout the country for this purpose. Only one State had enacted an unemployment-insurance law prior to this year, although two other States have already enacted State laws in anticipation of the Federal legislation contained in the bill.

Unemployment insurance is based upon the principle of laying aside reserves during periods of employment to be used in periods of unemployment. It places part of the financial burden upon industry, and in that way provides an incentive for stabilization of employment. The Federal bill does not provide for unemployment insurance but merely makes it possible for the States to do so. Unemployment insurance has been used in many foreign countries for a number of years and no country, once having adopted such a system, has ever abandoned it. In this country unemployment-compensation systems have been operated by a number of labor organizations and large industrial plants.

It is undoubtedly true that what the American citizen wants and needs, above all else, is steady employment, but under modern economic conditions and with the rapid development of machine techniques, it is inevitable that large numbers of workers will be thrown out of work from time to time. Given this situation, it must be acknowledged that unemployment insurance will provide the best means of protecting workers against this greatest of all causes of dependency. It does not place a new burden upon industry, the cost will not be greater than the present cost of unemployment relief; rather, it shifts that cost and distributes it far more equitably than heretofore.

Title IV: I come now to those sections of the bill concerned with security for children. I am told that the present relief rolls carry more than 9,000,000 children under 16 years of age, children who in a few years will be the citizens upon whom the responsibilities of our Government will rest. Many of them have never known a normal secure childhood, never known a time when their father had a steady job. All the measures in the bill may be truly called measures for the protection of American childhood, inasmuch as they protect family life. Even old-age measures, in freeing families of the burden of caring for old people, will enable them to care for their young children more adequately. But there are other children for whom special care is necessary. Many of the children on the relief rolls are in families where there is no breadwinner, where the only head is a young mother who is needed to care for her children. There can be no question that for families of this kind, provision through ordinary public relief is socially undesirable.

Enlightened public opinion has long recognized that the most desirable type of public aid for such families is in the form commonly known as mothers' pensions—that is, aid to dependent children to maintain them in their own homes under their mothers' care. Forty-five States have laws providing for mothers' pensions but many of these States, for lack of funds, have been unable to care for more than a fraction of the families eligible to receive such assistance. Federal aid will permit the mothers' pension type of care to become nationally operative and is particularly necessary in view of the withdrawal of Federal support for unemployment relief.

#### TITLE V

Another part of the social-security bill dealing with protection of children, title V, provides an appropriation of

\$3,800,000 for maternal and child-health services under the supervision of the Children's Bureau. The great need for the Federal Government to again assume leadership and lend aid in this field was borne out by the testimony before the committee given by members of the medical profession from all parts of the country. Two million eight hundred and fifty thousand dollars is also provided for Federal grants for services for crippled children, particularly in rural areas where such hospital care is now largely nonexistent. Title V authorizes small appropriations for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, and for vocational rehabilitation. These very essential services have again been greatly curtailed during the depression years.

Title VI provides an appropriation of \$8,000,000 for grants in aid to the States for the extension of public health services. Only about one county out of every six in this country has a regular full-time health officer. During the depression the State and local expenditures for health services throughout the country have been drastically reduced, despite the fact that the need for them was never greater. It cannot be denied that the first step in a program to reduce the economic cost of sickness and ill health is through the building up of our preventive public health services.

Title VII establishes a social-security board of three members, appointed by the President for overlapping terms of 6 years each. The social-security board will have charge of the administration of the grants in aid to the States for old-age pensions and the administration of the Federal old-age-benefit system. It will also be responsible for the certification of State unemployment-compensation systems and is charged with the duty of making actuarial and scientific studies of the broad problems of social security.

Titles VIII and IX levy taxes designed to finance the major cost of the social-security program. These I have discussed already.

Mr. Speaker, I have only touched upon the more essential provisions in my brief explanation of the bill. There are many sections dealing with questions of administration, and matters relating to the subjects I have enumerated.

This bill is the product of many weeks of laborious effort on the part of the membership of your committee, ably assisted by the splendid and expert personnel of the office of the legislative counsel, the staff of the Joint Committee on Internal Revenue, representatives of the Treasury and Labor Departments, and other branches of the Government. I desire to express my appreciation for the splendid and most valuable assistance they have rendered, in which I am sure the other members of the committee join.

Mr. Speaker, we are today fashioning the foundation stones upon which will rest the happiness and welfare of future generations. Our task is not an easy one, for we have no mileposts to guide us. We are pioneering in a field never before undertaken by any previous Congress. This bill, in my opinion, is a well-rounded-out program, upon whose foundation we can build in the future after we have had an opportunity to observe and study its workings.

While we may not all be in agreement with respect to the many provisions contained in this measure, I am sure we are all in accord with its objectives to bring about the proper solution of the problem our country faces in caring for the needs of those who have already, and who in the future, will have reached the age when they can no longer provide for themselves.

We are building for the future. Let us not weaken that foundation upon which the welfare of future generations must depend. Some think various provisions are too inadequate. I, for one, would far rather start cautiously than to go too far and bring about the collapse of our handiwork in the future. Some would remove certain sections of the foundation supports incorporated in this bill, and are saying we are going too far and placing too heavy a burden upon industry at this time. If that be so, why has not industry opposed this measure. Never during my service in this House have I seen less opposition to a measure, both during

the hearings and its consideration for the past several months.

Let me remind those holding this view that industry, along with all others, is today assuming a tremendous burden, which will continue to grow more burdensome year by year unless we adopt a broad rounded-out program, not a piecemeal one, that will eventually bring about the lessening of the burden we now have.

Let us not be swayed by the clamor of those advocating fantastic remedies, or those who hesitate and whose thoughts in the past have been of the favored classes and not the masses.

Today we have a leader in the White House whose every action has demonstrated his concern for the welfare and happiness of the common people—the forgotten men, women, and children of this country.

Let us emulate the foresight and wisdom of our forefathers who builded for the future, as President Roosevelt is building today, by the adoption of his program for social security, by the enactment of this measure.

American conditions today demand courageous action. We cannot safely delay social reforms that are necessary to preserve our economic and political institutions. There is no great reform which has ever occurred which was not looked upon in its time as a bold and perhaps dangerous step. When Columbus set forth with his three small vessels to sail across the uncharted Atlantic and discover a new world, it required the highest courage, the kind of courage which was displayed by our Revolutionary forefathers when they fought the Revolutionary War and our country secured its independence. The progress of America has ever been marked by that great quality of boldness and determination which inspired our pioneer forebears. To bring about a great social reform such as is proposed in this bill requires the same quality of far-sighted leadership. I am confident that in this House, among the elected representatives of the American people, this quality will not be found lacking. [Applause.]

Mr. TREADWAY. Mr. Chairman, will the gentleman from North Carolina use some more of his time at this time? In case I find it possible to yield some of my time to the gentleman from North Carolina, could he continue a little longer this afternoon and let my side begin tomorrow?

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. SCOTT].

Mr. SCOTT. Mr. Chairman, I do not know whether it will do a great lot of good to talk this afternoon or not. Everybody is ready to go home, and I rather have the idea that most of you have just about made up your minds on how you are going to vote on this bill anyway. If Members have to sit around and listen to 20 hours of debate and hear all sorts of suggestions made they will be so confused by the time debate is over that they will have to fall back on their own fundamental, basic philosophies of old-age pensions. This will mean that everything said in the meantime will be more or less cast aside, and you will vote convictions formed years ago. These convictions, I suspect, are deep-seated. I would not be surprised but that that is the main difficulty in the minds of a lot of Members in this House. Most of us have sort of grown up with certain fundamental concepts and convictions. When we were learning them they were perhaps correct. In the meantime, however, so much has happened, and things have changed so in the past few years that many people are left in a confused state of mind. It is, I know, difficult for a man with settled convictions to change his mind on any subject, no matter what the arguments offered are. It is sometimes difficult to recognize a new idea when it is presented to you. I am not going to find any particular fault with the Ways and Means Committee because of this. They have developed certain convictions through their lifetimes, and it is asking almost too much to have them throw all of those aside and adopt brandnew ideas.

When they were forming their opinions very few people believed in unemployment insurance or old-age pensions. Rugged individualism was the accepted theory. Then, all

of a sudden, because of talk, and because of the necessity of the times, unemployment insurance and old-age pensions became fairly respectable. We coasted along with considerable talk and agitation until now we are in a position where everybody is in favor of old-age pensions, or at least with the principle of pensions. But keeping that same idea, that perhaps older, more settled minds cannot progress as rapidly as younger minds, their first reaction is, now, let us keep these pensions just as small as we possibly can; let us keep these benefit pensions down. They come back to those old shibboleths, those old concepts that they have always had and recognized, and say we cannot put something new in because it will disrupt something we have always had. A lot of younger minds in the country and a lot of minds that have been giving considerable study to the subject are already letting those concepts go by the boards. If we cannot do the thing we want to do, which is establish economic security for every citizen in the United States, and still maintain some of the old theories and some of the old institutions we have always known, let us get rid of them, or let us change them in some way or another, so that we can do what we want to do.

I read a story just yesterday that seems to me to illustrate this inability to recognize a new idea. A woman was hiring a new maid, and in the course of the conversation and instructions to the maid she was telling her of the things they were going to have to buy. She said, "Oh, yes; there is one other item that you will have to have in the kitchen, and that is a griller." Most up-to-date kitchens nowadays, I suppose, have grillers. The maid looked at her with a blank expression on her face. The woman said, "What is the matter; don't you know what a griller is?" The maid said, "Sure, I know what it is; it is a big ape that looks like a human being, but if you think I have to have a new one in this kitchen, I am going to quit right now."

Somebody comes along and points out the idea that for the first time in history we have built up an organization that makes it possible for us to produce wealth in such quantities that everybody could live on a decent standard of living. That is hard to grasp, because it has not been true until recently. Too many Members in this House formed their convictions during the era of scarcity and cannot think in terms of abundance. Our technological development has tended to throw men out of employment, but at the same time it is tending to increase the national income, the wealth that is produced each year. We then run up against the question of how are we going to use what technology can produce and give it to people who cannot work because of technology. Perhaps one way that we could do it is with old-age pensions or unemployment insurance, but they must be adequate to maintain the recipients in decency and comfort. Now, with scarcity-era convictions, the only way we seem to be able to accomplish it is to try to take it away from those that have it and give it to those who do not have it, and the whole argument in favor of this particular bill and in opposition to a more liberal pension bill is that we cannot levy a high enough tax on legitimate business as it exists under this system to get enough money to pay a larger old-age pension. That is the argument that has been used against all of these plans that call for higher pensions. Where are you going to get the money? Which brings me back to the contention in the first place that people have talked and legislated and studied and analyzed money for so long that the only kind of money they know anything about is the kind they have always had; the only way they can attack the problem is by saying what will it do to sound money?

This argument came up once before when we were talking about bonus legislation: "If you put out this currency, you wreck the monetary system. You do not have sound money any more." Well, after all, money simply buys the things that we produce, as a medium of exchange. If you recognize the fact that we have not anywhere near the same kind of sound money that we had before we went off the gold standard, that that kind of sound money has ceased to exist, then we can get a different slant on the money question and use it as a medium of exchange to transfer those things that we

produce into the hands of the people who want to consume them. If we are going to insist upon maintaining and keeping the old institutions that we have long known, that will be impossible. I doubt whether we can take enough from those who get to give to those who do not get to maintain them on a decent standard of living. But that does not keep us from accomplishing the original purpose of guaranteeing economic security. Once earlier in our history, when they were digging the Panama Canal, they ran up against an epidemic of yellow fever. They could not go ahead with the digging as long as the epidemic existed. They could not keep their workmen alive. Nobody was foolish enough, however, to say that the way to cure the epidemic was to take the patient and treat him and try to cure him. They went to the seat of the difficulty and eliminated the cause. They said, "If we want to go ahead, we have to prevent the epidemic, and the only way to do it is to get rid of the mosquitoes, and the only way to do that is to dry up the swamps." Can we not attack our economic difficulties in the same way? The trouble is we have been getting the poor fellow after he has been knocked down, getting the unfortunate victim after he has been thrown out of the economic system and cannot earn a living any more, and trying to do something for him. Our solution of this difficulty, it seems to me, should go back to the thing that knocked him out. I mean the changes in our economic system that make it impossible for men to get jobs. It does not make any difference what particular phase of this subject we take up for discussion, if you think it over, we get right back to the money question every time. The money question today is the seat of each one of our particular difficulties.

I am in sympathy with the idea of old-age pensions and with unemployment insurance, but you cannot get them if you are going to insist on maintaining some of these eighteenth-century ideas on the money question. [Applause.] The funny part about it is that we were so willing to move clear up to the twentieth century as far as our technological development is concerned, but when somebody comes along with an invention in the social field we turn it down because our minds cannot grasp a new idea.

Mr. LUNDEEN. May I interrupt the gentleman?

Mr. SCOTT. Certainly.

Mr. LUNDEEN. If one does come along with some new and fundamental idea in the social field, then it is a radical, a "red", a socialistic idea and should be turned down at once?

Mr. SCOTT. Oh, there are a lot of us who have ceased to be worried by names and epithets. We always get that when we attempt to secure progressive legislation. Every liberal thinker has been called names. We get used to it.

May I suggest to the Members that in the consideration of how much money we can give in pensions they make constant reference to a book called "The Chart of Plenty", by Harold Loeb and associates. It is a preliminary report of the national survey of potential product capacity and cannot, must not be ignored.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield, from the 10 hours allotted to me, 1 hour to the gentleman from North Carolina [Mr. DOUGHTON].

Mr. DOUGHTON. I thank the gentleman from Massachusetts.

Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 7260, the social security bill, and had come to no resolution thereon.

#### SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7620) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment-compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7260, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield myself such time as I may need and I would appreciate being notified when I have consumed 30 minutes.

The CHAIRMAN. The gentleman from Massachusetts is recognized for 1 hour.

Mr. TREADWAY. Mr. Chairman, I admire the lack of courage of the majority. There are two very apparent reasons why there has been quite a lapse of time since the Ways and Means Committee reported the social security bill.

First, it was necessary to receive instruction from the White House; and second, the majority were endeavoring to see whether they could muster votes enough to pass the bill under a gag rule. Having come to the conclusion that it was impossible to do this, it was decided to handle this "hot potato" under an open rule and take their chances on mustering enough votes to put the bill across in something like the form that the committee has reported.

They have taken the right course, but for the wrong reason. This bill contains such vital issues that it should be thoroughly and completely discussed, and, I hope, very materially amended, before it reaches a final vote.

#### LITTLE TESTIMONY FROM PRACTICAL PEOPLE

In his lengthy explanation of the measure yesterday, our distinguished chairman, the gentleman from North Carolina, stated that the Ways and Means Committee had given most careful consideration to this bill and that ample opportunity had been given to everyone to appear in opposition to this bill that desired to do so. Theoretically, that statement is correct; practically, it is not.

While this measure has been before Congress since the middle of January, and more than a thousand pages of testimony have been taken, I want to call attention to the fact that there was little testimony from persons of experience in business lines. Practically everybody who appeared had some part in drafting the legislation or was consulted with respect to the problems involved. There were not to exceed a half dozen persons who testified who were not a part of the present new-deal administration.

#### REVISED DRAFT NOT PUBLIC UNTIL AFTER APRIL 4

While the bill was being revamped, and while it was under consideration in the form in which it is now presented, the bill was not made public. Every copy issued to the members of the committee was marked "confidential", and the interested parties all over the country had no knowledge whatsoever of the contents of the present measure before it was introduced on April 4.

Moreover, it is such a complicated bill, containing so many different titles and different ideas, that the average citizen would have much more difficulty in understanding it than we Congressmen, who have had it before us.

#### OBJECTIONABLE TITLES SHOULD BE GIVEN ADDITIONAL CONSIDERATION

Such a departure from present-day policies as is contained in the objectionable titles of the bill should be given the greatest opportunity for study, analysis, and criticism. To say that hearings were held and witnesses did not appear is no argument that the country is for this measure in toto.

The only fair way that old-age annuities and unemployment insurance should be made policies of the Federal Government is after a disinterested commission, composed not only of college professors, members of the "brain trust", and "new dealers", but of people of experience and judgment, has studied such problems for an indefinite period and reached conclusions which could be recommended to the Congress.

I can hear my Democratic colleagues say that the Advisory Board set up by the President's committee was composed partly of such people as I have described. This Board might be regarded as qualified to study the problem, but their services were confined to very short periods and very little consultation. No report from them was submitted to the Ways and Means Committee. There is no evidence as to their attitude toward this measure, nor do we know whether they ever saw the revised bill.

#### THIS IS PERMANENT, NOT EMERGENCY, LEGISLATION

I cannot emphasize too strongly that very meager and insufficient study has been made of this proposed legislation, under which the Federal Government is to embark upon new and untried policies.

All recommendations of the present administration have been based upon so-called "emergencies", and the legislation has been of a temporary nature, either to be operated for a specified time or canceled in the discretion of the President.

An important part of the legislation contained in this bill is not only new and untried in this country, but haste is urged in the adoption of permanent policies. One of the men principally responsible for the preparation of the bill reiterated several times before the Ways and Means Committee that we should hasten this legislation through in order that it could be submitted to State legislatures before they adjourned this spring. Fortunately, many of these legislatures have already adjourned, and I hope they will adjourn several times more before this hastily and ill-conceived and apparently unconstitutional legislation becomes the permanent policy of the Federal Government.

#### NO COMPROMISE IN PRESENT BILL

There are two outstanding features in any legislative enactment: First, the possibility of compromise in order that views may finally reach a harmonious conclusion; and, second, the scale of merit.

The first one is not found in H. R. 7260. There is no compromise in it of any kind. The principles laid down in the bill correspond with the original suggestions contained in the report of the President's Committee on Economic Security, which indicates that the majority members of the Ways and Means Committee are entirely subservient to the instructions of the administration.

We therefore look to the second feature for a decision for or against the measure.

#### DEMERITS OF BILL OUTWEIGH MERITS

I feel that I have been fairly diligent in my attendance at the hearings and executive sessions of the committee, which have run over a period of several months on this measure alone.

It has been my firm effort to become convinced of the merits of the bill, and I have approached the several subjects with an open mind. However, I have come to the conclusion that the demerits of the measure far outweigh the merits.

#### SHOULD HAVE BEEN FOUR SEPARATE BILLS

If legislation of this character is to be passed by Congress, there should have been 4 separate bills instead of 1, divided into 2 categories: First, those which, according to the views of the minority of the committee, "spring from the desire of the Federal Government to provide economic assistance to those who need and deserve it"; and, second, those which are based upon the principles of compulsory insurance.

#### FAVOR OLD-AGE PENSIONS, AID TO CHILDREN, ETC.

In the first class are titles I, IV, V, and VI, granting aid to the States for old-age pensions, for the care of dependent children, for maternal and child welfare, and for public health. They carry with them an appropriation for each of the various purposes, which will aggregate less than \$100,000,000 the first year. I am in favor of all of these titles.

#### OPPOSED TO OTHER TITLES

The other group consists of titles II and VIII, relating to compulsory contributory annuities, and titles III and IX, relating to unemployment insurance. I am opposed to these four titles of the bill. They are not in any sense emergency measures. They would not become effective in time to help present economic conditions, but, on the contrary, would be a definite drag on recovery.

#### FAVOR INCREASE IN FEDERAL CONTRIBUTION FOR OLD-AGE PENSIONS

Title I of the bill provides for Federal cooperation with the States in establishing and maintaining State old-age pension systems. This cooperation is extended in the form of a grant to the States of one-half the amount expended by them for pensions for the aged, with a limitation on the Federal contribution of \$15 per month per person.

Of the 28 States which now have old-age pension laws, none has a rate in excess of \$1 per day or \$30 per month. If they continue the \$30 rate, the Federal Government will relieve them of one-half the cost, or they can increase the rate to \$45 without any new burden on the State Treasury.

With the Federal Government contributing not more than \$15, the tendency will be to freeze the rate at not more than \$30. I cannot bring myself to believe that a \$30 pension is adequate, particularly in cities, where rents and other living costs are much higher than in rural areas.

If it is to be the policy of the Federal Government to cooperate with the States along this line, I would favor a substantial increase in the Federal contribution for the purpose of meeting the conditions described in section 1, namely, assuring "a reasonable subsistence compatible with decency and health to aged individuals without such subsistence."

#### UNEMPLOYMENT INSURANCE

Titles III and IX of the bill seek to coerce the States into enacting laws for the payment of unemployment compensation. This coercion takes two forms.

Under title III the Federal Government agrees to grant to the States the sum of \$4,000,000 in the fiscal year 1936 and \$49,000,000 annually thereafter for the purpose of meeting the cost of administering their unemployment-insurance systems, if, as, and when set up. Only one State—Wisconsin—now has such a system in actual operation. The States cannot qualify for this Federal assistance unless their laws meet certain Federal standards of administration laid down in the bill.

The money appropriated is expected to be offset by the incidental revenue obtained from the tax under title IX. Titles III and IX are separated in the bill for constitutional reasons.

#### DIRECT COERCION ON STATES UNDER TITLE IX

The coercion under title IX, in the guise of a tax, is more direct. Employers of 10 or more persons are required, beginning next year, to pay a Federal tax on their pay roll, but are permitted to offset against this tax, up to 90 percent thereof, any contributions made by such employers to State unemployment-insurance funds.

If the employer's State has no unemployment-insurance law, he gets no credit, but must pay the Federal tax in full. His employees, however, get no unemployment benefits, since the receipts from the tax are simply covered into the general revenues of the Government. Thus, employers will have the burden of a pay-roll tax whether their State has an unemployment-insurance law or not, and they can escape the major portion of the Federal tax only by prevailing upon their State legislature to enact such a law. In effect, title IX forces employers to pay a tax either to the Federal Government or to the State.

#### RATES OF TAX AND TAX BURDEN

The rate of tax under title IX would be 1 percent in 1936, 2 percent in 1937, and 3 percent in 1938 and subsequent years.

The burden which it would impose on business and industry is estimated by the committee at \$228,000,000 in the first year, \$500,000,000 in the second year, and from \$800,000,000 to \$900,000,000 annually thereafter.

#### TAX WOULD INCREASE UNEMPLOYMENT AND WOULD BE BURDEN ON BUSINESS

At this point I want to say that I have approached the subject of unemployment insurance with an open mind. I believe in it in principle, and favor its ultimate enactment under State laws. However, I cannot support titles III and IX of the present bill, because I am convinced that instead of contributing to the relief of the unemployment problem they would aggravate it. This would result in the following manner:

First, by putting the penalty on pay rolls the tax under title IX would admittedly have the effect of increasing unemployment.

Second, by imposing a tremendous additional burden on industry and business the tax would seriously retard business recovery.

Moreover, there is a constitutional question involved, since the tax under title IX is not a true tax, but a legislative "club" to force State action along certain lines.

#### EMPLOYERS WILL REDUCE NUMBER OF EMPLOYEES TO ESCAPE OR MINIMIZE TAX

That the tax will increase unemployment should be rather obvious. In the first place, employers of less than 10 persons are exempted. The natural tendency for employers of slightly more than 10 persons will be to reduce the number below that figure and thereby escape all tax. If, for example, 11 or 12 persons are employed, the tax must be paid on the pay roll of all, but if only 9 are employed, no tax whatever is imposed.

The bill, therefore, offers a direct invitation to reduce the number of employees in a business to nine or less wherever that is possible. At the same time it offers an inducement to larger employers to get along with as little help as possible in order to minimize the pay-roll tax. It is quite apparent, therefore, that, although the tax is in the long run supposed to be of benefit to the unemployed, it actually will increase their ranks.

#### NO IMMEDIATE BENEFITS TO UNEMPLOYED

I might point out that even if the States promptly enact unemployment-insurance laws no benefits could be paid to the unemployed until after a reserve has been built up, and this, of course, would take several years. Even then benefits would be paid for only a few weeks, after a certain waiting period, and with the present number of unemployed the funds would soon be exhausted.

In this connection I cite the following language in the report of the majority, page 7:

It should be clearly understood that State unemployment compensation plans made possible by this bill cannot take care of the present problem of unemployment.

With respect to the payment of unemployment relief in the future, the report adds:

Unemployment insurance cannot give complete and unlimited compensation to all who are unemployed. . . . It can give compensation only for a limited period and for a percentage of the wage loss.

These statements in the committee's report make clear the fact that this is not in any sense emergency legislation which requires immediate enactment. No quick relief is intended. Hence there is no object in leaving titles III and IX in the bill, particularly when their result will be to increase unemployment rather than relieve it.

So far as the burden of the tax on industry is concerned, I will discuss that more in detail in connection with the tax under title VIII, relating to compulsory contributory annuities.

#### INOPPORTUNE TIME FOR ENACTMENT

To summarize my position on the subject of unemployment insurance, I may say that while I am in complete sympathy with its general purpose, I do not believe that the present is an opportune time to put it into effect, nor do I believe that the method adopted by the bill is the best or only method for dealing with the problem.

#### COMPULSORY CONTRIBUTORY ANNUITIES

I am strongly opposed to the provisions of titles II and VIII, which impose upon private industry a compulsory Federal retirement system for superannuated employees and exact a contribution from such employees and their employers, in the guise of a pay-roll tax, to set up reserves out of which to pay retirement benefits.

#### PLAN IS UNCONSTITUTIONAL

The Federal Government has no express or inherent power under the Constitution to set up such a scheme as is proposed. No one knows this any better than the administration and the Democratic majority of the committee. They have been working for months trying to give titles II and VIII some color of constitutionality. They are not very proud of their handiwork, but they think it is in the least objectionable form from the constitutional standpoint.

#### TITLES II AND VIII INTEGRAL PARTS OF SINGLE SCHEME

Titles II and VIII are just as closely related as a house and its foundation. The former provides for the compulsory premiums; the latter for the benefits. The two titles go together and neither one is intended to stand by itself.

The reason that these two titles are separated in the bill is that if they were combined, as they should be, they would on their face be unconstitutional, since the Federal Government cannot lay a tax for any other purpose than the raising of revenue for public uses. The tax imposed under title VIII is not a tax at all, but an enforced insurance premium for old-age annuities. The money raised by the tax is not intended for the support of the Government, but to pay the benefits provided under title II to the same employees who are taxed under title VIII. If you will look at the exemptions from the tax under section 811 (b), you will see that they are identical with the exemptions from the benefits under section 210 (b).

#### MAJORITY REPORT ATTEMPTS TO DECEIVE SUPREME COURT

The report of the majority makes no reference to the connection between titles II and VIII, because they know that the Supreme Court is eventually going to look at that report to see what the intention of Congress was in setting up these titles. They purposely omitted any reference to the connection between the two, because they wanted to try to delude the Supreme Court. I do not think the Court is going to be deceived, however. It is not going to let Congress do in a back-handed way what it cannot do directly.

#### REAL PURPOSE STATED IN PRESIDENT'S MESSAGE

On page 5 of the report of the majority the inference is left that title II is a Federal benefit system assuring support for the aged "as a right rather than as public charity." This is outright deception. The report also states that title II establishes a "system of old-age benefits, paid out of the Federal Treasury." That, again, is outright deception. Nothing of the kind is contemplated. The real purpose of titles II and VIII is stated in the President's message of January 17, 1935, in which he said that the object of these provisions was to set up a system of "compulsory contributory annuities", which in time would establish a "self-supporting system for those now young and for future generations."

#### CONSTITUTION SHOULD EITHER BE ABOLISHED OR RESPECTED

Personally, I think this attempt to delude the Supreme Court is rather childish. Either the Federal Government has the power to set up this compulsory-insurance system or it has not. The Constitution should either be respected or abolished. What is the sense of having it if we are going to spend most of our time trying to devise ways and means to circumvent it?

#### SCOPE OF TAX CHANGED FOR CONSTITUTIONAL REASONS

Under the original bill nonmanual workers earning more than \$3,000 per annum were exempted from the tax, and hence from the benefits, but in order to make the tax provisions, standing by themselves, less obnoxious from a constitutional standpoint, the tax was made applicable to the first \$3,000 of the annual wages of all employees regardless of the total salary. Thus, while it was not the intention of the original bill that this higher-salaried class of employees be covered, they were included for constitutional reasons.

Obviously, an alleged tax applying to low-paid employees and not to higher paid ones would arouse suspicion on the face of it. I am afraid that the changes made by the majority still has not removed this suspicion, because it appears rather strange for a tax to apply to the entire salary of a worker earning \$2,500 annually, but to only the first \$3,000 of the salary of a corporation officer receiving, for example, \$100,000 annually.

Usually, we have found that the person drawing a high salary or receiving a large income is the one whom an effort has been made to penalize by taxation. There is a distinct objection where the small-salaried man pays a tax on his whole income and the higher-salaried man gets almost complete exemption.

This again is a reversal of existing policy, in allowing a man of large salary or large income to escape tax on a large portion of his income while his less fortunate neighbor must pay a tax on his entire salary. We have frequently heard references made to socialistic tendencies and the creation of sentiment favorable to socialism. I know of nothing that will be more repugnant to the average wage earner than to think "I am to pay tax on my whole salary while the big fellow pays tax on only a part of his."

When this scheme of taxation becomes known, look out for storm signals.

#### PRINCIPAL OBJECTION IS BURDEN THE TAX PLACES ON BUSINESS

I know that it is useless to call the attention of Congress to the constitutional limitations on its powers. The administration is not going to play the legislative game according to the rules.

I therefore wish to say that my principal objection to titles II and VIII lies in the tremendous burden which they would impose upon employers and employees.

#### RATES OF TAX AND TAX BURDEN

Titles VIII imposes a pay-roll tax on employers, regardless of the number of persons in their employ, at rates ranging from 1 percent in the 3-year period from 1937 to 1939, inclusive, to a maximum of 3 percent after January 1, 1949. This tax is imposed on the first \$3,000 of the annual wage paid to each employee.

Title VIII also imposes a gross income tax on the first \$3,000 of the annual wage of the employee, which is deducted by the employer from the employee's wage envelope and turned over to the Federal Government. The rate is the same as that imposed on the employer, beginning with 1 percent on January 1, 1937, and increasing at the end of each 3-year period until the maximum of 3 percent is reached in 1949.

The additional burden on industry and business by virtue of the tax on their pay roll ranges from \$280,000,000, in 1937, to over \$900,000,000 in 1950.

A further \$280,000,000 to \$900,000,000 is annually withdrawn from the wages of employees, and hence from the channels of trade.

#### TOTAL PAY-ROLL TAXES REACH \$2,700,000,000 IN 1950

Considering the pay-roll taxes under titles VIII and IX together, industry and business are faced with an additional

tax burden of \$228,000,000 in 1936, \$800,000,000 in 1937, \$1,000,000,000 in 1938, and gradually increasing amounts in future years, reaching \$1,800,000,000 in 1950. This would be in addition to income, property, and other forms of existing taxes.

The latter figure does not include the \$900,000,000 annual tax on employees, which increases the total burden to \$2,700,000,000.

**TAX MUST BE PAID EVEN IF BUSINESS IS IN THE RED**

It should be remembered that the taxes imposed under titles VIII and IX will be collected from businesses operating in the red as well as those fortunate enough to make a profit, and they will have to be paid even if the Government has to take over the business in satisfaction of them.

**PAY-ROLL TAXES WOULD PREVENT POSSIBILITY OF RECOVERY**

In my opinion, the proposed imposition of the pay-roll taxes imposed under titles VIII and IX constitutes the greatest single threat to recovery of all the administration's ill-advised policies. Business and industry are already operating under very heavy burdens. Many businesses at the present time are barely able to keep their heads above the water, and if they have to face a pay-roll tax for retirement annuities, and another pay-roll tax for unemployment insurance, eventually aggregating 6 percent, they probably will be unable to continue in operation. This means more unemployment, and more uncertainty.

Aside from these taxes, the country is faced with additional income and excise taxes to pay interest upon and ultimately retire the ever-mounting national debt. Where the tax burden will end, nobody knows, and with business trying its level best to stage a recovery amid all sorts of difficulties, restrictions, and impediments, it is not going to help conditions any by putting additional millstones around its neck.

**BUSINESS WILL ALSO FEEL EFFECT OF REDUCED PURCHASING POWER OF EMPLOYEES**

Not only is business going to be affected by the direct burden imposed upon it, but it is going to feel the effect of having the purchasing power of employed persons reduced by from \$280,000,000 to \$900,000,000 annually. The administration seems to be so much interested in putting purchasing power into the hands of the masses, but here is a measure which will considerably reduce the already existing purchasing power of some 22,000,000 workers.

Mr. BOLTON. Mr. Chairman, will the gentleman yield?  
Mr. TREADWAY. I yield.

Mr. BOLTON. Do I understand that the annuity tax, or the unemployment tax, goes into effect in 1937?

Mr. TREADWAY. The unemployment tax affects your pay rolls of 1936, collected in 1937.

Mr. BOLTON. Paid in 1937?

Mr. TREADWAY. Yes.

Mr. BOLTON. That is the reason for the date being put off to 1937 instead of 1936.

Mr. TREADWAY. I think there is a little policy involved with respect to the date, when it goes into effect, and I think the gentleman comprehends what that is.

Mr. BOLTON. Yes.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. RICH. This is going to exact a total tax on industry a 9-percent tax bill?

Mr. TREADWAY. Yes; 6 percent on the employer and 3 percent on the employee.

Mr. RICH. Then would it not be a good idea to call this a 9-percent tax bill?

Mr. TREADWAY. That would not be in accordance with the intentions of the proposers of this measure. They want to hoodwink the public and the country into thinking this is a great emergency bill, when it will not be effective for several years.

The CHAIRMAN. The gentleman from Massachusetts has consumed 30 minutes of his time.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. SAMUEL B. HILL. Has the gentleman from Massachusetts heard any member of the majority on the Ways and Means Committee claim that this is an emergency bill? Has it not been the contention all the while that this is permanent legislation?

Mr. TREADWAY. I called attention to the fact that this is the most important piece of legislation introduced by the present administration, because all our previous enactments have been emergency legislation, whereas this is a piece of permanent legislation, which strikes me as very foolish.

Mr. SAMUEL B. HILL. And it purports to be permanent legislation.

Mr. TREADWAY. Of course, I absolve the majority of the Ways and Means Committee of ever having represented it as an emergency measure except to this extent: Your chief advocate, to whom I have already referred, wanted to hurry us in the consideration of the most important problem I have ever known to come before the Congress in peace times in order, forsooth, to push it through the State legislatures and get this coercive proposition working quickly. Fortunately we were able to keep that down.

Mr. SAMUEL B. HILL. Is the gentleman disappointed because the Ways and Means Committee provided plenty of time for ample consideration?

Mr. TREADWAY. I do not consider they gave plenty of time when we consider that this is a permanent policy that you are setting up here, upsetting all business conditions, changing methods of doing business, inaugurating a new scheme of a permanent character. I consider that such a measure cannot be given sufficient study in 3 months' time and have it digested by the people. The members of my own committee realize this. I am one of them, and I will acknowledge that I cannot answer many questions that can be asked today about it; and as much as I respect the mentality of the leaders on the majority side, I doubt whether they can answer many questions that can arise here.

Mr. SAMUEL B. HILL. Is the gentleman from Massachusetts opposed to the bill?

Mr. TREADWAY. I shall vote most strenuously in opposition to the bill at each and every opportunity I get. Does that answer the gentleman's inquiry?

Mr. SAMUEL B. HILL. Yes; it does answer the inquiry; but I have a few comments to make a little later on about it.

Mr. TREADWAY. All right; but do not qualify my objection to the bad features of the bill offsetting its good features. You have plenty of window dressing in here and I am going to refer to that.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to my native Berkshire friend.

Mr. FITZPATRICK. The gentleman stated that there would be a tax placed on business now in the red.

Mr. TREADWAY. Yes.

Mr. FITZPATRICK. When the sales tax of 3 percent was brought up in the Seventy-second Congress it worked the same way, and did not the gentleman favor it?

Mr. TREADWAY. I am certainly, today, in favor of a sales tax that is fair to everybody, but this tax is a special rather than a general one.

Mr. FITZPATRICK. That tax would have affected all business that was in the red?

Mr. TREADWAY. Yes; it probably would; but that does not answer the question involved in this proposition. Here is a tax on pay rolls. You do not make any point in that comparison, Brother FITZPATRICK. A sales tax materially differs from anything in this bill. I would be glad to argue the difference if time permitted.

Mr. MARCANTONIO. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. MARCANTONIO. Is it not a fact that this House turned down the sales tax?

Mr. TREADWAY. It did; and I am sorry it did.

Mr. MARCANTONIO. Is not a pay-roll tax just as vicious as a sales tax?

Mr. TREADWAY. Yes; because this is a specialized vicious tax.



Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. VINSON of Kentucky. The gentleman from Massachusetts has made a strong argument against title 2 and title 8.

Mr. TREADWAY. I do not think the gentleman from Kentucky agrees with me.

Mr. VINSON of Kentucky. I wondered if it was prepared after the conference held by your Republican friends.

Mr. TREADWAY. No, sir; I have been prepared to go along with the members of the committee if they had stricken out the bad features of the bill. I did not have to wait for the President to return to get instructions from the White House as to how I stood on the bill. The Committee on Rules could not act until after they heard from the White House as to a gag rule.

Mr. VINSON of Kentucky. When the bill was under consideration—and I am not betraying any confidence of the committee, as it has been carried in the press—the gentleman from Massachusetts and his Republican brethren were not as strong in opposition to titles II and IX as at present.

Mr. TREADWAY. But we are not the proposers of the legislation. You men that propose such vicious legislation will take the blame. We will sit by on the side lines and see you operate this great measure. We only have 7 votes against your 18 votes. We know what a minority is. We sat there waiting for the emissary to come from the White House and tell you what was to go in the bill and what was not. I know what a minority is. I have been a Member of the majority as well as of the minority. We never got such instructions when we were in the majority and I hope we never will when we get in the majority again.

Mr. DOUGHTON. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. DOUGHTON. Let me say that, as far as I know, as the chairman of this committee, after the original bill was framed, that not one single word, either directly or indirectly, came from the White House or anyone representing the White House, as to what we should do with the bill.

Mr. TREADWAY. I am sorry the gentleman is so ignorant as to the procedure of the Ways and Means Committee. I did not suppose he would admit such ignorance as to what transpired in that committee.

Mr. DOUGHTON. Let me say to my good friend that I am not so ignorant that I cannot tell the truth. [Laughter.]

Mr. TREADWAY. Any time I fail to tell the truth I wish the gentleman would remind me of it.

Mr. DOUGHTON. I would be reminding the gentleman a good deal of the time. [Laughter.]

Mr. TREADWAY. Every time I make an argument contrary to the ideas of my distinguished friend the chairman of the committee, he says some harsh things, but he does not mean it, and we shake hands after it is all over.

Mr. KENNEY. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from New Jersey.

Mr. KENNEY. To ask the gentleman whether he proposed any plan at all for an old-age pension?

Mr. TREADWAY. What a foolish, ridiculous question. What earthly good would it do for us to propose a plan when you Democrats deprived us of three votes on the Committee on Ways and Means. The gentleman should not ask foolish questions; he had better talk about his lottery. That would be much better.

Mr. KENNEY. Perhaps it was foolish to expect a different answer from the opposition, but I compliment the gentleman from Massachusetts for his contribution to my plan for a national lottery.

Mr. TREADWAY. Oh, the gentleman should talk about his favorite pastime.

Mr. KENNEY. Yes; I shall do so during the present emergencies, and credit is due the gentleman for mentioning it, because it was the lottery that put the gentleman's State on its feet, and a lottery conducted by the Government for public benefit, in my opinion, is not gambling.

Mr. TREADWAY. No State ought to expect to pay its bills through gambling devices.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. TABER. Does the gentleman attach any significance to the fact that the Chairman of the Committee on Ways and Means, in answer to the gentleman from Massachusetts in reference to the White House suggestion, stated that no "constructive" suggestion came from there?

Mr. TREADWAY. If the gentleman used that word, I think that qualified him.

Mr. ENGEL. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I will have to continue, if I may.

**PAY-ROLL TAXES WILL DECREASE PURCHASING POWER OF THE MASSES BY INCREASING COST OF LIVING**

The pay-roll taxes on industry will indirectly decrease the purchasing power of the public generally by adding enormously to the cost of living.

This form of tax, like the turn-over tax, will be applicable to every process of production and distribution and will be pyramided from one stage to another.

**PAY-ROLL TAX FOR ANNUITIES ALSO PUTS PENALTY ON EMPLOYMENT**

In discussing the pay-roll tax imposed under title IX, relating to unemployment insurance, I pointed out how it would have the effect of increasing unemployment by putting a penalty on employment. The same effect will be produced by the pay-roll tax under title VIII. Here, again, the tendency will be for employers to get along with as little help as possible in order to minimize the tax. This is another respect in which the pay-roll taxes tend to hinder recovery.

**BILL GIVES NO RECOGNITION TO PRIVATE PENSION SYSTEMS**

One further reason for my opposition to the compulsory annuity provisions of the bill is that they give no recognition whatever to the old-age retirement systems set up by individual employers. This means that these private systems cannot be continued, even though in most instances they provide more liberal benefits than are contemplated by the bill.

**PROBLEM OF RESERVES**

There is one feature of the compulsory annuity provisions to which I wish to call attention that is generally overlooked. I refer to the matter of reserves.

According to the report of the committee, the reserve for the payment of retirement benefits will reach a maximum of about \$32,000,000,000. That is more than the present national debt.

In his statement before the Ways and Means Committee, the Secretary of the Treasury, in referring to this matter, said:

It should be emphasized that the Federal Government, by inaugurating a national contributory old-age annuity system, is undertaking responsibilities of the first magnitude. Not only is it committed to paying a 3-percent return upon all collections in excess of current benefit payments involved, but it is also diverting for the purpose of old-age security a very large fraction of its possible tax revenues.

I do not very often agree with the remarks of the distinguished Secretary of the Treasury, but I do agree most fully with that statement that we are "undertaking responsibilities of the first magnitude." I suggest that gentlemen read that statement of the Secretary of the Treasury, and consider the underlying thought involved in it. He says we are not only undertaking responsibilities of the first magnitude, but that we are diverting for the purpose of old-age securities a very large fraction of possible tax revenues. There is a great deal of real meat in that.

Mr. PERKINS. And when the reserves reach \$32,000,000,000, how are they to be invested?

Mr. TREADWAY. I am coming to that.

Mr. HARLAN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Oh, I must yield to my old competitor and opponent always. He always has words of wisdom to expound.

Mr. HARLAN. I just noticed that this reserve of \$32,000,000,000 would not be reached until 1970.

Mr. TREADWAY. Then why store it over in the Treasury vaults, any more than silver and gold that the country is buying up so liberally?

Mr. HARLAN. The gentleman's statement was that our debt could not be reduced until the Republicans get in power.

Mr. TREADWAY. That is correct.

Mr. HARLAN. And I have just merely thought that 1970 would be about the time when that would happen. [Laughter.]

Mr. TREADWAY. Oh, we will take a chance of reducing it before that time with our party in control.

This statement of the chief financial officer of the Government should have careful and thoughtful consideration. It is quite apparent that the establishment of this contributory annuity system is going to have consequences which are little dreamed of in connection with its broader purpose. Yet these consequences are likely to be such that they should not be overlooked.

GOVERNMENT COMMITTED TO PAYMENT OF 3-PERCENT INTEREST ON RESERVE FUNDS

The fact that the Government is committed to the payment of 3-percent interest on the annuity reserve simply means that this country is faced with a permanent national debt of \$32,000,000,000 on that account. Even if the present national debt should be retired—and that could only happen when the Republicans are returned to power—even if our debt should be retired, our taxpayers would still have to pay nearly a billion dollars a year in interest on the annuity reserve.

RESERVE IS INVITATION FOR GOVERNMENTAL EXTRAVAGANCE

What would be the consequence of having \$32,000,000,000 of credit standing in the name of the National Government? Would it not be an invitation for all sorts of pork-barrel schemes and wild-spending sprees? We would have such an orgy of extravagance that even the unprecedented expenditures of the Roosevelt administration would seem small in comparison.

The report of the majority states that this reserve could be used to retire outstanding tax-exempt securities, but I wish to point out that the securities would still be tax-exempt when held by the Government.

Not only is there a large reserve account in connection with retirement annuities but under the provisions of section 904, all State unemployment-insurance funds must be paid into the Federal Treasury and held in trust by the Secretary. The Federal Government is committed to the payment of interest on this fund, which in time may reach large amounts. The existence of this second trust fund aggravates the evils in connection with the annuity trust fund.

It not only is evident that we are taking out of industry a very large annuity and unemployment fund but we are starting a dangerous policy when we commit the Government to paying interest on trust funds held for the States. This interest must be paid whether the Government has any use for the money or not, and the provisions of section 904 of the bill simply add another burden on the American taxpayer. Moreover, it is a burden which they are not essentially under any obligation to bear.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. ROBSION of Kentucky. The gentleman pointed out that industries or concerns employing 10 or more people would finally be subject to a 9-percent tax.

Mr. TREADWAY. Yes; including the tax on employees. The tax under title IX only applies to employers of 10 or more, but the tax under title VIII applies regardless of the total number.

Mr. ROBSION of Kentucky. I would like to hear the gentleman's views on how that will affect those who employ less than 10, for instance 9, who pay no tax.

Mr. TREADWAY. I think I have explained my position on that. A man employing just at that margin, 11 or 12 or 13, will discharge a number so as not to have to pay any tax under title IX.

Mr. ROBSION of Kentucky. If there is a 9-percent differential between those who employ less than 10 and those who employ 10 or more, what effect will that have?

Mr. TREADWAY. Title IX will give the small employer an advantage over the larger employer.

Mr. ROBSION of Kentucky. Is there anything in the bill to obviate that situation?

Mr. TREADWAY. No.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. JENKINS of Ohio. I think there may be some misunderstanding as between the gentleman from Massachusetts [Mr. TREADWAY] and the gentleman from Kentucky [Mr. ROBSION] with reference to the 9 percent. As I understand it, all of the 9 percent does not apply in the same category with these 10 people.

Mr. TREADWAY. No.

Mr. JENKINS of Ohio. Six in one group and three in the other.

Mr. TREADWAY. Six percent applies under title VIII, to employers and employees, and 3 percent applies under title IX, to employers of 10 or more.

Mr. ROBSION of Kentucky. The 3 percent applies on those who employ 10 or more?

Mr. TREADWAY. That is true of the tax imposed by title IX. The tax under title VIII has no such exemption.

Mr. ROBSION of Kentucky. Just one other question, if you please. The railroads of the country have set up a pension organization. Congress has authorized that, and it is now before the Supreme Court with regard to many other industries. Is there any way to reconcile that, to help those who have already got a system that they prefer to this?

Mr. TREADWAY. On the contrary, the question of private annuities was discussed very fully in the committee. I am breaking no confidence when I say that the majority, which of course has written this bill, would not show any consideration for the corporations that have their own systems of pensions. The gentleman does not blame our side for this composition which I hold in my hand, of course.

Mr. ROBSION of Kentucky. What will become of the tremendous sum that the workers in years past have put into these various annuity funds?

Mr. TREADWAY. There are two features, as I understand it. The first proposition is, they could liquidate, if it was an agreement between the employer and the employee. The other proposition is that if large corporations have insured their employees through an insurance company, those policies could be canceled.

Mr. ROBSION of Kentucky. But there are contracts. How do you get rid of those contracts?

Mr. TREADWAY. I hope I made it plain that I am not defending that proposition whatever. I am only trying to explain it a little bit.

Mr. ROBSION of Kentucky. Does this bill propose to do away with or destroy all those contracts that have been entered into?

Mr. TREADWAY. In effect; yes.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. TREADWAY. I am sure the gentleman from Kentucky will be able to give his colleague better support for the bill than I have been able to.

Mr. ROBSION of Kentucky. I am simply seeking information.

Mr. VINSON of Kentucky. I wanted to speak about that, because the gentleman from Massachusetts [Mr. TREADWAY] has caused the gentleman from Kentucky [Mr. ROBSION] to have an erroneous impression as to the tax upon concerns employing 10 or more and those employing less than 10. The gentleman from Ohio [Mr. JENKINS] is correct in pointing out that the tax on employers of 10 or more falls in one category. That is a 3-percent tax for unemployment compensation, but, after all, the employing of 10 or more does not affect the tax that is collected under title VIII. Old-age benefits will be paid employees regardless of the number employed.

Mr. TREADWAY. Would the gentleman mind giving his explanation in his own time and let me conclude my remarks?

Mr. Chairman, I do not care to yield in order to have speeches made in my time. When I have concluded, I will then be glad to leave the field open, as far as I am concerned.

I yield now to the gentleman from Pennsylvania.

Mr. DUNN of Pennsylvania. From the gentleman's address, I take it for granted he is really in favor of an old-age pension?

Mr. TREADWAY. I am in favor of title I, which is the old-age pension, whereby the Government will pay to States and pay it out and out, from general taxation. Title I does not set up a new taxing scheme. I am opposed to new taxes.

Mr. DUNN of Pennsylvania. I believe an adequate old-age pension would wipe out of existence the abominable poor-houses of the Nation.

Mr. ASHBROOK. Will the gentleman yield for a question?

Mr. TREADWAY. I yield.

Mr. ASHBROOK. I have very great respect for the gentleman from Massachusetts, and I always listen with great interest to whatever he has to say, even though I do not always agree with him. I understand the gentleman is in favor of an old-age pension?

Mr. TREADWAY. Yes.

Mr. ASHBROOK. And that the gentleman is of the opinion that the amount prescribed in this bill is not sufficient?

Mr. TREADWAY. No. I think I would like to see it raised a little, but you will notice the word "little."

Mr. ASHBROOK. The question I wish to propound to the gentleman is what he would favor? How much of a pension would the gentleman favor? What is the maximum pension he would favor?

Mr. TREADWAY. Well, that is a leading question. I admit it is a very fair question, but it is a difficult one to answer. I would refer the gentleman to the clause in the bill, which I think is well stated. Some of the gentlemen wanted an indefinite amount. Others realize that if we go too high we may add to this debt; but let me call the attention of the gentleman to the clause which I read in my remarks in section 1 of the bill:

For the purpose of enabling each State to furnish financial assistance assuring, as far as practical under the conditions in such State, a reasonable subsistence compatible with decency and health to aged individuals without such subsistence there is hereby authorized to be appropriated—

And so forth.

I think that is as close as I would like to go at this time.

Mr. ASHBROOK. Would something like \$50 a month be about right?

Mr. TREADWAY. Oh, I do not think we ought to get into a discussion of figures at all. Of course, it varies. It must vary in various places. I referred to that, and so does the report of the committee. The expense of taking care of these aged people must vary in different communities with different fundamental expenses such as rent, heat, and light.

Mr. ASHBROOK. But it would have to apply to all States alike, would it not?

Mr. TREADWAY. The Federal Government, by the contributory system under the bill, can contribute different amounts up to \$15, which the States must match. That is the provision of the bill. Under this bill, if a State was to have a law under which it put up a contribution of \$25, the Government would only be called upon to match \$15 of that, making a total of \$40 for the person affected.

Mr. ASHEROOK. I wish to say that I still have the same high regard for the gentleman from Massachusetts.

Mr. TREADWAY. It is reciprocal, because we have served together many years. I think it is fortunate that our colleague returned to our fold after so many years' absence, which, of course, was detrimental to the welfare of the Nation, not having him as a Member of this House.

Mr. ASHBROOK. I sincerely thank my distinguished old-time friend.

Mr. TREADWAY. Mr. Chairman, how much more time have I remaining of my hour?

The CHAIRMAN. The gentleman has 2 minutes remaining.

Mr. TREADWAY. Mr. Chairman, I yield myself 5 additional minutes.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield for a brief question.

Mr. LUNDEEN. Is there anything in this bill to take care of the present 15,000,000 unemployed?

Mr. TREADWAY. I should say absolutely not. The system cannot be set up inside of 5 years, and it will probably take a longer time.

Mr. LUNDEEN. Has it not been held out to these 15,000,000 unemployed that this bill would take care of them? It is mere camouflage.

Mr. TREADWAY. The gentleman does not belong, as I understand it, to either major party. He is not criticizing the minority; but he is passing out an awful indictment against the majority who are responsible for the bill that is now before us which contains, as the gentleman from Minnesota well says, a very distinct camouflage; and that is expressing it very mildly.

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. PERKINS. I am still curious to know how the \$32,000,000,000 of reserve is to be invested.

Mr. TREADWAY. I said I was coming to that. Perhaps I did not make that clear. There are provisions in the bill giving the Secretary of the Treasury authority to issue special bonds. One provision is in section 904 of the bill, on page 51. Another is in section 201.

Section 904 is of sufficient interest and importance that I shall take the time to read it. It is a very unique provision. I never saw it before in any legislation, but they are going to have so much money they will need special bonds to invest it in. I read:

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price.

This is the interesting part, and I think it answers the question of the gentleman. This is found at line 20 of page 51:

The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt.

In other words, if this section passes muster here, it extends authority under the Second Liberty Bond Act to authorize the issuance at par of special obligations exclusively to the fund.

Section 201 also relates to the investment of reserve funds by the Secretary of the Treasury.

Mr. PERKINS. That means the fund may be invested in Liberty Loan bonds?

Mr. TREADWAY. Yes; or a special bond.

Mr. PERKINS. How are they going to invest \$32,000,000,000?

Mr. TREADWAY. I think the authors of the bill on the other side will be obliged to answer that question.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Would the gentleman mind waiting until I have concluded?

Mr. VINSON of Kentucky. I wanted to call attention to the fact that the gentleman from Massachusetts was reading about the unemployment trust fund, and did not touch top,

side, or bottom of the question of the gentleman from New Jersey, who was inquiring about the reserve account for the payment of old-age benefits.

Mr. TREADWAY. Then tell the gentleman where it is.

Mr. PERKINS. Perhaps the gentleman from Kentucky can tell us where they will invest the money.

Mr. VINSON of Kentucky. I shall be very happy to if the gentleman from Massachusetts will yield me 2 or 3 minutes.

Mr. TREADWAY. I am near the end of my remarks. I know the wisdom of the gentleman from Kentucky can await the conclusion of my remarks before he answers the gentleman from New Jersey.

Mr. VINSON of Kentucky. At least I will not refer to the wrong section of the bill.

Mr. TREADWAY. I yield to the superior wisdom on this bill of the gentleman from Kentucky. I do not claim to know much about the bill, but I do not think either he or his colleagues in the House will know much more about it after they get through describing it either. [Laughter.]

#### CONCLUSION

At this point I repeat that while I am favorable to the humanitarian provisions of the bill making appropriations for aid to the States in providing for old-age pensions, in caring for dependent children, in providing for maternal and child welfare, and in extending public-health services, the other provisions of the bill are, to my mind, so objectionable that I feel obliged to vote against the bill in its entirety if they are retained.

At the proper time I propose to move to strike out the provisions relating to unemployment insurance and compulsory annuities, and if that motion should prevail, I would welcome the opportunity to vote in favor of the remainder of the bill.

#### BILL WINDOW DRESSED TO CATCH VOTES

Of course, the only reason so many worthy provisions are incorporated in the bill is to catch more votes and make it politically inexpedient to vote against it. I have come to the conclusion, however, that political expediency should be cast aside in favor of calm judgment, and the merits of the bill weighed against the demerits.

Although I would like to vote for the titles I have indicated, I cannot vote for the bill on final passage if I have to take with it other provisions which I deem obnoxious, at least so far as action at this time is concerned.

#### OBJECTIONABLE FEATURES ARE NOT EMERGENCY

As I have pointed out, the provisions to which I object are in no sense emergency measures. They are not intended for the relief of present economic conditions, but commit the Federal Government to a permanent program of social legislation. Since no form of quick relief is involved, there is all the more reason for considering each proposal separately on its own merits.

#### A VOTE FOR PAY-ROLL TAXES IS VOTE TO CONTINUE DEPRESSION INDEFINITELY

In closing, I want to emphasize again that the tax provisions of titles VIII and IX place upon business and industry and the employees therein a permanent future burden of \$2,700,000,000 annually—a sum equal to the entire internal-revenue receipts of the Federal Government in the last fiscal year.

For the reasons I have stated, it is my firm opinion that as long as the pay-roll taxes are a part of the bill a vote in favor of the bill is a vote to prolong the depression indefinitely.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Washington [Mr. HILL].

Mr. SAMUEL B. HILL. Mr. Chairman, I am somewhat confused as to the position my friend from Massachusetts and his colleagues of the minority on the Ways and Means Committee are taking with reference to this bill. In the first place, the gentleman from Massachusetts expressed himself in the early consideration of the bill as being afraid it would be hurried through and passed out of the committee with such promptness that we would not have time to give it proper consideration. When he discovered that the committee was going into every line and provision of the bill and did, in fact, devote about 2½ months to an intensive

study and consideration of the measure, he seemed to be disappointed because his first fears were not realized.

He expresses certain objections to the measure, but I take it that the principal objection he has voiced is based upon what he says is the fact, namely, that it is not an emergency measure and does not take care of the present unemployment situation. No one has ever contended that this is an emergency measure. In fact, the contrary has been asserted time and time again; but I am sure the Members of the House will recall that we have, only recently, passed through Congress what was known as the "Public Works Act", which was and is an emergency measure and which was designed to meet the present situation of unemployment by placing in the hands of the President the means to project public works and to put men to work. That bill did not come before the Ways and Means Committee because it was an appropriation bill. It was not included in this bill because it was not within the jurisdiction of our committee, but it was passed by the Congress, and my friend from Massachusetts and others on his side of the aisle were strenuously objecting to that measure, which was an emergency measure. So I say it is difficult to know how we are to proceed in order to please our friend from Massachusetts.

I have before me the statement of the minority views on the present bill, and in view of what the gentleman from Massachusetts has said in his address just delivered, I hardly know how to construe the statement in these minority views. They are signed by the seven minority members of the Ways and Means Committee. They say in the first part of the statement that the bill separates itself into several titles, which readily and naturally segregate themselves into two categories.

They say that all of the titles other than titles 2 and 3 and the two tax titles that go along with them are perfectly satisfactory to the minority. They engage in some discussion of these titles, but further down in the statement we find this language:

However, we favor the principle of unemployment insurance. These titles of the bill aid those States who desire to establish such insurance, and therefore we resolve all doubts in favor of this legislation.

Just what do the gentlemen on the other side mean by that expression in light of the statements made by the gentleman from Massachusetts in his address delivered this morning? They emphasize the fact further in the statement that their opposition to those two titles is based upon the fact that this is not emergency legislation, and state:

And we also oppose these titles because they would not in any way contribute to the relief of present economic conditions, and might in fact retard economic recovery.

Mr. Chairman, that is not a statement of outright opposition to this legislation. So I was at a loss to understand, and I asked the gentleman from Massachusetts whether he would vote against this bill. He assured me that he intends to do so. I regret very much, in view of the fine cooperation which the Members on the Republican side of the committee gave us in considering the bill, that he cannot go along with us on the final passage of the measure; but if that is his attitude, of course, we will labor along without his support.

No one contends that this legislation is a cure-all. One of the objections that the gentleman made was that title 3, which is the unemployment-compensation title, does not give full and complete insurance against unemployment. Of course, it does not, and no one has contended that it does. However, we do contend that with that title enacted and after reserves have been built up, it will furnish a fund for the maintenance of those who find themselves unemployed for temporary periods, so that in minor depressions, at least, they may be tided over until they can secure reemployment, and in most instances such fund will tide them over until they can get back their old job or can find a new job.

That is all unemployment insurance purports to do. If the gentleman from Massachusetts is looking for full and complete insurance so that full wages will go along for an indefinite period of time, then I think he might consult with

the gentleman from Minnesota [Mr. LUNDEEN], who has a bill here which proposes to pay to every unemployed person over the age of 18 years the full amount of his wages, so long as he is unemployed, and if he is only part-time employed to make up the difference between the full-time wage and his part-time wage. The lowest calculation of the cost of that kind of legislation to the Government, the lowest estimate that you can possibly put upon it, according to the figures given by witnesses who appeared before our committee, is \$10,400,000,000 a year. I wonder if the gentleman from Massachusetts favors that kind of legislation, the kind that calls for an impossible burden of taxation? That is the purport of his argument here.

Mr. Chairman, if the gentleman is in favor of the principle of unemployment insurance, what is wrong with title III of this bill? What kind of a provision can be brought in that would be more reasonable and more bearable as a tax burden than the provision which is in this bill as title III? We appreciate the fact that the character of this legislation is new. You may call it, in fact, revolutionary in comparison with other legislation which this Congress has been called upon to enact, but we are going through strenuous times which have taught us lessons that we must heed. These trying times have pointed out situations ahead of us that we must recognize and meet.

Mr. Chairman, this legislation is forward looking. It means to take care of the future and create conditions in the future operation of the industry and economics of this country that will absorb some of the shock of these panics and depressions; at least tend to stabilize industry and employment and carry the country along over the rough spots until conditions may be righted. The Members of this Congress should be progressive enough in their thoughts and ideas to recognize these conditions and have the courage to meet them. I submit that we are making a step in the right direction in the enactment of this legislation.

Mr. Chairman, I know that it is probably difficult for the Members generally to find the time to study this bill closely and to understand every detail of this legislation. That is no reflection on anyone. I want to confess it is difficult for the members of the Ways and Means Committee, who have studied it for weeks and weeks, to get the full purport and understanding of all its provisions and ramifications. We have done our best to bring in a bill worthy of your consideration and support.

Mr. CLAIBORNE. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from Missouri.

Mr. CLAIBORNE. Does the gentleman think a Member should vote for a bill that he does not understand?

Mr. SAMUEL B. HILL. That is a question for the Member himself to decide. I have an idea that many of us have done that time and time again. I am not recommending it, nor am I advising against it.

Mr. Chairman, titles 2 and 3 are the two titles which are the pet aversions of the gentleman from Massachusetts. Title 2 provides benefits to a certain class of employed people after they have arrived at the age of 65. The benefits are measured by the total wages which they earn over their working period from and after December 31, 1936, until they reach 65. If they have a total amount of wages of sufficient amount, they will be able to support themselves on the benefits without having to resort to the charity of old-age pensions. Certainly that is a commendable thing. If one of these employees at the age of 65 has earned wages over a period of at least 5 years of not less than \$2,000, he will be entitled to a monthly payment from the Government of \$10. Of course, that is not enough to support him, but you have the old-age pension; and if he is needy, he will be able to get additional support from that source. If he has total wages of \$3,000, he will get a monthly payment of \$15, plus a certain percentage of increase as the amount of wage rises above \$3,000. It is graduated upward, measured by the total amount of wages received, to the point where it is possible for one of these employees to receive as much as \$85 a month, but not more than that.

Mr. ROBSION of Kentucky. Will the gentleman yield?  
Mr. SAMUEL B. HILL. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. The old-age pension is fixed at the age of 65. I find in the mining sections the big trouble is they will not employ men in the mines who are 45 years of age or over.

What is there in this bill that will take care of them; and, assuming that a lot of them cannot get back to work, what is there in this bill, either of old-age pension or employment annuities or insurance, that will take care of the something like 13,000,000 workers between the ages of 45 and 65?

Mr. SAMUEL B. HILL. The unemployment-compensation title is the only one that might reach them.

Mr. ROBSION of Kentucky. But if they are now past the age to get work and cannot get work, what is there for that group?

Mr. SAMUEL B. HILL. It will not carry them indefinitely. It will certainly not do that.

Mr. ROBSION of Kentucky. Would it carry them at all unless they get work?

Mr. SAMUEL B. HILL. It would carry them for some weeks at something less than their average wage, but it does not take care of them completely. There is nothing in this bill, under the old-age assistance feature or under the old-age benefit provision, that would take care of a man in that situation.

Mr. ROBSION of Kentucky. Was there any suggestion or any plan submitted to the committee that would take care of this great army of people between 45 and 65 that are now out of employment because of their age?

Mr. SAMUEL B. HILL. I do not recall any witness who appeared before our committee advocating what we would term an "old-age pension" on an age limit as low as that.

Mr. ROBSION of Kentucky. In seeking further information, may I suggest that, as the gentleman knows, these men between 45 and 60, who cannot get employment, have families and are sending their children to school. They cannot get work. What is to become of this great army of people in this country?

Mr. SAMUEL B. HILL. I am not so sure that men 45 years and over, under normal conditions, cannot get work. I appreciate the fact that at this time many people who have not even reached the age of 45 are out of employment and the part of the program that meets that situation now is the Public Works Act.

The purpose of that act is to give present employment and try to stimulate private enterprise and private industry so that they will get on their feet and also give employment to these unemployed men.

Mr. ROBSION of Kentucky. But the mining concerns and others for some years past have been drawing the age limit at 45, and the United States Government draws the limit at 50 years. There is no work for them to get.

Mr. SAMUEL B. HILL. I will say to the gentleman from Kentucky that this bill, through the old-age benefits or old-age pensions, does not meet that situation.

Mr. ROBSION of Kentucky. I was concerned to know if there was any plan that would reach it.

Mr. SAMUEL B. HILL. Only the administration of the Public Works Act.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. DUNN of Pennsylvania. Does this bill provide any relief for the unemployed farmer?

Mr. SAMUEL B. HILL. This bill does not.

Mr. DUNN of Pennsylvania. The farmers are not considered at all?

Mr. SAMUEL B. HILL. This bill does not take up that feature at all. The Public Works Act is the one that furnishes employment. It is designed to furnish employment to anyone who is employable—farmers, industrial workers, or others.

Mr. DUNN of Pennsylvania. The work-relief bill?

Mr. SAMUEL B. HILL. Yes.

Mr. DUNN of Pennsylvania. As the gentleman across the aisle said a moment ago, suppose a person between the ages of 45 and 65 is unable to obtain a position; will he be considered? In other words, is it absolutely essential that he must pay into the Government in order to obtain unemployment insurance?

Mr. SAMUEL B. HILL. We are not putting any tax on the employee at all.

Mr. DUNN of Pennsylvania. I want to make the point absolutely clear. Is it essential, in other words, that the man or woman must be employed in order to obtain employment insurance?

Mr. SAMUEL B. HILL. He must be employed and lose his job in order to get this unemployment-insurance benefit.

Mr. DUNN of Pennsylvania. Suppose they are unable to obtain jobs, how will they be taken care of?

Mr. SAMUEL B. HILL. It does not operate, so far as he is concerned, until he does get a job and loses it.

Mr. DUNN of Pennsylvania. Maybe the gentleman can clear up another point I have in mind. As a member of the Committee on Labor, we held a number of hearings last year on the 6-hour day, 5-day-week bill, and practically every man who appeared before our committee in opposition to the bill was the head of some large industry, and I made it a point to ask them this question: Do you have an age limit? And practically every one said yes; that the age limit was around 40 or 45. Unless our Government sees to it that employment can be obtained for men and women between the ages of 45 and 65, I do not see how they are going to be benefited under this bill.

Mr. SAMUEL B. HILL. Of course, you have to assume they will not be able to get employment at that age. It is possible that a lot of people at that age or over may find themselves out of employment, but there is no age limit on a man going out and getting a job. When, however, he gets to the age where he may be presumed not physically able to work, he will come under the provisions of the bill. You must draw some arbitrary age line and take care of them within those limitations.

Mr. DUNN of Pennsylvania. But it is true, is it not, that many of the industries in the United States, as well as the municipal governments, the State governments, and the Federal Government, have an age limit?

Mr. SAMUEL B. HILL. I appreciate the fact that after a man gets to be 45 years of age he is handicapped in competing with younger men in getting jobs. We all know that.

Mr. WOOD. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. WOOD. In connection with the question of my colleague the gentleman from Pennsylvania [Mr. DUNN], it is my opinion that this is a social-security bill and that this bill is not designed to cure all the evils of society.

Mr. SAMUEL B. HILL. The gentleman is correct in that statement.

Mr. WOOD. Is it not a fact that if this bill is enacted it will take care of three or four million aged people, and it will also take care of other millions of unemployed in purchasing power, and thereby lower the labor market; that the labor market will become such under the operation of the law that there will be less demand for labor, and that many men today that cannot get a job between the ages of 40 and 50 will be employed?

Mr. SAMUEL B. HILL. The gentleman has stated the matter clearly, and I thank him for the contribution.

Now, there is another feature that I want to touch upon. I am not going to explain all the titles, but the gentleman from Massachusetts was asked where the provision in the bill is that would authorize the investment by the Secretary of the Treasury of funds that would take up a considerable portion of the outstanding Government bonds.

The gentleman from Massachusetts referred to a section in title IX, under the unemployment tax feature. The real answer to the question is found on page 8 of the bill, subdivision (d), section 201, reading as follows:

It shall be the duty of the Secretary of the Treasury to invest such portion of the amount credited to the account as is not, in his judgment, required to meet current payments. Such investment shall be made in any interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States. The Secretary of the Treasury may at any time sell any such obligations. The interest on and the proceeds from the sale of any such obligations shall be credited to the account.

The account that is referred to is the "old-age reserve account" under title II appearing on page 7 of the bill, section 201 (a). That is the reserve account to which allocations and appropriations are made to meet the obligations under title II dealing with old-age benefits.

It was brought to your attention by the gentleman from Massachusetts that in 1970 the amount of reserve in that account would be \$32,000,000,000 plus—that it would gradually go up to that amount.

Then you have in addition to this fund, which by the provisions of the bill it is made the duty of the Secretary to invest in Government bonds and guaranteed bonds by the Government, the other provisions in title IX, to which the gentleman from Massachusetts referred, being the moneys that are to be used, trust-fund money of the States placed in the custody of the Secretary of the Treasury, to be paid out on the requisition of the States to take care of unemployment insurance. In the course of time that fund also would be absorbed into this investment in outstanding Government bonds about which you hear so much complaint as being tax exempt.

These bonds will be called in. They will be placed in these reserves as the Government's investment of the funds, and you will then have this great volume of outstanding tax-exempt bonds in the hands of the Government so that the people who now have their money invested in those tax-exempts would not be so fortunate in the matter of investments that would relieve them from payment of income taxes.

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. PERKINS. With these humanitarian impulses under this bill I am in full accord, but I want to know whether it is true that it is expected ultimately to set up a reserve of \$32,000,000,000.

Mr. SAMUEL B. HILL. The reserve is set up with the effective date of this bill, and into that reserve fund will be paid such amount of moneys that are actuarially determined by the Treasury Department and for which estimates are made to Congress by the Bureau of the Budget, as shall be necessary to meet the obligations on the funds under the provisions of the bill.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 15 minutes more.

Mr. PERKINS. Will the fund ultimately become approximately \$32,000,000,000?

Mr. SAMUEL B. HILL. That is the estimate of the actuaries.

Mr. PERKINS. And that fund will be invested in Government bonds?

Mr. SAMUEL B. HILL. It will be, provided there are enough bonds to take it up. If there are not, there is provision that the Secretary of the Treasury issue special obligations that are nontransferable, nonassignable, so as to carry the investment. The obligation is on the Treasury to keep the fund invested, and if it does not keep it invested, except so much as is necessary for current expenses, it would be chargeable with the interest on it just the same.

Mr. PERKINS. The Government debt would have to be \$32,000,000,000 to keep the fund going.

Mr. SAMUEL B. HILL. Probably.

Mr. PERKINS. And it would have the beneficial effect of wiping out persons now exempt from taxes by reason of tax-exempt securities.

Mr. SAMUEL B. HILL. Yes.

Mr. SIROVICH. And it would force that money into trade and help industry and commerce in that respect.

Mr. SAMUEL B. HILL. Yes; where income taxes could be collected.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. MAY. And instead of remaining frozen, it would be liquid. I want to know what difference there is in the principle involved in the mechanics of this bill in setting up these reserves, and the practice now indulged in by substantial insurance companies in connection with the issuance of old-age annuities.

Mr. SAMUEL B. HILL. I take it there is a close parallel. The reserve is built up on the actuarial estimates such as those upon which insurance funds are built, only this probably is much larger than any individual insurance fund.

Mr. Chairman, title II of the bill is the biggest thing in the bill. It is the most important thing in it, and when you are striking at title II, you are striking at the keystone of the arch, which supports the social-security program of the administration. It is the biggest thing in the bill, and probably that is why my friend from Massachusetts [Mr. TREADWAY] is leveling his fire upon that one particular section.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. JENKINS of Ohio. The gentleman may have discussed this proposition, but the gentleman does not maintain, does he, that title II is necessary, that we must have title II in order to have old-age pensions?

Mr. SAMUEL B. HILL. Certainly not. And it is not necessary to have unemployment compensation, but it is necessary to have both of them if you are to have a rounded-out program of social security.

Mr. JENKINS of Ohio. Many people think, and I am one of them, that old-age pensions is the primary subject in this bill. I think the country is more interested in old-age pensions than in all the rest of the bill. The gentleman takes the position that title II is the heart of the bill, but I maintain that it is not.

Mr. SAMUEL B. HILL. And probably the country is not so familiar with this subject as with the old-age pension proposition, and probably that is why the people are not giving greater attention to old-age benefits.

Mr. DOUGHTON. And is it not a fact, if title II is stricken from the bill, and title I is left in the bill, that this burden will grow so rapidly and so enormously that it will be an unbearable burden on the taxpayers of the country generally in a few years.

Mr. SAMUEL B. HILL. That is true.

Mr. DOUGHTON. And if we do not prepare for setting aside these reserves for old-age pensions, if we depend upon the Federal Treasury for old-age pensions, and the extent to which it will grow, how does the gentleman think a tax would be raised to finance it?

Mr. JENKINS of Ohio. The chairman indicates that he directs that question to me. If in these days of depression we assume to pay an old-age pension throughout this country, and make it practically compulsory, and can do so, then I say it is not necessary for us to run forward and borrow a whole lot of trouble 50 years from now.

Mr. DOUGHTON. Oh, these old-age annuities will come before any 20 years or 50 years or even 10 years.

Mr. SAMUEL B. HILL. This old-age benefit title, title II, is designed specifically to make men as nearly self-supporting in their old days as is possible, by giving them this opportunity for thrift, to lay up something that will bring them in an annuity in their old days.

On the question of what it would cost under the provisions of this bill for the old-age pension alone, as I recall the figures, at the present rate fixed in the bill it would, in the course of a generation or so, be costing the Government \$1,800,000,000 or \$1,900,000,000 a year for the old-age pensions alone, whereas if we have this provision that is self-supporting, we reduce that to \$500,000,000.

Mr. MAY. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. MAY. I was wondering if title II was not designed by the committee for the principal purpose of gradually eliminating some of the direct old-age pensions, as the annuity fund increases.

Mr. SAMUEL B. HILL. That is true.

Mr. MAY. And that in the end it will help to reduce, rather than enlarge the responsibility of the Government for old-age pensions.

Mr. SAMUEL B. HILL. That is true. Of course, it will take a long term of years, but this is a long forward-view proposition.

Mr. MAY. I imagine the gentleman and his committee have figured out some period of years, long in advance when it would reach the apex, and level up that situation.

Mr. SAMUEL B. HILL. Yes. Of course, it does not take care of all the aged. They are not all included. Probably not over half of them are included, but it will take care of that great class, the workers, along about 1965 or 1970. It will put them on practically a self-supporting basis.

Mr. MAPES. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. MAPES. I should like to ask the gentleman a question about the unemployment-insurance provision. This may be an old question to the gentleman and the members of the Ways and Means Committee, but this thought has occurred to me. Employers are given a credit of 90 percent on the Federal tax if they pay a similar tax to the States. As I understand it, there is no unemployment insurance paid to anyone, unless the States pass legislation providing for it in their respective States.

Mr. SAMUEL B. HILL. That is true.

Mr. MAPES. Is it the gentleman's idea that the States will attempt to meet the cost of the unemployment insurance by a State tax, or that all of the money to take care of the unemployment insurance in the different States will be collected by the Federal Government, and that the Federal Government will then turn over sufficient funds to the individual States to meet the cost of administering their State laws?

Mr. SAMUEL B. HILL. The Federal Government turns over no money at all to the States under the unemployment compensation title. This bill would levy a 3-percent tax upon the employer, based upon his pay roll. That is a 3-percent tax on all employers throughout the United States.

Mr. MAPES. How is that collected?

Mr. SAMUEL B. HILL. Through the office of the Commissioner of Internal Revenue, in the ordinary way of tax collection.

Mr. MAPES. Then why does the gentleman say the Federal Government will not turn any money over to the States?

Mr. SAMUEL B. HILL. That is exactly the situation. They paid that money into the Treasury, and all the money that comes to the Federal collector from that tax goes into the Federal Treasury. I think I can explain what the gentleman has in mind. An employer who pays this tax or is charged with it, in order to get credit against the tax must have contributed to the State-unemployment fund, which is levied, of course, by the State, and he will be entitled to a credit up to 90 percent of his 3-percent Federal tax, if he has paid that much into the State.

Mr. MAPES. The particular point I had in mind was this, that inasmuch as the employers would be credited for only 90 percent of the Federal tax no matter how much they paid to the State, there would not be any State legislation as far as the tax is concerned, because the employers in all of the States would object to the State legislation inasmuch as they would have to pay 10 percent, at least, of the Federal tax.

Mr. SAMUEL B. HILL. The employer, of course, pays that tax, and the 10 percent which the Federal Government takes in any event, and that is the least it will get, goes into the Federal Treasury, but it is provided that the Federal Government shall contribute to the cost of State administration of its unemployment compensation act. I did not speak quite correctly when I said the Federal Gov-

ernment would not pay the States any money. It does provide that out of that 10 percent in the Federal Treasury there shall be paid to the States the amounts estimated to be necessary to pay the administration cost of the unemployment compensation act.

Mr. MAPES. Is it the gentleman's thought that the States will levy a tax on their own account, or will they look entirely to the funds collected by the Federal Government for the amount necessary to meet their unemployment insurance?

Mr. SAMUEL B. HILL. There is no such provision in this bill. The Federal Government does not pay any unemployment compensation at all.

Mr. MAPES. I understand that, but it seems to me that all the States, as soon as they can get to it, will pass legislation which will provide for unemployment insurance.

Mr. SAMUEL B. HILL. I think that is true. That is the hope.

Mr. MAPES. The question in my mind is this: Does the gentleman and the other members of the Ways and Means Committee think that in that case provision will be made for raising sufficient funds to pay the insurance, or will the States all look to the Federal Government to raise the money? It seems to me that the tendency of the employers in every State will be to resist legislation which will require the money to be raised under the State laws, because of this differential of 10 percent in the amount they have to pay.

Mr. SAMUEL B. HILL. I hardly think that result will follow. As I say, this 10 percent is kept for administration purposes, largely. In any event, there is not any doubt as to the Federal Government having authority to levy this excise tax upon the employers.

It is in this bill now. If it becomes a law, they will have to pay that tax if they are going to get any benefit from stabilizing their employment and stabilizing their own industries. It is to their interest to have State compensation laws whereby they can get a credit up to 90 percent of this Federal tax. Unquestionably the inducement will be for them to urge rather than to resist State legislation establishing unemployment compensation acts.

Mr. MAPES. It seems to me, up to the point where the tax is provided, that that will be the urge; but if that State can get this unemployment insurance without levying any tax on its own employers, it seems to me it will take this course.

Mr. SAMUEL B. HILL. They cannot get it. That is just the rub; they cannot get it.

Mr. MAPES. Is it not left entirely to the discretion of this board which is created as to whether or not it will accept the legislation of the State in that respect?

Mr. SAMUEL B. HILL. There are certain requirements set out here that must be provided in State legislation. When these requirements have been incorporated in any State plan, the board will approve the plan.

Mr. MAPES. I wondered if the witnesses before the gentleman's committee and the members of the committee had reached any judgment as to what the tendency in that respect would be.

Mr. SAMUEL B. HILL. Let me explain the situation to the gentleman from Michigan in this way: In the first place, why is it necessary to levy a 3-percent Federal tax? Why not just leave this whole thing to the States individually and let the Federal Government stay out of it? This is the reason why the Federal Government is levying this tax: If the State of Michigan, for instance, wanted to enact a State unemployment compensation act, very likely part of the burden would be thrown upon the industry of that State and part of the rest of it would be thrown upon the employees; but the burden would fall upon the industry of the State very largely.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. SAMUEL B. HILL. It is to keep down unfair competition between the industries of different States.

Mr. MAPES. I understand that feature, but there is this differential of 10 percent which the employer will have to pay extra over the State law if the State law provides a tax. If the State law is passed without any provision for a tax, then the State can get all the money from the Federal Government that is necessary.

Mr. SAMUEL B. HILL. The State probably will get most of it, because it will take practically all this 10 percent to pay the cost of administration throughout the various States.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. CRAWFORD. Let us assume that I have a \$100,000 pay roll, and I send in to the State my certified check for \$3,000 covering 3 percent; must I then send an additional \$300 check to the Federal Treasury, in that in making out my return I show a liability for \$3,000, my \$2,700 credit, which is 90 percent, and then there remains \$300 for the Federal Treasury.

Mr. SAMUEL B. HILL. That is right.

Mr. CRAWFORD. Thus costing me in all \$3,300 instead of \$3,000?

Mr. SAMUEL B. HILL. Not necessarily that. They might put the State tax down to 2.7 instead of 3.

Mr. CRAWFORD. Then I would receive credit for only 90 percent of the \$2,700?

Mr. SAMUEL B. HILL. No; the gentleman would get credit up to 90 percent of the Federal tax. If you paid more than 3 percent you could not get credit for more than 90 percent of the Federal tax, but if you paid just exactly 90 percent of the Federal tax to your State, you would get credit for the State tax.

Mr. CRAWFORD. I might pay 90 percent of the tax assessed by the State rather than the tax which I had paid to the State.

Mr. SAMUEL B. HILL. I do not know whether I quite follow the gentleman or not. Let me put it in a different way. The Federal tax is 3 percent. Whatever you pay to the State you will get credit for up to 90 percent of that 3 percent.

Mr. CRAWFORD. There is no way they can charge me in total for both State and Federal taxes in excess of 3 percent of my pay roll?

Mr. SAMUEL B. HILL. Yes; the State could put a 4-percent tax on you if it wanted to, but you would get credit for only 2.7 of the 3-percent Federal tax. This is a matter of State administration. In fact, all these titles except title II are administered by the States.

Mr. SIROVICH. And, if the gentleman will yield, it puts all States on a parity.

Mr. SAMUEL B. HILL. Yes; that is the point. This 3 percent keeps down discrimination and competition.

Mr. SIROVICH. Exactly.

Mr. SAMUEL B. HILL. As between States having and not having unemployment compensation acts.

Mr. MCGROARTY. Mr. Chairman, will the gentleman yield that I may ask one question to relieve my own mind and conscience?

Mr. SAMUEL B. HILL. I yield.

Mr. MCGROARTY. The gentleman stated that this bill was very difficult to understand. I find it so, and I want his advice to me as a colleague. The bill has just come into my hands and into the hands of the Members of the House. I understand I have 20 hours in which to study it before I must cast my vote on it. With my little brain, that time is not sufficient.

Mr. SAMUEL B. HILL. I am sure the gentleman is entirely too modest.

Mr. MCGROARTY. Would the gentleman advise me to vote for the bill—I belong on this side of the House—without understanding it?

Mr. SAMUEL B. HILL. I am not the gentleman's mentor, and I must decline to advise him. I recommend the bill to him, however. [Applause.]

[Here the gavel fell.]



Mr. WOODRUFF. Mr. Chairman, I yield 20 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, I am heart and soul with the aims of this legislation. To me there is nothing more tragic than dependent old age, and dependent crippled and neglected children. I am extremely sorry that I cannot go along with the majority in this instance, because they have worked long and diligently on the measure that is now before the House. It is a definite improvement over the original bill which was presented to the Ways and Means Committee nearly 3 months ago. I had much hesitancy in submitting a minority report because, due to illness, I was not able to regularly attend committee meetings while the measure was under consideration, but nevertheless I followed the committee's work closely.

I shall endeavor to set out as briefly as possible my objections to this economic security bill in its present form.

The measure is divided into nine substantive titles, as follows:

Title I, providing a Federal grant in aid to meet one-half the cost of State old-age pensions for persons of 65 years of age or over who are in need.

Titles II and VIII, relating to old-age annuities for certain classes of workers, and imposing a pay-roll tax on employers and employees to meet the cost thereof.

Titles III and IX, relating to unemployment compensation, and imposing a tax on pay rolls in connection therewith.

Titles IV, V, and VI, making appropriations for aid to the States in the care of dependent children, for maternal and child-welfare work and for public health generally.

I am opposed to titles I, III, VIII, and IX.

The social security bill is a great step forward in sociology, because it is a distinct recognition by our country of the necessity for nationally securing old age against want, and it indicates an acknowledgment that society owes an obligation in the care of crippled and dependent children.

#### CONFUSION OF SUBJECTS IN THE BILL

The measure under consideration should be broken down into several separate bills to avoid multiplicity of subjects in this one bill. In its present form, the bill is cumbersome and highly complex.

#### OLD-AGE PENSIONS

Insofar as the bill provides reasonable assistance to the States in meeting the cost of old-age pensions for those in need, its purpose is worthy and has my support. Nor can there be any objection to aiding the States in caring for dependent children, in providing for maternal and child health, and for public health generally. The cost of these projects would not be excessive, and can be met out of the general revenues of the Treasury.

To call upon the States to provide suitable pensions for the aged in this present economic depression is merely an attempt to shift the responsibility which must be borne by our National Government. Some States are now already bankrupt and in default on pensions now past due under their present wholly inadequate pension laws. Any attempt to rely upon the States in any old-age-pension plan will defeat the very object we seek to attain.

The administering of the proposed economic-security bill will result in discrimination because people who live in States with financial conditions satisfactory will receive benefits far beyond and out of proportion to the benefits given to citizens of a State which is bankrupt and unable to participate under the provisions of the administration proposal.

For instance, in the State of North Dakota, a pension which became due a certain pensioner for the entire year of 1934, amounting to \$150, was not paid because it could not be paid and finally, on January 3, 1935, pensioner was obliged to accept a mere pittance of \$3.96 in full payment of that \$150 obligation. In this kind of a situation, how could the State of North Dakota take advantage of the old-age-pension plan contemplated in this measure?

May I ask the gentleman from North Dakota, if he votes for this legislation, how is he going to make his people believe that he has voted to give them relief?

Mr. BURDICK. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from North Dakota.

Mr. BURDICK. Has the gentleman any figures in reference to the income from old-age pensions last year in the State of Minnesota?

Mr. KNUTSON. I have it here, yes. In Minnesota the old-age-pension law is optional.

Mr. KELLER. What does the gentleman mean by "optional"?

Mr. KNUTSON. It is up to the counties whether they will grant an old-age pension.

Mr. BURDICK. Then there is none in the State law?

Mr. KNUTSON. No. We have no State pension.

Mr. BURDICK. As little as our pension is, is it not better than that existing in the gentleman's State? [Applause.]

Mr. KNUTSON. If anyone can find it in his heart to applaud the payment of \$3.96 for a year's pension, I suggest that they move over to China where the people live on dried fish and rice.

Mr. SIROVICH. Still it is better than the gentleman's State, which is nothing.

Mr. KNUTSON. How does the gentleman know?

Mr. SIROVICH. Because it was stated that the gentleman's State gives optional pensions and the counties give nothing.

Mr. KNUTSON. I am sorry that the gentleman's power of understanding is so limited.

Mr. SIROVICH. It is very good. Will the gentleman state it himself?

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. According to the table here, it shows that Minnesota last year paid pensions to 2,655 persons and that there are 94,000 eligible; also that the average rate of pension was \$13.20 per month and that the yearly total paid was \$420,936.

Mr. KNUTSON. That is correct. The gentleman from New York will find that table on page 5 of the committee report.

Mr. ROBSION of Kentucky. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. I understand the point that the gentleman from Minnesota makes is that probably North Dakota will not be able to meet the conditions of this bill and will not get any of this relief.

Mr. KNUTSON. Why, North Dakota is not the only State that cannot avail itself of the provisions of this bill. Montana cannot, and neither can the State of Oregon, and I doubt very much if the State of Mississippi can.

Mr. McGROARTY. And California.

Mr. KNUTSON. And probably California cannot. I presume if the matter were gone into fully it will be found that more than half of the States will be unable to take advantage of the legislation.

Mr. Chairman, that is the reason I am protesting against it, because it is an illusion bigger than anything we have had since the great Mississippi bubble.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. Referring to California and the same table to which the gentleman made reference a moment ago, it shows that at the present time there are 19,309 persons in California receiving an average pension of \$21.16 per month, or a total of \$3,502,000.

Mr. McGROARTY. When was that?

Mr. VINSON of Kentucky. That is for the year 1934.

Mr. SIROVICH. Is there anything for North Dakota in there in that same connection?

Mr. VINSON of Kentucky. The table shows that in North Dakota no pension is being paid.

Mr. DISNEY. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Is it the gentleman's theory that we should absolve the States from any participation at all in connection with old-age pensions and put the entire burden on the Federal Government?

Mr. KNUTSON. It is.

Mr. DISNEY. If so, how far can the gentleman visualize that theory going?

Mr. KNUTSON. I may say to the gentleman why I feel that the Federal Government should shoulder the entire burden. Under the plan proposed by the administration you have discrimination in favor of people who live in States that are satisfactorily set up financially, and who will receive benefits far above the benefits received by people living in bankrupt States. Therefore I call it discrimination. Now, how can you discriminate between American citizens? In other words, you should not penalize some because they live in North Dakota or Montana.

Mr. VINSON of Kentucky. Or Minnesota.

Mr. KNUTSON. Or Minnesota or Kentucky. That is what you are proposing to do in this legislation. It is discrimination, and that is why I am protesting against this bill in its present form.

Mr. DISNEY. Is the gentleman going to solve all the ills of mankind by the process of the Federal Government, thereby relieving the local governments? From the standpoint of discrimination, nothing is equal.

Mr. KNUTSON. We might just as well pay the money out in pensions as to spend it for windbreaks.

Mr. DISNEY. That is not an answer to the question.

Mr. KNUTSON. We might better pay the money out in pensions than to create relief maps showing the movement of peoples in the second millennium in the Mediterranean and the Euphrates areas. I understand that they prepared one up in New York that cost the price of 18,000 tons of hay and yet our cattle in Minnesota are being shot because there is no feed for them. [Applause.]

Mr. WADSWORTH. Has the gentleman given any consideration to rhythmic dancing?

Mr. KNUTSON. Let me say that about all they will get out of this legislation will be rhythmic dancing.

Mr. McGROARTY. Who will pay the piper?

Mr. KNUTSON. The music will be furnished with skulls and cross bones.

Mr. PERKINS. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from New Jersey.

Mr. PERKINS. As I understand this bill, all employers are taxed, whether the employees are in his State or not, and there is also the system of unemployment relief.

Mr. KNUTSON. Certainly, that is true.

Mr. PERKINS. So that if a State does not set up a system of unemployment relief, the employers pay and contribute to other States?

Mr. KNUTSON. Yes.

Mr. PERKINS. And the purpose of the bill is to induce each State to set up a system of unemployment relief?

Mr. KNUTSON. Not to induce—to coerce. There is a distinction between the two words.

Mr. PERKINS. May I ask the gentleman another question?

Mr. KNUTSON. Yes.

Mr. PERKINS. How is this so-called "9 percent on the pay roll" figured? I have not quite understood that.

Mr. KNUTSON. The gentleman should not ask a member of the committee too many embarrassing questions because there is not a man on the committee that really understands this bill. It was drawn by members of the "brain trust", many of whom, probably, had never earned a dollar in their lives and they are not earning anything now—theorists, college professors, young whippersnappers, some of them not dry behind the ears. [Laughter.] Although I will say that the Ways and Means Committee has greatly improved the measure that the "brain trust" sent up to us.

Mr. PERKINS. On page 5 of the committee report it appears that the number of pensioners in the United States is 180,003 and the number of eligibles in 1930 was 2,330,390.

Mr. KNUTSON. That is the number of those over the age of 65. The gentleman has brought up another matter. Is there anyone in this House—do you, Brother McGROARTY, believe it is going to help the unemployment situation to limit the benefit of this legislation to those who have passed the age of 65?

Mr. McGROARTY. No; and especially it will not in 1970. They will not be here.

Mr. KNUTSON. No; we will not be here and there will not be many of us left. [Laughter.]

Mr. McGROARTY. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. McGROARTY. The gentleman who preceded the gentleman now speaking, a member of the Ways and Means Committee, said this bill is very difficult to understand.

Mr. KNUTSON. Oh, we all admit that.

Mr. McGROARTY. The gentleman is a member of the committee, is he not?

Mr. KNUTSON. Yes; and I do not understand it.

Mr. McGROARTY. Then how, in the name of God, do they expect me to understand it on 20 hours' notice? That is what I want to know.

Mr. KNUTSON. Well, you are supposed to take it on faith.

Mr. McGROARTY. Can it not be put over until the next Congress and give us some time to study it?

Mr. KNUTSON. What you should do is to go down and talk to the authors of the bill, and you might get some information.

Mr. McGROARTY. Please give me their names.

Mr. KNUTSON. Well, they are given here in the report. They are a lot of college professors.

Mr. McGROARTY. I refuse to talk to college professors. Give me the names of some practical people. [Laughter.]

Mr. KNUTSON. Well, go down and talk to William Green, president of the American Federation of Labor. He is a good, level-headed man.

Mr. McGROARTY. Yes.

Mr. KNUTSON. But he is about the only one I see here in whose judgment I have full confidence.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. FITZPATRICK. What is the gentleman's plan to take care of the unemployment in this country?

Mr. KNUTSON. What is my plan?

Mr. FITZPATRICK. Yes.

Mr. KNUTSON. Reassure industry.

Mr. FITZPATRICK. How?

Mr. KNUTSON. By removing all the uncertainty that you folks have created. Let us assure industry and we will end unemployment in a short time.

Mr. FITZPATRICK. You had the opportunity from 1929 to 1933 and you did not remove it under the previous administration, but increased it.

Mr. KNUTSON. As I have told you on previous occasions, this depression is due to the war—the war that you folks promised to keep us out of. [Laughter and applause.]

Mr. FITZPATRICK. Why did you not cure the situation in 4 years?

Mr. KNUTSON. Because during the last 2 years of Mr. Hoover's administration we had a Democratic House and you folks were determined that there should be no recovery until after the election of 1932.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. LUNDEEN. If the gentleman will permit, I understand the statement was made by the gentleman from Washington, in reference to a national bill, that the cost of such a bill would exceed \$10,000,000,000. The report on the bill (H. R. 2827), to which I have called the attention of the Members, shows that the economists and other authorities

state that the minimum cost would be \$4,000,000,000 and not to exceed \$5,800,000,000, as given by the economist Dr. Gilman, of the City College of New York, and I thank the gentleman for an opportunity to correct that statement.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. VINSON of Kentucky. Referring to the members of the Advisory Council, if my memory serves me correctly, the gentleman from Minnesota represented that Mr. Nordlin, who appeared before the committee and testified on behalf of title I and particularly in favor of granting aid to States for old-age pensions, was A no. 1 in every particular, and I believe he happens to come from Minnesota.

Mr. KNUTSON. Yes; and after Senator Nordlin testified he called at my office and I asked him how many times he had been called in, and, as I recall, he said twice in 6 weeks.

Mr. VINSON of Kentucky. But we can follow Mr. Nordlin's testimony, can we not?

Mr. KNUTSON. We can; yes. You can follow Mr. Nordlin's testimony. He is a fine gentleman.

Mr. VINSON of Kentucky. And Mr. Nordlin is for the bill and particularly stressed title I, granting aid to States for old-age pensions.

Mr. KNUTSON. As the gentleman will recall, Mr. Nordlin applauded the purposes of the bill—

Mr. VINSON of Kentucky. The statement of Mr. Nordlin—

Mr. KNUTSON. I am sorry, but I cannot yield further.

Mr. VINSON of Kentucky. When I get hold of the printed page I notice the gentleman finds it convenient not to yield, but I shall insert in my remarks the statement he made that the Fraternal Order of Eagles that he was representing is very strongly back of the proposition of grants and aids to the States in order that these pension systems may be continued. That is just one thing he said that was very splendid.

Mr. DUNN of Pennsylvania. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. DUNN of Pennsylvania. Has the gentleman from Minnesota read the bill H. R. 2827, introduced by the gentleman from Minnesota [Mr. LUNDEN].

Mr. KNUTSON. I do not want to be diverted by discussing other legislation.

Mr. DUNN of Pennsylvania. I think that would take care of the situation if enacted into law.

Mr. KNUTSON. Well, it would not be the first good thing that has come out of Minnesota. My idea of this legislation would be something that would aid recovery, something that would lift the burden of industry and remove all uncertainty.

Mr. FITZPATRICK. Will the gentleman tell us what will do it?

Mr. KNUTSON. You are not going to do it by putting a 9-percent tax on pay rolls, and that is what you are doing here. You are going to further increase unemployment by this legislation. You must take some other method than you are pursuing here. My heavens, you have tried everything but mustard plasters. [Laughter.]

Mr. FITZPATRICK. Will the gentleman give us his plan?

Mr. KNUTSON. You cannot justify a humiliating failure by asking me what I would do in a situation not presented to me for solution. That task is yours.

Under the unemployment-insurance title employers pay a tax on the pay roll for the calendar year of 1 percent, 2 percent for 1937, and 3 percent for the calendar year 1938, and each year thereafter.

According to the committee's own report, this means an additional burden on industry of \$228,000,000 the first year, and that is going to gradually increase until you put an additional annual burden on industry of \$900,000,000, or 90 cents for every minute since the Christian era.

(The time of Mr. Knutson having expired, he was given 10 minutes more.)

Mr. KNUTSON. Now, under the contributory provision, the employers pay another pay-roll tax of 1 percent for 1937, reaching 3 percent in 1949. That tax puts an entire burden

of \$280,000,000 on industry the first year, and gradually creeps up to \$900,000,000. There you have \$1,800,000,000 tax burden in the two taxes, which is another thing this bill does. Such a burden would not alone retard business recovery but would increase unemployment.

Mr. FITZPATRICK. Will the gentleman yield for another question?

Mr. KNUTSON. No; I decline to yield to the gentleman. He does not ask questions to get information, but merely to embarrass the speaker. If the gentleman were truly seeking light I would be glad to have him ask his question, but he is not. He will follow the orders he gets from down at the other end of the Avenue regardless of where such orders may lead him.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. ROBSION of Kentucky. It has been said here that these funds will be built up to amount to \$32,000,000,000. Can any of that principal be used as the years go by to meet these annuities, or is it limited only to the income from that fund?

Mr. KNUTSON. By the time that fund is created, if the Republicans are not then in power, the money will probably be used in operating the Government.

Mr. ROBSION of Kentucky. There is one other question. Is one entitled to participate in any of these annuities of unemployment insurance unless he has had 5 years of employment?

Mr. KNUTSON. I think that is required.

Mr. VINSON of Kentucky. Oh, not for unemployment insurance.

Mr. ROBSION of Kentucky. I am speaking of annuities.

Mr. VINSON of Kentucky. The payment of annuities does not begin until 1942. That is correct.

Mr. ROBSION of Kentucky. It has been stated that there are something like 13,000,000 workers in this country between the ages of 45 and 65, and we know, especially in the mining industry and in railroad work, that when you seek initial employment in the coal mines or on the railroads, you must sign a card that you are under 45 years of age. What is there in this bill to take care of those 13,000,000?

Mr. KNUTSON. There is nothing in this bill to take care of them. That is another shortcoming of this legislation. When a person is unemployable he is unemployable, whether he be 45 or 65, and they should be treated alike.

Mr. ROBSION of Kentucky. When will anyone get any of this old-age pension, provided the States will cooperate? When will the first payment be made?

Mr. KNUTSON. I think in some of the States it will go to the heirs. Here is another thing you are doing here. You are proposing to set up a new bureau. Of course, I realize that that is your long suit—setting up new bureaus. You were strong against them before election, but stronger than horse radish for them since. You are going to have a new bureau to administer this fund. Now, let us see, what is the name of that bureau?

Mr. WADSWORTH. The Security Commission.

Mr. KNUTSON. Oh, no, that is another bureau. The gentleman has the two confused and I do not blame him, because there are so many of them. What is the name of this bureau?

Mr. TABER. The Social Security Bureau.

Mr. KNUTSON. To be sure. I think I know what qualifications will be necessary for a job with that Bureau, but I shall not touch on that now. We now have the Veterans' Administration that is admirably and fully equipped to handle this old-age-pension fund. The Veterans' Bureau is handling all other pension matters, including the Federal retirement fund, but I suppose the opportunity for creating another bureau was just too great a temptation to resist. There is one thing I admire about you folks, and that is your ability to think up new jobs.

As I see it, the prime need of the hour is business recovery. This unemployment insurance and this annuity plan are best are but experiments. There is no immediate hurry

for any of this legislation, save old-age pensions, because if we do pass the bill, it cannot possibly go into effect until 1937 or probably several years thereafter.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Just let me finish my thought, please. Why do we not break down this bill into four measures, and let each one stand on its own bottom. There is no connection between old-age pensions and unemployment annuities. Let us pass an old-age-pension bill that will give adequate relief to the aged.

Mr. MARTIN of Colorado. And what is that? That is what I am looking for.

Mr. KNUTSON. I would say \$50 or better a month.

Mr. MARTIN of Colorado. To how many people?

Mr. KNUTSON. I am speaking of individuals.

Mr. MARTIN of Colorado. The gentleman is willing to give them \$50 a month?

Mr. KNUTSON. That would be the minimum. I would give them enough. Up in our country a person cannot live in comfort for less than \$100 a month where they have to pay rent and buy fuel.

Mr. MARTIN of Colorado. That sounds all right, but how many people are you going to take in on that?

Mr. KNUTSON. How many would the gentleman be in favor of taking in?

Mr. MARTIN of Colorado. Let me tell the gentleman.

Mr. KNUTSON. My time is running. Please let me get on.

Mr. MARTIN of Colorado. I will tell the gentleman when I get the floor.

Mr. KNUTSON. I will be glad to hear the gentleman.

Mr. DONDERO. Will the gentleman yield for a short question?

Mr. KNUTSON. I yield.

Mr. DONDERO. I am seriously concerned, representing a district in which considerable industry exists, whether or not the gentleman's committee gave any consideration to the possibility of how industry will raise this money to pay this 9-percent pay-roll tax. Can the gentleman answer that?

Mr. KNUTSON. We are just going to open the goose and see how many golden eggs she contains. That is what this bill will do. It will close all factories. It will do just exactly what the N. R. A. did, only much worse. Does that answer the gentleman's question? [Laughter.]

Mr. TREADWAY. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. TREADWAY. How long will that goose last, with the golden eggs?

Mr. KNUTSON. Well, I do not think it will last beyond one meal.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COOPER of Tennessee. The gentleman is a distinguished member of the Ways and Means Committee, and, of course, was present at the hearings. I would like to have the gentleman tell the House how many industrial leaders of this Nation appeared before the committee in opposition to this bill?

Mr. KNUTSON. Well, you know the industrial leaders do not dare to come to Washington and talk against any legislation—

Mr. COOPER of Tennessee. Very well. Can the gentleman answer the question or not?

Mr. KNUTSON. I am telling the gentleman why they do not come.

Mr. COOPER of Tennessee. How many people, speaking for industry, appeared in opposition to the bill?

Mr. KNUTSON. Oh, the gentleman knows why they did not appear.

Mr. COOPER of Tennessee. They appear here on everything else.

Mr. KNUTSON. The gentleman knows why they did not appear.

Mr. COOPER of Tennessee. How many of them were here?

Mr. KNUTSON. None.

Mr. COOPER of Tennessee. Very well.

Mr. KNUTSON. Because if they had appeared the R. F. C. would have called their loans.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman from Minnesota 5 additional minutes.

Mr. KNUTSON. The gentleman from Tennessee [Mr. COOPER] knows why they did not appear. They did not dare to appear. That is plain. Certainly Mr. Emery appeared, and, in a very temperate statement, stated as forcibly as he dared, his opposition to this bill. You know that he represented American manufacturers, many of whom are probably beholden to the Reconstruction Finance Corporation or some other governmental agency, or some bank on which the R. F. C. has a stranglehold. If you will read Mr. Emery's statement, you will find that he seriously doubted the wisdom of this legislation and called particular attention to the fact that industry could not carry the additional burdens we were proposing to impose upon them.

Delay in the present situation is dangerous. Under the proposal in the administration bill pensions cannot become effective for 2 or more years in those States wherein the legislature has already adjourned without having made any proper or adequate provision to enable such States to participate.

The Federal Government has no power to compel any State to adopt laws in accordance with this proposal by the administration, or to enact any pension law, and in any State which does not adopt a pension law to conform to the proposed measure, there can be no immediate pension relief for the aged, and these old people must be taken care of now.

Aside from these practical considerations entering into the tax features of this proposal, there is also a grave question of constitutionality, particularly in the case of the joint tax on employer and employee for the purpose of setting up a fund for the payment of retirement annuities.

Congress may impose taxes only to provide revenue for the Government. This tax on its face is not for the purpose of providing revenue for Federal purposes, but it is simply an enforced contribution for the benefit of a certain class of persons.

#### COMPULSORY CONTRIBUTORY ANNUITIES AND UNEMPLOYMENT INSURANCE

As to the provisions of this proposed bill relating to contributory annuities and unemployment compensation, it is my belief they cannot be justified at this time.

In my opinion, the passage of this proposed legislation will further and definitely increase unemployment. I fear that titles VIII and IX hold out an incentive or inducement to employers to reduce the number of their employees to a minimum in order to avoid or reduce the taxes imposed upon them by these two titles. I am convinced that at this time the annuity and unemployment provisions constitute a serious threat to recovery because they impose two distinct pay-roll taxes, one of which falls entirely upon the employer and the other jointly upon the employer and employee.

I believe the age limit of 65 years is too high to be of assistance in solving the unemployment problem. We well know that it is exceedingly difficult for a person to secure employment after passing the age of 60. This is a machine age, and industry wants young and active workers. At 60 workers generally are considered unemployable. The question then arises, What shall become of those who are laid off at age 60 and who are unable to find other jobs? We cannot let them starve, and it is not fair to make them paupers before granting relief. Shortening the hours of toil will not solve this problem.

Under the unemployment-insurance titles the employer pays a tax of 1 percent of his pay roll for the calendar year 1936, 2 percent for the year 1937, and 3 percent for the year 1938 and subsequent years. According to the committee report, this means an initial burden of \$228,000,000 the first year, \$500,000,000 the second year, and from \$800,000,000 to \$900,000,000 annually thereafter.

Under the contributory-annuity provision the employer pays another pay-roll tax, which begins with a rate of

1 percent in the year 1937 and reaches a maximum of 3 percent in the year 1949. This tax begins with an initial burden of \$280,000,000, which gradually increases up to \$900,000,000 annually.

Considering these two taxes together, employers will be required to bear an additional tax burden of \$228,000,000 in the year 1936, \$800,000,000 in the year 1937, and a gradually increasing amount thereafter until the maximum of \$1,800,000,000 per annum is reached in 1949. This staggering total would be in addition to the present Federal, State, and local taxes. How long will industry be able to carry this burden?

The tax on employees also begins with a 1-percent rate and reaches a maximum of 3 percent in 12 years. It will be deducted from their pay envelopes in an amount ranging from \$280,000,000 in the first year to a maximum of \$900,000,000 annually.

In general terms this bill imposes a maximum tax of 3 percent on employers for unemployment insurance. It imposes another 3-percent tax on employers for retirement annuities. It also imposes a 3-percent tax on employees. The result is that by January 1, 1949, there will be a triple tax on pay rolls of 9 percent, imposing on employers and employees a total burden of nearly \$3,000,000,000 annually in addition to all other taxes.

Business recovery at the present time hangs in a very delicate balance. Every additional burden of this kind upon business, however small, tends to make recovery more remote; hence, imposing directly upon industry such a tremendous burden as I have mentioned is bound to cause a reaction which will result in prolonging the depression indefinitely.

Not alone will business be affected by the direct burden which is imposed upon it by this bill, but business will be seriously affected and depressed by having taken from it annually the \$280,000,000 to \$900,000,000 which is taken from the annual pay roll of the working class and withdrawn from the channels of trade.

The tax on pay rolls will fall alike on all kinds of business, whether operating at a profit or operating at a loss and may mean the difference between solvency and insolvency. Moreover, since this tax imposes a penalty on employment, it will tend to cause employers to get along with a minimum number of employees, and thereby it will tend to increase unemployment. This tax, when applied to the employee, operates as a gross-income tax, and it is, therefore, discriminatory.

When this tax is applied to the consumer it has the same effect on prices as a turnover or general sales tax. There will be a tendency to pyramid the tax for the various operations, from raw material to finished product, and this will cause a material increase in the cost of living.

If the administration cannot see its way clear to adopt a manufacturers' excise tax (with food and clothing exempted) for the purpose of making up a part of the Treasury deficit, I do not see how it can conscientiously support the tax on pay rolls and pay checks for the purpose of furnishing unemployment relief and old-age annuities.

#### UNNECESSARY AND CUMBERSOME BUREAUS

I do not approve the growing tendency of Congress to constantly set up needless, complicated, cumbersome, and expensive governmental machinery to carry into effect new policies and programs that are more or less experimental.

For 125 years this Government followed a pension policy in dealing with its defenders that had proven highly satisfactory to pensioner and Government alike.

But in the year 1917 Congress created, over my protest, the so-called "War Risk Insurance Bureau", now known as the "Veterans' Administration", to deal with pensions, and this Bureau has already cost the American people endless hundreds of millions of dollars for its administration, using money that should have gone to the veterans, and without giving the veterans any increased benefits.

In this social-security legislation it is proposed to repeat that expensive mistake, as you would set up another costly and cumbersome bureau to administer a new experimental

pension system by and through which we will again spend hundreds of millions of dollars, over a period of years, to operate a new and unnecessary Government machine, and again the cost thereof will come out of the pockets of the taxpayers and the beneficiaries.

The Bureau of Veterans' Affairs is already equipped to handle some of the benefits to be granted under this legislation.

The Children's Bureau will administer the benefits granted by title V.

The Public Health Service will administer the work under title VI.

Why do we talk against the establishment of new bureaus and yet constantly vote to create them? Why extend further this generally recognized evil, especially in this time of great national distress when there is so great a need for rigid economy?

#### REAL ECONOMIC SECURITY

The administration proposal does not provide any real increase in the buying power of the American people, neither will it provide work for the idle and unemployed; in fact, it will do the opposite by imposing a burdensome tax load without giving any immediate benefits.

In the first place, I believe that this measure should be so drawn as to be of immediate aid in ending the business depression. It should set the age limit of beneficiaries at 60, so as to take up a considerable portion of the present unemployment slack. It should fix the benefits at such a figure as will make possible dependable commodity consumption, production, and employment, thereby bringing to an early termination this distressing business depression, which is daily growing worse.

The prime need of the hour is recovery, not social reform. Since these proposals to which I am opposed are definitely within the scope of social reform, there is no compelling reason for taking them up at this time unless when so doing we provide a proper measure to restore business volume.

I am very sympathetic toward these social reforms. They should and must be given thoughtful and friendly consideration. However, it should be kept in mind that neither the old-age annuity nor unemployment insurance provisions of the bill are intended to provide immediate relief in their respective fields. They have no bearing upon the present unemployment situation, and my opposition to them at this time in no wise constitutes any lack of appreciation of the problems of those now in need. Rather, I feel that I am doing them a distinct service by insisting that nothing be allowed to impede business recovery and the resumption of normal working conditions. After all, a job is better than a dole.

My idea of an old-age-pension plan is one that will retire from gainful employment all persons at the age of 60 and over, thereby making places for the young who are now unable to find work. The plan should carry a sufficient annuity to give such buying power as will immediately tend to place production and consumption upon a firm, dependable, and permanent basis. That would largely obviate the danger of future depressions. Such a plan would be absolutely sound and workable in every respect. It should be financed in a manner to equalize the burden.

Our country is now in a precarious condition, and the demand is for immediate relief. No half-way measure will suffice. It is our manifest duty to provide adequate relief, and to do so at once.

The administration bill cannot provide any relief before the year 1937 and years will elapse before it can give any tangible benefits. We cannot wait that long. To do so will imperil the very safety of our country.

This prolonged business depression will not be overcome until we adopt a definite plan to make adequate provision for, and to enforce, spending and buying by the public in sufficient amount and volume to absorb the products of industry and agriculture required for our standard of living.

The national situation is now far too serious and critical to permit any mere gesture in this matter. We must have a measure that will actually and permanently afford relief

to our aged people and give employment to approximately 10,000,000 workers who are now idle, and who, together with their dependents, are being supported by Government money procured by bond issues which steadily increase the public debt.

This Congress will be derelict in its duty if it fails to enact a measure that will enable and permit the business of our country to resume activities in a manner to furnish employment for all citizens who should now be employed, to equitably distribute the rewards of honest labor, and to give security to our aged people in a dignified manner without reducing them to pauperism.

## CONCLUSION

For the reasons stated in the foregoing, I favor a change in title I and the elimination of titles II, III, VIII, and IX.

Mr. Chairman, I herewith append my supplemental report:

## SUPPLEMENTAL VIEWS OF MR. KNOTSON

While I concur in a general way with the conclusions of my colleagues of the minority, there are certain provisions of the bill so obnoxious to me that I cannot support it. My reasons for voting against the measure are as follows:

1. It is obvious from the provisions of this bill that it cannot be made effective for several years, hence it will be a bitter disappointment to those who have looked hopefully to this administration for immediate relief.

2. The measure is wholly inadequate and therefore will not give the result sought to be obtained.

3. The age limit of 65 is too high to give the needed relief. The limit should be fixed at 60, which would help the unemployment situation materially and at the same time care for a large number now out of work and who by reason of age are unemployable.

4. The old-age pension to be granted under H. R. 7260 would be wholly inadequate in the relief of distress. The amount paid would be so small that its effect upon business would be negligible.

5. The administering of this law will result in discrimination. People living in States that are bankrupt, or nearly so, will receive absolutely no benefits from this legislation. These people must be taken care of by the National Government.

6. The two pay-roll taxes which the bill imposes will greatly retard business recovery by driving many industries, now operating at a loss, into bankruptcy, or by forcing them to close down entirely, thereby further increasing unemployment, which would greatly retard recovery.

7. Many small concerns having 12 or 15 employees would discharge enough employees to exempt them from the payment of the pay-roll taxes, which would yet further aggravate the unemployment situation.

8. The proposal to establish a new bureau to administer this law is indefensible and a needless expense to the taxpayers. In the interest of economy the administration of the law should be vested in the Veterans' Administration, which is equipped to handle this activity.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, I have been studying this bill ever since it was reported out by the Ways and Means Committee about a week ago. I believe this bill will go down in history, not as the social security bill, but as the 9 percent pay roll tax bill, a bill designed to impose taxes upon the employer and employee amounting to 9 percent. Frankly I cannot figure any way it can come out of anyone except the employee, because the purchasing power of the country will not absorb any higher prices than we are carrying now, and the employers are now mostly operating in the red, so that they will not be able to absorb that tax. Three percent of it is levied directly upon labor. The bill is designed to cost approximately four to four and a half billion dollars in all. There is approximately \$3,000,000,000 on account of the 9-percent pay-roll tax; approximately eight or nine hundred million under the old-age relief, and it will run from two to three or four million under the other items in the bill. Frankly I do not see how the people of the United States can bear the burden. In addition to that, there is this situation: Many industries have already set up old-age-retirement propositions for their employees. Many industries are taking care of unemployment insurance themselves. No exemption is made for those people. In addition to the burden they are now carrying, they will have to meet the pay-roll tax, and their

employees will have to meet the pay-roll tax that is set up in this bill. Frankly I do not believe the bill has had the kind of consideration that a bill should have, to be brought here by the Ways and Means Committee.

Mr. WOOD. Will the gentleman yield?

Mr. TABER. I yield.

Mr. WOOD. Can the gentleman tell me what industries are taking care of their employees on unemployment features?

Mr. TABER. I know that a great many of them are.

Mr. WOOD. Can the gentleman name one?

Mr. TABER. I know that a great many of them are locally, in my part of the country. I am not going to name them in detail, but a great many of them are.

Mr. WOOD. I would like to have the gentleman mention one of them.

Mr. TABER. Many of them are taking care of them. The American Telephone & Telegraph Co. is taking care of those to a very large extent.

Mr. WOOD. That is not unemployment insurance.

Mr. TABER. Oh, but it is, if the gentleman would study it.

Mr. TREADWAY. Will the gentleman yield?

Mr. TABER. I yield.

Mr. TREADWAY. Was the inquiry relative to the number of employees that private corporations are caring for?

Mr. TABER. No. The inquiry was with reference to unemployment insurance. A great many of these people are paying their help when they are out of employment—sick, and a great many of them are being paid when they are unable to provide them with employment.

Mr. FITZPATRICK. Will the gentleman yield?

Mr. TABER. I yield.

Mr. FITZPATRICK. With the private pension system, after a man had worked for 15 or 20 years and was laid off or discharged, he would lose the pension; is that not true?

Mr. TABER. Some corporations have a rule that if they are laid off or discharged prior to the attainment of their retirement privilege they would receive no compensation. Others take care of them just as well as this bill takes care of them. This bill provides nothing unless they have worked for 5 years in continuous employment.

Mr. FITZPATRICK. But, after that all citizens are provided for?

Mr. TABER. Oh, no; only those who have worked steadily for 5 years.

Mr. VINSON of Kentucky. The gentleman is not correct in that assumption.

Mr. TABER. What is it?

Mr. VINSON of Kentucky. It is not continuous service.

Mr. TABER. Is it service at all?

Mr. VINSON of Kentucky. It is 5 years' service.

Mr. TABER. Under that he might work 1 day a year. But it is limited to a certain percentage of the amount of their earnings during that period.

Mr. VINSON of Kentucky. That is correct.

Mr. TABER. And if they are not employed any great length of time the annuity will not amount to anything.

Mr. VINSON of Kentucky. But certainly the gentleman does not want to leave the impression that it has to be continuous service with one employer.

Mr. TABER. Perhaps that is correct. I thank the gentleman for the correction. At the same time, the pension will not amount to anything unless a man has steady employment; there is no question about that. These people will be on the old-age roll just the same unless they have had a long, continuous service.

I want to call attention now to some of the other high points that seem to me to stand out in this bill. I may be mistaken about this one, but I want to call the attention of the committee to pages 10, 11, and 12, where the gross amount that can be repaid to any employee is limited to 3½ percent of the amount of the wages he has received. When this bill gets to swinging, the amount of tax that will have been paid is 6 percent of the amount of the wages the employee has received, yet he is limited in the gross amount he may receive

to 3½ percent of the amount of those wages. That leaves, if I understand it correctly, 2½ percent for administration. Two and one-half percent is 41⅓ percent of 6, so this means 41⅓ percent for administrative expenses. Is not that correct?

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. SAMUEL B. HILL. Please explain how the 6 percent that is paid in is arrived at.

Mr. TABER. I did not say that the employee paid it in. I said that there had been paid in under title VIII, under the gross pay-roll tax there provided, 6 percent. Is not this correct?

Mr. SAMUEL B. HILL. The employer will pay 3 percent and the employee will pay 3 percent.

Mr. TABER. Well, 3 and 3 make 6.

Mr. SAMUEL B. HILL. They make 6.

Mr. TABER. Yes.

Mr. SAMUEL B. HILL. He gets back all he pays in, certainly, and more.

Mr. TABER. He gets back for what his employer has to pay, one-sixth; that is what he gets; and that means that this bill is setting up a law that requires a 41⅓-percent cost for administration.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield further?

Mr. TABER. Yes.

Mr. SAMUEL B. HILL. The gentlemen is referring to cases where this payment is made to the employee before he arrives at the eligible age of 65 for the annuity.

Mr. TABER. Not the way I understand this language, because as I understand the language it means that this is the rule with reference to any individual who dies after attaining the age of 65 or who has received annuities thereafter which run over 3½ percent of the total amount of the pay that he has received.

Mr. SAMUEL B. HILL. If the gentleman will yield further, that is exactly what I was trying to direct the gentleman's attention to. The employee gets back more than he pays in.

Mr. TABER. Of the amount he has paid in, but not more than he and his employer together have paid in. That means that there goes into this fund 41⅓ percent—I find I was correct in this situation—for administration. It means that the employee will pay the whole of that 6 percent in the long run and the gentleman is using a set-up requiring 41⅓ percent out of the pay rolls of the poor to provide jobs for the faithful. That is just what it means.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield? The gentleman always is fair.

Mr. TABER. I try to be.

Mr. VINSON of Kentucky. He is very accurate generally.

Mr. TABER. Let me find the trouble, tell me.

Mr. VINSON of Kentucky. Close up to the age of 65 are the near-aged. The 3½-percent repayment to those dying before 65 is the principal plus one-half percent which is conserved as interest.

In the old-age benefits there is the problem, what might be called unearned annuities to the near-aged. For example, if a person were 59 years of age and earned \$3,000 over a period of 5 years under the present bill, he would get \$15 a month; whereas the 3½-percent feature to which the gentleman refers to, would give him only \$105 as a total lump-sum payment. In other words, the near-aged, those who are near the 65-year age limit, get the break in what might be termed unearned annuities, which are made possible by payments of employers. Consequently, the gentleman's figure of 41⅓ percent for administrative costs, must be materially reduced. In fact, we were told in the committee that the administrative costs would be about 5 percent of the benefits paid.

Mr. TABER. I am very frank to say I cannot understand the gentleman's explanation, although I have tried to.

Mr. VINSON of Kentucky. I am trying to help the gentleman; I would like to if I could.

Mr. TABER. I appreciate that, but my time is limited and I cannot yield further. When the gentleman gets the floor in his own right I would like to have him explain why my figure of 41⅓ percent for administrative cost is not correct.

Frankly, from what the gentleman from Washington told me, and insofar as I have been able to follow what the gentleman from Kentucky has told me, the 41⅓ percent figure for administrative cost is correct.

There are other things to which I wish to call attention. Insofar as I can follow title III, there is no definite set-up of benefits, or no concrete definition of how unemployment insurance should be set up. It is left to this board which is to be created. Now, why should we delegate more authority to boards if we are going to have anything of this kind? Frankly, I think it is an impossible burden which is being placed upon the public. We ought to meet the responsibility ourselves of setting up definitely what is to be done rather than to have the thing turned over to somebody else to work out. I think we have had altogether too many boards, altogether too much delegation of authority.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield for a question?

Mr. TABER. I yield.

Mr. JENKINS of Ohio. Would not the gentleman much prefer the board provided for in this bill rather than to have the present Secretary of Labor designated to make this set-up as was provided in the original bill?

Mr. TABER. That would be worse.

We ought to set up what we are going to do definitely and not vote for a "pig in a poke."

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. There is one thing in this set-up that was most shocking to me, and I know it would shock the gentleman much more, and that is in connection with the original bill the "brain trusters" and those who put the bill together thought that this great, colossal matter should be administered by one institution in charge of the present Secretary of Labor.

[Here the gavel fell.]

Mr. TREADWAY. I yield the gentleman five additional minutes.

Mr. TABER. I think the set-up that came over from the "brain trust" was worse than this one. I think we ought to strike from the bill titles II and III.

Mr. TREADWAY. May I say to the gentleman that striking titles II and III would make title VII simply a political set-up with nothing to do.

Mr. TABER. That is correct. We should strike title VII and we should also strike titles VIII and IX.

Mr. TREADWAY. That is correct.

Mr. TABER. Unless you go ahead in an intelligent way to meet this problem you are not going to meet it at all. Title I of the controversial titles is all there is to this bill that deserves any consideration whatever. Title I is the section that relates to old-age pensions. Unquestionably we have to meet the situation in some way, and I do not care to shirk that responsibility. Frankly, I feel it is a matter that the States should ultimately handle for themselves rather than for the Federal Government to handle it, but I do feel in the present emergency and in the present situation the Federal Government should make a temporary contribution. We should also keep titles IV, V, and VI.

Mr. Chairman, I think we should go ahead and pass a bill providing something of this kind which will take care of people who are in distress, but I do not believe we should attempt a broad set-up along the line as outlined in sections under titles II and III with the tremendous 9 percent pay-roll tax. I do not think we should think of such a thing until we have observed how the old-age situation will work out and how it will take care of the people. If we attempt to burden industry with more drawbacks and with more things that will prevent business recovery, we are going to be just exactly where we are now, and get worse and worse every day. That is the difficulty with the existing situation.

Mr. PERKINS. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from New Jersey.

Mr. PERKINS. I would like someone to explain why we hear the words "9-percent tax" quoted so often. How does the gentleman figure this 9-percent tax?

Mr. TABER. Well, 3 percent on the employer under title VIII, 3 percent on the employee under title VIII, and 3 percent on the employer under title IX; 3 plus 3 plus 3 make 9. That is the way it goes, as I understand the matter. Is that not correct?

Mr. JENKINS of Ohio. The gentleman is right.

Mr. VINSON of Kentucky. As of 1949.

Mr. TABER. That is at the final wind up. The amount of the tax and the percentage in effect on any particular day is given in a table that appears on page 44 of the report, according to estimates. Whether those estimates are right or not, I do not know. The members of the committee can tell you more about that than I can.

Mr. Chairman, it seems to me that this tremendous tax should not be imposed on industry in such a way that it will stop and clog recovery. I think that this Congress has done almost nothing but attempt to prevent recovery ever since the 1st of March 1933. I think we ought to stop those bills that are designed by the "brain trust" and which can have no effect upon the situation in America today except to prevent and restrain and keep back business from recovery. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL. Mr. Chairman, I did not expect to speak on this bill. I am for an adequate old-age-pension law. Up until the time this bill was reported by the committee I thought I was for unemployment insurance. After looking over the bill and looking over its provisions I am wondering whether or not I am for unemployment insurance.

Mr. Chairman, my district consists of 11 counties. The major portion of the population is rural. My experience covering a number of years in State legislative work tells me that in the final analysis every tax is paid by the consumer. It is passed on to the consumer, and I do not believe this tax is going to be an exception. The factory owner and the industrialist will have to add his share of the tax to his cost of production, which will in turn be added to the cost of the article manufactured, and, of course, increasing the purchase price of the article.

Mr. Chairman, I am informed, and I think correctly, that 40 percent of the purchasing power of the country is in the farmer. If this bill is to cost approximately \$2,000,000,000 a year, as stated in the report of the committee, \$800,000,000 of this amount is going to be passed on to the consuming farmer. If it is true that you are going to have a reserve fund of \$32,000,000,000, it means that \$12,800,000,000 of this reserve fund is going to be paid by that part of the consuming public known as the "farmer." In view of the fact that he is exempt from the several subdivisions of the bill—that is, the unemployment section and the old-age reserve fund—and would properly be so exempt, I am wondering just what I can tell the farmers back home in justification of a vote for this measure. I may say frankly that I do not know at this time how I am going to vote on the bill. I am wondering just where we are going with this sort of legislation.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. ENGEL. I yield to the gentleman from Tennessee.

Mr. COOPER of Tennessee. The gentleman understands that the farmers are entitled to benefits under title I?

Mr. ENGEL. Yes; but the gentleman also understands that the \$2,000,000,000 does not finance title I. It finances the unemployment insurance and the old-age annuity which is paid by the pay-roll tax.

Mr. COOPER of Tennessee. The gentleman is talking about some figures given by some gentleman on that side of the aisle. I am talking about the provisions of title I, which, of course, provide benefits for the farmers that the gentleman is concerned about.

Mr. ENGEL. Absolutely; and he is paying for that out of a \$49,000,000 appropriation provided for in the bill.

Mr. VINSON of Kentucky. If the gentleman will permit, the benefits under title I with respect to old-age pensions are paid for out of the General Treasury and not out of the reserve account, and the unemployment compensation is not paid out of the reserve account. The gentleman must keep in mind that there is an unemployment trust fund and a reserve account and then the Treasury of the United States.

Mr. ENGEL. That is very true; but this \$32,000,000,000 you are talking about—

Mr. VINSON of Kentucky. That is a reserve account and the farmer is not paid out of that under the old-age benefits. The farmer is not taxed under title VIII and is not taxed under title IX, and as I understand the gentleman, he agrees that they should be exempted.

Mr. ENGEL. He is not taxed directly, but if that tax is passed on to the consumer, as it always is—

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. ENGEL. If that tax, as every other tax, is passed on to the consuming public, the farmer, constituting 40 percent of the consuming public, is going to pay 40 percent of this tax which is going to be passed on to him; 40 percent of this tax of \$32,000,000,000 reserve fund or trust fund is \$12,800,000,000, and I would like to know how you are going to get around that.

When an individual is sick, the doctor leaves a bottle of medicine and says, "Take a teaspoonful every 2 hours and you will get well." The patient gets well, but every once in a while some fool comes along and swallows the whole bottle and dies. Some of these social reforms are all right, and I am in favor of them. If we take a spoonful at a time, we might get well; but I am wondering what will happen if we swallow the whole bottle. [Laughter and applause.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. DUNCAN].

Mr. DUNCAN. Mr. Chairman, Dr. SROVICH has just suggested to me that I state to the gentleman who just preceded me that it is sometimes necessary to try several kinds of medicine before you can find out what is wrong with a patient, and it might be necessary to give him a dose of each kind.

I do not think I have ever observed quite as much pessimism in all my life concerning the future of this country as I observe here today coming from our friends on the other side of the aisle. I am certainly glad that it is not catching. My friends over here are very much like the Arkansas traveler. When the sun is shining they do not need any roof on the house and when it is raining they cannot put one on.

I think if we are going to get anything out of this depression, the experiences we get ought to enable us to look into the future and make plans to prevent another one.

With respect to old-age pensions, I think every man and every woman in this House is agreed that we are going to have them. You know, I think the most unfortunate thing that has happened to this country is the fact that the hopes and aspirations of the old people have been built up to believe that they are going to get a lot of money, which every man who thinks sanely upon the question knows they are not going to get. The letters we get from the old folks in our districts are pitiful. They believe honestly in their hearts that they are going to get \$200 a month or \$100 a month.

Mr. MCGROARTY. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. Gladly, sir.

Mr. MCGROARTY. On what do you base your prophecy that they are not going to get it? What do you know about it?

Mr. DUNCAN. On the fact that this Congress is not going to pass such legislation, either now or at any time in the future.

Mr. MCGROARTY. How about the next Congress?



Mr. DUNCAN. The next Congress is the same way.

Mr. McGROARTY. How do you know?

Mr. DUNCAN. And for one, I want to say to the gentleman that I think the Membership of this country is not going to sacrifice the financial structure of this country upon the altar of political expediency. [Applause.] I believe this to be true. I think the Membership of this House is still thinking soundly and is not permitting itself to be carried away by any of the visionary schemes that are being suggested to bring us out of this depression.

We must all recognize that because of the depression there are thousands and thousands of old men and old women in this country who have lost their savings, who have lost their jobs and never again will they be able to have employment. I am one who does not believe the Government owes to any man a living, but it does owe to him the right to make a living for himself, and when the Government finds itself in the position where, through its own short-sightedness, he is not able to make a living, then we do owe him something and we are going to have to take care of him.

If you have an old-age-pension law that is national in its scope, and by that I mean exclusively financed by the Federal Government, it must apply everywhere alike, and every man in this House today realizes that conditions differ in different parts of the country. They differ in the different communities of your own States, or in different portions of your own States. I for one have long advocated an old-age-pension law of some kind, and I honestly want to see one passed and I want to support one here that can become a law. This bill can become a law and I think the Membership of this House is in the temper to pass it. I am comparatively new in the Congress. I am a new member on the committee that has worked on this bill for 11 long weeks.

The method of preparing the bill has been discussed by gentlemen on the other side of the House. I do not think there has been a bill come into the House since my Membership to which the committee has given more thought and made more changes in the bill than in this. It comes to you after weeks of labor and thought, the best that the members of that committee could work out.

The plan of old-age pensions will enable the States to determine their own problems. My own State is in the same situation that many others are in. It is difficult to get money, it is difficult to collect taxes, but they are paying the money for relief that can be used for pensions.

Mr. LUNDEEN. Will the gentleman yield?

Mr. DUNCAN. I yield.

Mr. LUNDEEN. Is this the Wagner-Lewis bill?

Mr. DUNCAN. This is the Wagner-Lewis bill, now the Doughton bill. Mr. Lewis and Mr. Doughton introduced the bill in the House, and these different bills were taken up by the committee, and we have spent 11 weeks considering all of them, and this is the result of that labor.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. DUNCAN. I yield.

Mr. VINSON of Kentucky. After 30 days hearings on these different bills, we went into executive session, and after weeks of consideration of other bills this H. R. 7260 was introduced, after we had made 13 different drafts.

Mr. DUNCAN. That is correct; and this bill is the result of that labor. After the consideration of these bills this was worked out.

Now, there is one provision of the unemployment insurance that I do want to discuss. A number of the States now have unemployment laws. It is fundamental to me that we cannot have unemployment-insurance laws in this country unless it is national in scope. You must place the States on a basis of equality in the matter of taxation, so that if one State fails to have unemployment insurance and a neighboring State does have unemployment insurance the industry in the State that does have such laws will not be penalized because of the fact. So the tax has been placed on all industry alike. So it will cause the employers and the employees to demand the passage of such laws, as they ought to do.

Do you know your Uncle Sam has outgrown his pants and we are obliged to make a new suit of clothes for him?

Some have gone along not knowing of any change in the economic conditions. They do not realize the changes that have come to us—that we are living under changed economic conditions. They sit at their desks and think that we are going back to the old order of things. If they continue, we will go on further and further into the depths of depression. [Applause.]

[Here the gavel fell.]

Mr. DUNCAN. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and include therein a statement by Dr. E. E. Witte.

Mr. TREADWAY. Mr. Chairman, I reserve the right to object. I shall not object to any ordinary statement that my colleague wishes to make but I should to the inclusion of statements made by people not in any way connected with the hearings.

Mr. DUNCAN. May I say to the gentleman that the statement I refer to is now in the report of the committee and it concerns the Townsend old-age-pension plan.

Mr. TREADWAY. Oh, the gentleman is making an extract from the committee hearing?

Mr. DUNCAN. Yes.

Mr. TREADWAY. That is satisfactory. I did not understand.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DUNCAN. Dr. Edwin E. Witte, executive director of the Committee on Economic Security, made an analysis of the Townsend plan which I think is of interest, and is as follows:

#### COSTS

The Townsend plan proposes that pensions of \$200 per month shall be granted to all citizens of the United States who are 60 years of age or over, other than habitual criminals, and who will forego all gainful occupation and agree to spend the pensions during the month in which they are received. No income or property limitations whatsoever are prescribed; even millionaires would be entitled to the Townsend pensions.

There were 10,385,000 persons over 60 years of age in the United States in 1930, as shown by the census of that year. At this time the number is considerably greater, being estimated at 11,562,000. The number of habitual criminals among the aged is very small and the number who are not citizens only about 600,000. While 4,155,495 persons over 60 years of age were in 1930 still "gainfully occupied", the great majority of these persons would gladly forego gainful occupation and agree to spend their pensions each month as received if they were assured a pension of \$200 per month. Even if one-fourth of all now gainfully occupied would refuse the pensions, the total number of the pensioners under the Townsend plan would still approximate 10,000,000. This is the figure for the number of pensioners most commonly given in the Townsend literature, although sometimes 8,000,000 is stated as the number to be pensioned.

If there are 10,000,000 pensioners, the cost is \$2,000,000,000 per month, or twenty-four billions per year, if there will be only 8,000,000 pensioners, these figures would be reduced to \$1,600,000,000 per month, or \$19,200,000,000 per year. Either figure is considerably more than double the present combined Federal, State, and local taxes, which in 1932 totaled only \$8,212,000,000. (Source: Annual Report of the Secretary of the Treasury, 1933, p. 306, and the report of the United States Census Bureau, Financial Statistics of State and Local Governments, 1932, p. 9.)

These figures would represent the costs only in the first year. Persons who reach age 60 still have more than 15 years of life ahead of them on the average. Under the Townsend plan the average pensioner would be entitled to \$200 per month for more than 15 years. Actuaries employed by the committee on economic security have computed that merely to pay pensions to those now 60 or over represents a cost to the Government of a present value of \$245,000,000,000, which is to be compared with a total estimated public and private debt of \$126,000,000,000 at the peak of the boom period in 1929. (Source: The Internal Debts of the United States, by Evans Clark, p. 10.) This total almost equals the entire estimated taxable wealth of the United States, which the report on Double Taxation in 1932 of a subcommittee of the Committee on Ways and Means of the House of Representatives in the Seventy-second Congress, second session, page 294, places at less than \$260,000,000,000, and is 50 percent greater than the actual assessed value of all property, found by this subcommittee to be \$163,000,000,000.

As the plan contemplates that not only shall pensions of \$200 per month be paid to those now 60 and over but also to all persons as they become 60, the actual liability assumed by the Government is much greater than this staggering total of \$245,000,000,000.

For many years to come the number of pensioners will increase each year, and the annual cost and total liability will mount rapidly.

#### TAXES

To finance the Townsend pensions, the McGroarty bill (H. R. 3977), which is the official Townsend-plan bill, provides that a 2-percent tax—which may be reduced by the President to 1 percent or increased to 3 percent—shall be levied "on the gross value of each business, commercial, and/or financial transaction", to be paid by the seller.

In the Townsend literature the claim is made that the total money value of all transactions in 1933 was 1,200 billion dollars, and the Fifty-fifth Statistical Abstract of the United States is cited as authority for this statement. The page where this information appears, however, has never been given, and a careful examination of the Fifty-fifth Statistical Abstract of the United States indicates that no figure for the total money value of all transactions appears anywhere in the volume. The nearest approach to such a figure is the total of all bank debits, representing the total of all business transactions in which bank checks, drafts, etc., are used, in the 141 principal cities of the country, which in 1933 was \$304,769,000,000. (Source: Statistical Abstract of the United States, 1933, p. 254.) It is estimated by Mr. Horbett, of the Federal Reserve Board, that the debits of all banks outside of the 141 principal cities are one-third of those in these cities. On this assumption, the total of all bank debits in 1933 was \$442,000,000,000, while, roughly representing the total of all "business, commercial, and/or financial transactions", not all of this amount will be taxable under the Townsend plan, as it specifically exempts "salaries for personal services." Allowing for this exemption, approximately \$400,000,000,000 of transactions would have been taxable in 1933. At the 2-percent rate in the McGroarty bill, this tax would have yielded \$8,000,000,000, or about one-third the amount needed for the Townsend pension. A rate, not of 2 percent or 3 percent, as provided in the McGroarty bill, but of 6 percent is indicated as necessary for the payment of the Townsend pensions on the basis of 1933 money value of all transactions.

Even a 2-percent rate on the money value of all business, commercial, and financial transactions, to say nothing of a 6-percent rate, is so heavy that it would stop all business and could not possibly be collected. It would mean a tax of 2 percent of the face value of every check written in the course of ordinary business transactions. It would apply to manufacturers' sales, wholesalers' sales, and retail sales, and for nearly all commodities would represent a duplication of taxes, which, inevitably, would have to be added to the price paid by the consumers. In glassware, for instance, 11 transactions are customary between the producer of the raw materials and the consumer. On all of these transactions there would be a 2-percent or 3-percent tax, and at each stage something more than the tax (to allow for investment and handling charges) would be added to the price.

Such increases in prices would have a pronounced tendency to restrict purchases. Many other types of transactions would be rendered entirely impossible, while in the Townsend literature the claim is repeated time and again that a very large part of the entire cost of pensions would come from the sale of stocks and bonds, the probable effect of a tax of 2 percent (or 3 percent) on the money value of all sales of securities would be to close all stock exchanges, since the margin at which business is done on these exchanges is much less than 2 percent. A tax of 2 percent on the money value of all transactions would dry up the sources of revenue and would probably produce much less than the \$8,000,000,000 per year indicated as the probable yield on the basis of the 1933 business of the country. In fact, it is doubtful whether such a heavy tax could be collected at all.

#### ADMINISTRATIVE PROBLEMS

Aside from the difficulties of collecting three times the amount of the Federal, State, and local taxes combined (which, as noted, would require a tax rate not of 2 percent but of 6 percent on the money value of all business, commercial, and financial transactions) the Townsend plan involves other great administrative difficulties. It provides that all sellers shall be licensed by the Secretary of the Treasury. The Bureau of the Census in 1933 had a record of 2,359,497 establishments engaged in manufacturing, wholesale and retail trade, hotels, service industries, and places of amusement, and this is by no means the entire number of sellers who would have to be licensed and from whom taxes would have to be collected monthly. Provisions would also have to be made for up-to-the-minute lists of pensioners and their identification, to prevent frauds. Under the McGroarty bill further local pension boards would have to be set up in each of the 3,071 counties, and approximately 3,500 wards in cities of the country.

Most difficult of all would be the necessary checking to see that the 10,000,000 pensioners all spent their \$200 within the month in which received. This would require going into the private affairs of the pensioners to an extent never before attempted, and would necessitate a vast army of additional Government employees.

#### FINAL APPRAISAL OF PLAN

The Townsend advocates base practically their entire argument on the "revolving" feature of their plan. If there does not result from the plan a very great increase in incomes and in the money value of transactions, the promised pensions cannot possibly be paid for any length of time without wholesale inflation. The total income of all of the people of the United States in 1933 was only \$46,000,000,000. The people who are over 60 years of

age are less than 9 percent of the entire population of the country. The Townsend proposal consequently might be described as a plan under which more than half the national income is to be given to the less than 9 percent of the people who are over 60 years of age. Unless there is a very great increase in the national income, this could be done only through reducing the incomes of the people under 60 years of age by approximately one-half.

The Townsend advocates claim that such a result will not be produced, because business will be enormously stimulated through placing such a large amount of money in the hands of the old people to spend within the month in which received. They say nothing about the fact that the people under 60 will have approximately the same amount less to spend, as they will have to pay in taxes the amount which the people over 60 will get in pensions.

The Townsend literature states that the United States Government would have to pay only the \$2,000,000,000 required for the first month's pensions and that the plan would thereafter be self-sustaining, because it would create enough new business to return to the Government the entire pension costs without burdening the taxpayers. As the rate of tax proposed is only 2 percent, it is manifest that the \$2,000,000,000 paid out in the first month would have to increase to one hundred billion during that month to justify the expectations of the Townsend advocates. The Townsend plan contemplates that pensioners shall spend their money within the month in which received—that is, that all of the pension money shall be turned over once during the month—but in order to produce sufficient revenue to pay the pensions of the second month, without burdening the people under 60, there must be 50 turnovers of the pension within the first month.

Even the Townsend advocates acknowledge that this is impossible, but they are reduced to the dilemma either of burdening the people under 60 with heavy taxes, which will greatly reduce their incomes, or of having the Government pay the pension costs for a much longer period than the first month. Since it is inconceivable that the people under 60 would submit to have their incomes reduced by one-half, the latter course is the only possibility. This will mean a rapid increase in the national debt and, in effect, pronounced inflation.

Through inflation it may be possible to keep up the pension payments for some time. The final result, however, cannot be in doubt. The inflation and duplicate taxation involved in the Townsend plan will cause prices to soar, and soon, even with \$200 per month, the pensioners will not be better off than they were before, while those below 60 will be immeasurably worse off. The Townsend plan is one which involves not only revolving pensions but revolving taxes. It is a plan which arouses great hopes, but actually will give the old people little or nothing.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Illinois [Mr. KELLER].

Mr. KELLER. Mr. Chairman, I am very much delighted to know there are so many students of Jeremiah in this body. I did not know it before. It does seem to me that we ought to face this question as a real current matter of very great importance. It seems to me we ought to view this as a great step which the American people have had a right to take for many years past, and that we are just now seeking to take it. Naturally, there would have been, and there has been, a very great divergence of opinion as to how to go at this thing, how far we should go, and what will be the result, whichever way we did go. In 1913, as a member of the State Senate of Illinois, I had the great pleasure and honor to put forward in that body an old-age-pension bill. The bill failed because the people of Illinois were not ready for it at that time. The first session that I came into this body I became a member of the Labor Committee, and I put forward an old-age-pension bill which came before that committee. That bill provided for \$30 a month.

When this session came upon us I did another piece of work that I want to put on record here. Having learned from long experience with hearings before the Labor Committee during the past two sessions that we were not thoroughly together on our ideas of what part the State ought to bear and what part the Nation ought to bear, the first thing I did was to write to every Governor of every State in the Union. I received 30 answers from 30 Governors within the first 10 or 15 days.

I turned those letters over to Dr. Witte, Chairman of the President's Committee on Welfare, which was working on this bill at that time. It will be of interest to note that of the 30 answers I received, 28 specified in their belief that \$30 a month was the best figure. One advocated \$40 a month, as the amount that ought to be paid, and one said that no amount whatever ought to be paid. The remaining answers, or several of them, came in after that and were turned over to that committee; but of the first 30 alone I kept account. I was convinced, therefore, that the amount

that many of us had thought of was correct, because most pension bills put forward had been to that extent alike; and why? For this simple reason: To my mind the first thing to do when studying a bill which we hope to become law is to find out what we can do for a certainty, and then when our experience has increased, when we know we can do better, then go ahead and do better.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Yes; certainly.

Mr. VINSON of Kentucky. Certain gentlemen have objected to the burden upon employees in the payment of 3 percent in 1945 to secure old-age benefits. As I recall, the gentleman was a leader in the fight to secure retirement benefits for the railroad workers of this country.

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

Mr. VINSON of Kentucky. I would like to have his opinion as to whether or not the workmen of the country would appreciate the opportunity to build up a fund for old-age benefits.

Mr. KELLER. I thank the gentleman for the question, because it has a bearing here, and it ought to be considered in this body at the present time. I think I received no less than 50,000 letters from the railroad workers all over the United States, and to say that they were unanimous in the opinion that they ought to have the right to build up an old-age-retirement fund is entirely within the truth. They did stand for that, and they do stand for it now. Not only that but we found also that the railroads themselves had been establishing railroad pensions all over the country, and that 90 percent of the entire mileage was already paying a pension of some kind. So we did the thing that occurred to us as being rational at that time. We divided the burden as you have divided it, as I understand it, in this bill. We put on industry, on employers, a two-thirds burden, and put one-third on the men, and that ought to be fair, because that is the way it figures out in practice.

But we are going to go much further along that line; it seems to me that anyone who studies clearly and uses his vision cannot doubt that at all. We are going further, and we are going to take many steps of which this is just the first one, and the political party that fails to see that will not get back, even in 1970.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Surely.

Mr. LUNDEEN. I think the gentleman deserves a great deal of credit for having introduced an old-age-pension bill 22 years ago. Did that bill provide for paying \$30 out of the National Treasury?

Mr. KELLER. The bill was presented 22 years ago in the State Senate of Illinois and was for a State old-age pension.

Mr. LUNDEEN. Then the gentleman introduced one here?

Mr. KELLER. Yes. The bill I introduced here was purely a national old-age-pension law in which the Government should pay the entire amount.

Mr. LUNDEEN. Out of the National Treasury?

Mr. KELLER. Yes, sir.

Mr. LUNDEEN. I agree with that.

Mr. KELLER. I am going now to disagree with myself upon that.

I am going to say that the committee has done a wiser thing than I had sought to do, though we are looking at the same subject with the same object in view. That is this: I was perfectly willing that the Government should pay, but when I came to study it over I had to agree that as a matter of organization, the people in the locality know what ought to be paid to the different ones better than any possible Government agency. As I understand it, that is the view of the committee, and I think it is a wise view. I think it is the only rational thing to do.

Mr. LUNDEEN. Will the gentleman yield?

Mr. KELLER. Certainly.

Mr. LUNDEEN. Should not all American citizens be treated alike?

Mr. KELLER. I agree with the gentleman, because, let me confess, I am a nationalist, broadly speaking, but I must, nevertheless, understand and keep in mind that there is a reason for the existence of the States and their sovereignty as it has existed. I am not going to overlook that fact. I must hold that in mind as a matter of plain, ordinary horse sense.

Mr. COLDEN. Will the gentleman yield?

Mr. KELLER. Gladly.

Mr. COLDEN. As a student of old-age pensions for many years, I would like to ask the gentleman if he believes there is a relationship between the amount that can be paid and the national average or per capita income?

Mr. KELLER. Oh, yes; there is no question about that. Answering that, I want to say further that I took up with Dr. Witte, head of the President's committee, which worked out much of the information these gentlemen have had the pleasure of using, the proportion that the Government ought to pay. I wrote him insistently saying that in my judgment the Government should pay 75 percent instead of 50 percent. When I was told that the administration would stand for 50 percent and probably no more, I made this suggestion, and I want to suggest it to the committee. That is, that at the beginning, we will say, while so many of the States are in practical bankruptcy, the Federal Government should pay 75 percent and let the States pay 25 percent; and then reduce the amount which the Government pays and increase the amount which the States pay during a series of years, according to what we think is good judgment.

I want to say to you here if this body does what I believe it will do, we are not going to get excited over any part of this pension bill. We are not going to quarrel over nonessentials. We are not going to mix the thing, as has been done to a remarkable extent by the speakers who have preceded me, especially on the Republican side. We are not going to submit to any mixing of the facts in this case. We are going to insist, I am sure, on keeping the record entirely straight, in thinking this thing straight through. The reason I am speaking of that especially is this: I have, as you all know, been against what we call "gag rules", and I am going to remain against them, because I have said from the beginning that I have never seen a bill pass this body under a gag rule that would not have passed this House under the most liberal possible rule, and to the advantage not only of this body itself, to its dignity and to its duty, but to the very great advantage of the American people, because, after all, if you think the American people are not following the doings of this body you had better guess again and wake up. They are studying what we are doing. They are reading what we are saying here. They are forming opinions of what we express, and about us from our consideration of them.

Mr. MARCANTONIO. Will the gentleman yield?

Mr. KELLER. I yield.

Mr. MARCANTONIO. I realize the gentleman is an authority on the question of old-age pensions and unemployment insurance. I call the gentleman's attention to the testimony of Miss Perkins before the Senate Finance Committee at page 117, as follows:

Senator BLACK. Miss Perkins, I want to ask you one or two questions. Senator COUZENS brought up the question as to the imposition of contribution on the people at work. Is it not true that the tax employed under the bill necessarily is, in the main, a tax on the people at work?

Secretary PERKINS. Well, it will not be collected directly from them.

Senator BLACK. Certainly.

Secretary PERKINS. You mean, sir, I suppose, that it can be translated into the price?

Senator BLACK. Most of the consumers of consumable goods, are they not the people of low income?

Secretary PERKINS. Yes, sir.

Senator BLACK. Then is it not true that under this tax, as imposed, it will, in the main, be loaded upon those who purchase consumable goods and therefore will, in the main, be loaded upon those with smaller incomes?

Secretary PERKINS. Yes, sir.

What is the gentleman's opinion about that?

Mr. VINSON of Kentucky. Will the gentleman read the next two sentences?

Mr. MARCANTONIO. Certainly. [Reading:]

Senator BLACK. Then is it not true that up to that extent it does not increase the aggregate purchasing power of the Nation? Secretary PERKINS. I think it will increase the purchasing power.

Does the gentleman want me to read further?

Mr. VINSON of Kentucky. The gentleman is a good reader.

Mr. MARCANTONIO. It does not modify what I read at all.

Mr. KELLER. I think there is no question but what Miss Perkins answered entirely correctly. I do not think there is any dispute in the minds of the Members on that subject. What I am trying to do most of all is to keep this thing perfectly clear in mind. I am talking mostly, as you understand, for a direct old-age pension. I have very specific ideas on the possibility of unemployment insurance. My honest belief is that there is only one possible effective unemployment insurance, and that is the guarantee of a job for every man and woman who wants to work. That is my opinion of it, but I am not injecting that here, because I am going along with this bill. This same idea that we are putting forward here has been tried already in a number of countries with some success; not a lot of success, but some success. I think the United States is going to step forward, far ahead of any other country along that line, within the very next few years.

I am glad to see this step taken, however.

Mr. HOUSTON. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. HOUSTON. Does the gentleman know what percentage of the pay roll is required to build up this fund for future unemployment insurance or old-age pensions?

Mr. KELLER. I have not studied that matter sufficiently to answer the gentleman directly. I think if the gentleman will study the hearings he will find it explained much better than I can give it. I would not like to answer a question I have not studied specifically.

Mr. HOUSTON. Who pays this, may I ask?

Mr. KELLER. As I understand it two-thirds is paid by industry directly and one-third by the man who receives the benefits.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 additional minutes to the gentleman from Illinois.

Mr. HEALEY. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. HEALEY. For the purpose of the RECORD will the gentleman, if he has the information, kindly state how many States now have old-age pension laws in effect?

Mr. KELLER. Twenty-eight States now have old-age pension laws, but they are just like my State. We have pensions for the blind and pensions for widows, but we are not paying them, and it is for that reason I say now that the Federal Government ought for the next 4 years to pay a minimum of 75 percent so as to induce the States that are hard up, and Illinois is hard up, to resume payments and other States to begin the system. I believe it would be a very great incentive. Does that answer the gentleman's question?

Mr. HEALEY. May I ask one further question?

Mr. KELLER. Certainly.

Mr. HEALEY. The enactment of this legislation will assist those States which are actually paying old-age pensions.

Mr. KELLER. Of course it will, and it will help the others that have not enacted such laws to enact them.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. DOUGHTON. Is it not a fact that this is the first administration and the first Congress that has taken any step at all so far as national assistance is concerned in the direction of old-age pensions?

Mr. KELLER. Of course it is.

Mr. DOUGHTON. Other administrations have made the State carry this whole burden, which we all know is a heavy burden and which, if it is to be universally applied, must have a national set-up and Federal help.

Mr. KELLER. Mr. Chairman, I want to say to the gentleman from North Carolina, the Chairman of the Committee on Ways and Means, which wrote and reported this social-security bill, that if this bill becomes a law, and it will become the law, the gentleman has connected his name with a thing that will bring such fame to him as he at the present time does not dream of. [Applause.] That is true, gentlemen. I am not handing an empty compliment to the Chairman of the Committee on Ways and Means. This is the first step, and it is a great step and a wise step, but it is not the only step, for we shall take more as we go along.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. DUNN of Pennsylvania. If this bill is enacted into law in its present form, will it provide pensions for those people who have attained the age of 65, but who have not contributed to the fund?

Mr. KELLER. Yes, certainly. The old-age feature of the bill is just a plain, straight-out old-age pension. We are mixing here, of course, old-age pensions and old-age benefits; but the old-age-pension feature, I may say to the gentleman from Pennsylvania, is just a plain, straight old-age pension right straight out of the Treasury of the United States.

Mr. DUNN of Pennsylvania. When will the payment of these pensions begin if this bill is enacted into law?

Mr. KELLER. It goes into effect the 1st day of July, as I understand it, but it actually goes into effect on the 1st of January, as soon as the set-up, the organization can be gotten together and arrangements made to administer the law, and the names of those eligible have been gathered. It will be a New Year's gift to the old people of America from Uncle Sam.

Mr. DUNN of Pennsylvania. Will the gentleman yield for one further question?

Mr. KELLER. I yield with pleasure to my colleague on the Labor Committee.

Mr. DUNN of Pennsylvania. Will the citizens of those States that do not provide pensions themselves derive any benefits under this act?

Mr. KELLER. Not until those States pass appropriate laws.

Mr. DUNN of Pennsylvania. Suppose those States should refuse to pass legislation granting pensions, what would happen?

Mr. KELLER. The citizens of those States at the next election would vote against incumbent officials, and put in other officials who would pass such legislation; there is no question about that.

Mr. DUNN of Pennsylvania. I believe the real solution of the problem would be for the Federal Government to pay adequate old-age pensions regardless of what the States may do.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. LUNDEEN. Is not the statement of the gentleman from Pennsylvania an added argument in favor of the Government paying these pensions?

Mr. KELLER. I may say to the gentleman I suggested that, of course.

Mr. LUNDEEN. Just one other short question. President Green, of the American Federation of Labor, described the Wagner-Lewis bill as pitiable and utterly inadequate. Will the gentleman say that this characterization applies to the Doughton bill?

Mr. KELLER. I do not think so.

Mr. LUNDEEN. It is a different bill.

Mr. KELLER. The truth of the matter is that in my last campaign I made speeches all the way along the line for an old-age pension, and I stood for \$30 a month. I have not

yet received a single letter from the large number of aged people in my district objecting to that. They are all only too glad to think they are going to get it.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. DONDERO. The gentleman stated that 28 of the States pay \$30 a month old-age pension. Is that about what they think the Government can carry out?

Mr. KELLER. That is true, of course, but the States have not specified that in their laws. Twenty-eight out of 30 of the governors of the States to whom I wrote to get a cross section of State administration views on the whole matter gave me as their opinion that \$30 was the most practical amount and that the Federal Government should pay from 50 to 75 percent, and some went even as high as 80 percent.

Mr. WOOD. Mr. Chairman, will the gentleman yield for one question?

Mr. KELLER. I am anxious to continue with my statement, but I yield for a question to another of my colleagues on the Labor Committee. Make it a straight question, please.

Mr. WOOD. I wish the gentleman would tell me wherein William Green, president of the American Federation of Labor, has testified before any committee that the Wagner-Lewis bill is a pitifully inadequate bill.

Mr. KELLER. I do not know.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. COOPER of Tennessee. Further extending the observation of the gentleman from Minnesota, I believe it is but fair to say that in the statement of Mr. Green, the president of the American Federation of Labor, when he appeared before the Ways and Means Committee, in his remarks on the question of unemployment insurance which is contained in this bill under title III, he stressed two particular points:

One was that the funds should be pooled in the States and not allow company reserves, and that is carried forward exactly as he suggested here. The second point was that the amount of the excise tax should be levied upon the pay rolls to be paid by employers, and it is exactly provided in that manner in this bill.

Mr. KELLER. I thank the gentleman for his observation.

Mr. TREADWAY. Will the gentleman yield?

Mr. KELLER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. I want to clear up just a little uncertainty in my own mind as to the statement the gentleman made with reference to when any of these old-age payments will reach the individuals. I understood him to say very shortly.

Mr. KELLER. No. I stated the law would go into effect on the 1st of July, and it would take until about the 1st of January before the entire machinery is set up, and bring the money really into the hands of those who need it. That is my own judgment.

Mr. TREADWAY. May I call the gentleman's attention to two provisions in the bill? One is that an appropriation is authorized for the fiscal year ending June 30, 1936. That is in section 1. Then in section 3 the Secretary of the Treasury is authorized to make payments to States which have an approved plan for old-age assistance. In other words, the plan of the States must be approved by the Social Service Board before the States are eligible to receive Federal assistance.

Mr. KELLER. Certainly. It would make for chaos if they were not provided in that way.

Mr. Chairman, there are two bills I want to talk about, namely, the Townsend bill and the Lundeen bill. I am not excited about nor am I disgusted with either one. The truth of the matter is that I have read everything that has been sent to me on this subject, and that has been plenty, which would enlighten me. I have received many letters along this line, and I want to say that the Townsend bill as it first came before this body was, in my humble judgment, a wild

plan. May I say to the gentleman from California [Mr. McGROARRY], that since he has worked it over it can no longer be termed a wild plan. On the contrary, it is a very intelligent presentation of an idea. However, it is not an idea, in my judgment, that we are in position to accept at the present time because I believe we have to go to work and make money before we can pay out the money. It may be because of my lack of vision, but I do not see that by spending money in the way suggested in that bill that we will start things going.

[Here the gavel fell.]

Mr. DOUGHTON. I yield the gentleman 2 additional minutes.

Mr. KELLER. For this reason, I have been fighting for the right to give men jobs in this country. When you put everybody to work and restore your national income to where it was in 1928 or 1929, prior to the panic on the New York Stock Exchange in October of 1929, then we are ready to look at some of these plans; then we are ready, Mr. Chairman, to consider providing what we might call an adequate pension out of this pension bill. We can do that after we have had experience. In my judgment, we are not ready to do that until we have put men to work, and until we have found out just what we can do.

The Lundeen bill is an idea, and it is a broad-gaged idea. It is an idea that is worth the time of any Member on this floor giving attention to, because I am not willing to say it might not hereafter become the ideal plan to be adopted by the American people when we have arrived at the place where we can consider it as a possibility. It does seem to me that we should pay this pension here provided for now, and increase the payment, if found to be inadequate, until the pension becomes adequate. That is the way American people do things.

Mr. Chairman, may I say in closing that we ought to keep our heads entirely clear. We ought to know that a vote for this bill, whether we can agree with all parts of it or not, is going to be a vote for the most forward-looking piece of legislation in the history of the American Government. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. SAUTHOFF].

Mr. SAUTHOFF. Mr. Chairman, I am going to address most of my remarks to the gentlemen on the Ways and Means Committee, because I am in favor of this bill. As I have read it and studied it, however, I have come to the conclusion that there ought to be some changes, and I come before the Committee now in a spirit of friendly cooperation in order to try to do something constructive to aid the bill, not in an attempt to tear down the bill by vicious criticism that offers nothing in its place.

We of Wisconsin have had nearly every bit of this legislation in our State, some of it for 20 years, and we claim that we have the finest State in the Union, at least as far as social security is concerned. [Applause.] We challenge comparison with any other State in this respect. In fact, up to this year we were the only State in the Union that had unemployment insurance.

Mr. Chairman, these various social, economic, and industrial measures I have heard debated for 35 years in my State, and invariably the only argument that was ever advanced against such legislation was that it would destroy industry. We do not destroy industry and we never have destroyed industry in the State of Wisconsin. I well recall back in 1911 and the years immediately preceding when we had the fight for workmen's compensation. The same battle was waged against that measure that has been waged against all social-security legislation in our State, namely, that it would destroy industry in the State. Well, we adopted the Workmen's Compensation Act. We were called the "Guinea Pig State" and the State of experimental industrial legislation, but we have lived to see the day that not only the other States of the Union have adopted this legislation but the Federal Government in addition has also adopted it. [Applause.] Furthermore, we are better off today than the majority of

our States. Not one child has been denied education because of lack of funds, and all this we have done without one dollar of bonded indebtedness. That is an exceptional record, especially in these difficult and trying times.

Mr. Chairman, I do not expect that this is going to be a perfect piece of legislation. My own personal experience, both in drafting legislation, in debating it, and in voting on it, has led me to the conclusion that no legislation is perfect when it is first passed. That is the common experience. We have to change all of the laws. We will have to change this bill if we pass it in its present form. As time goes on it will be improved with experience. Trial and error will point the way for us to take in the future. Coming generations will have different problems to meet in this respect, just as our problems differ from those of a previous generation. Let them deal with their problems when they face them, just as we are dealing with ours as we face them.

Mr. Chairman, I am in favor of passing this legislation, not because I believe it to be perfect, but because it is a beginning of a new era for the less fortunate and the under privileged.

My anxiety about this bill is this: It is a splendid forward step in the march of progress in social security. [Applause]. I want to keep on with that forward march just as long as we can possibly do so. I appreciate the fact that there are those who would prefer to pass only old-age pensions and discard all the rest of this splendid program. I am not unmindful of the fact that there are those who would pass only some legislation on unemployment insurance and discard all the rest of this program.

As far as I am personally concerned, the 9,000,000 children who come under this beneficial legislation are more important than either the old-age people or the unemployed, because we have taken care of the unemployed with the \$4,880,000,000 work-relief bill. It now remains for us to make some substantial contribution to the future in securing not a temporary relief measure, but a definite, permanent, social-security plan, and this is it.

I now want to ask a few questions of the committee in regard to this matter and may I say to the members of the committee I have received two telegrams today, both from my home at Madison, Wis. One is from John Callahan, the superintendent of public instruction, addressed to me. He says:

I am hoping for the passage of H. R. 7260, especially interested in title 5, parts 2 and 4.

JOHN CALLAHAN.

Then this other telegram:

Nine thousand, five hundred crippled children and over 14,000 physically-handicapped juveniles and adults in Wisconsin plead your help. Urge title 5, part 4 and part 2, relating to vocational rehabilitation and services for crippled children as included in H. R. 7260.

W. F. FAULKES,  
State Supervisor, Vocational Rehabilitation.

Now, if the gentlemen of the committee will bear with me, I will try to get a little help from them in respect to some of the provisions that I think ought to be changed.

In the first place, I am not satisfied with the contribution of \$50,000,000. I think it is utterly inadequate. I cannot lend myself to a program in this House, which has voted and will vote for \$1,500,000,000 for the Army and the Navy and less than \$100,000,000 for this entire social security set-up. This is why I say that in my judgment it is utterly inadequate and will not take care of the wants and the needs of those whom it seeks to help.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. SAUTHOFF. I cannot refuse the gentleman, but I would prefer to continue.

Mr. COOPER of Tennessee. I understood the gentleman was directing his questions to members of the committee.

Mr. SAUTHOFF. That is all right; go ahead, I yield.

Mr. COOPER of Tennessee. I did not want to intrude upon the gentleman, but I understood him to say he wanted to direct his questions to members of the committee.

Mr. SAUTHOFF. That is correct and I yield.

Mr. COOPER of Tennessee. On that point I invite the gentleman's attention to the fact that 29 States and 2 Territories now have old-age-pension laws. The total amount that is used for all of these purposes is \$31,000,000. Of course, this represents over one-half of the States of the Union. The best estimates of those who were in a position to know more about it than anybody else assured the committee that the sum of \$50,000,000 for the first year, when we know that many of the State plans cannot be put into full operation, would be ample and sufficient to take care of that length of time.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. COOPER of Tennessee. And, of course, in future years the gentleman will observe there is no limit set at all. The amounts necessary are here authorized to be appropriated.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. SAUTHOFF. Thank you very much, Mr. Chairman.

On page 3, lines 5 and 6, referring to the language in parentheses, I think the civil service is omitted there, and with respect to subsection (7) under (a), I have the feeling that in the case of homesteads there should be an exemption on homesteads for the benefit of the surviving spouse. It should not be possible, upon the death of the husband, to sell the homestead of the widow. Let her live in the old home the balance of her days.

On the next page, in lines 23, 24, and 25, beginning with "not counting" in line 23, and ending with "\$30" in line 25, we ought to strike that all out of the bill. I am in favor of raising the amount and would make no limitation on the States, but permit them to provide more generously, and the Federal Government also.

This, of course, is a matter of personal opinion, but I have the feeling that \$30 is not adequate, and secondly, I want to give the States all the possible help I can in passing their own legislation.

On page 9, line 4, beginning with "on the date he attains the age of 65", I feel there should be a limitation there restricting it to those who have retired, in order that it might bring out what I conceive to be one of the purposes of this bill, namely, by taking those that have attained the retirement age out of employment, so as to make room for others that need the work, and thereby create more employment by getting rid of those who retire.

Mr. VINSON of Kentucky. Referring to the objection the gentleman had to the \$50,000,000 appropriation, I might say that that is for the first year. The second year, the Federal fund would be \$104,000,000, and in 1945, it goes to almost \$450,000,000.

Mr. SAUTHOFF. Yes, I understand that; I have read the report. Now, on page 14, in the exemption in subsection 7, I am somewhat concerned that the exemption of private industry plants might endanger the whole program. I say this because you can pass Federal legislation only on the grounds of interstate commerce or taxation, and such taxation must be uniform.

I want to refer to one thing more. On page 18, I want to ask this question. The 500,000 families now on relief will be eligible under this title, will they not?

Mr. VINSON of Kentucky. Yes.

Mr. SAUTHOFF. On page 20, line 20, you have one-third of the total amount expended. I am assuming, and I may be right or wrong—I am assuming that probably the original theory was that the Federal Government should supply one-third, the State one-third, and the county one-third. Was that the original idea?

Mr. VINSON of Kentucky. It may be done that way. In Wisconsin the average amount for each child would be \$10.13. This would permit the amount to be increased to \$15.13, with the Federal contribution of 50 percent paid by the State.

Mr. SAUTHOFF. Here again I have the feeling that the amount is inadequate. Eighteen dollars per month for a young mother with a minor child is utterly insufficient to

supply even the barest necessities of life, and I therefore feel that we should raise this amount to a sum sufficient to supply their needs, without forcing the young mother out of the home to earn enough to support herself and her baby.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. HULL].

Mr. HULL. Mr. Chairman, the Chairman of the Rules Committee warned yesterday that "there is going to be a day of reckoning for the people who are advocating this Townsend plan when our poor, distressed people wake up to the situation and find the snare and the delusion they have been drawn into."

At about the same hour a prominent official of the administration was testifying before a congressional committee, and in effect said that a law which fails of its purpose was worse than no law at all.

This so-called "security bill", if passed in its present form, will bring "the day of reckoning" to those who are playing fast and loose with the demand for old-age pensions. It will be another of the laws which so fail of their purpose that they are worse than no law at all. The bill covers unemployment insurance and other features which, if amended, may offer an excuse for its consideration. Its provisions as to old-age pensions are wholly insufficient, the appropriations are inadequate, and the results which will follow its enactment will be both insufficient and inadequate.

Regardless as to how people may differ as to the Townsend plan, or what may be their opinion of the original McGroarty bill, or of the new bill presented by Mr. McGroarty which greatly modifies and changes the plan of the original measure, it must be conceded that the millions of people who have organized the movement are sincere in their advocacy of the plan, both as to the relief for the aged and the business recovery which they believe their measure will bring about. Along with other old-age pension organizations, they have been influential in forcing the issue into national attention, which they would not have been able to do but for deplorable situations which surround six or eight millions of old people, who, after giving their best years to the development of their Nation as well as to that of their home communities, now are facing the poorhouses or various emergency relief agencies in order to keep body and soul together.

In answer to the demand of the millions who have petitioned Congress for this form of governmental aid, this bill is offered. It purports, among other things, to provide national aid to States for old-age pensions. In fact, it merely seeks to reduce the present emergency-relief allowances by the Government by taking the aged and unemployable from the regular relief rolls and placing them on a new relief roll, and taxes the States for one-half the cost. It will empty no poor houses, it will not lessen the burdens of municipalities whose depleted treasuries have been so drawn upon during the depression, it will offer no assistance to a multitude of old folks who have labored long and earnestly to provide for their own declining years but who now, through no fault of their own, are unable to carry on.

This bill provides \$49,750,000 for old-age benefits. It is expected that States will provide a like amount, bringing the total fund to \$99,500,000. Divided among all the six millions who have attained the age of 65 years, the amount to each would be \$16.58. Assuming that only one-fifth the number of people might desire to apply for old-age benefits the allowance would not exceed \$82.90 per annum. And that would be the amount which both State and National Governments would be required to furnish under this measure. The bill would limit the allowance to \$30 per month, but with the total appropriation at less than \$100,000,000, not one-fourth that sum could be paid each individual. The bill, therefore, seems to indicate that a much smaller sum will be allowable.

The total appropriations for national expenditures at this session of Congress will exceed \$9,000,000,000. There are still about \$2,000,000,000 available for expenditure from the appropriations of the preceding Congress. The appropriation

for work relief and business recovery is close to \$5,000,000,000. Still, when 6,000,000 of our good people ask for a reasonable but adequate old-age-pension law, their demand is met with the proposal that they may have \$49,755,000, and we are warned by the White House that the amount must not exceed that figure.

We are building a billion-dollar Navy. The profits which will go to the builders and those furnishing materials and munitions will be \$200,000,000 or more. From the Senate investigation of the profits of munition makers and armament manufacturers it is likely that more than 20 percent of the cost of the billion-dollar Navy will go to the making of more millionaires. This bill would give only the amount which will be expended on a couple of warships for old-age pensions.

It is estimated that half the \$4,000,000,000 about to be expended for work relief under the President's direction will go to the purchase of material for construction purposes. Under the provisions of the N. R. A. codes, there must be allowed a profit of at least 10 percent. Nobody believes that a mere \$200,000,000 will be all the profits which will go to the great corporations which will furnish the steel, cement, machinery, and other purchases made for the construction program. Profits are conspicuous features in Government work.

The House has just passed a river and harbor bill for \$162,000,000, which carries \$59,000,000 for the improvement of a couple of canals, nearly \$10,000,000 more than this bill provides for old-age benefits.

Recently a bill was rushed through the House adding \$38,500,000 to naval appropriations, which will be expended for new buildings, drydocks, and, among other things, for palatial homes of naval officers at various points. From the P. W. A. funds allocated to the Navy by the President last year, over \$119,000,000 are still available.

Under the relief program about \$700,000,000 will be spent upon 600,000 young men in the C. C. C. camps the coming year. However laudable may be that expenditure, the funds to be spent will be 12 times as great as the appropriation in this bill for those of the 6,000,000 of aged people, who have lived, worked, and paid taxes for a lifetime and now are in dire need.

These are only a few instances of what the huge appropriations of this Congress will include.

The best feature of the bill before us is that it may be amended, drastically amended, if Congress wakes up to the problem and votes in the amendments. The total appropriations should be increased manyfold. The entire fund should come from the Federal Government. The requirement for State contribution should be eliminated. The amount of old-age benefits should be sufficient for its much-needed purpose. A nation that can spend billions for war preparations can and should be able to care for the aged and infirm.

The demand for old-age pensions cannot be met by bluffs and gestures. This bill is hardly either in its present form. [Applausc.]

Mr. THOM. Will the gentleman yield?

Mr. HULL. If I have time.

Mr. THOM. I call attention to the fact that under the law providing for the enlargement of the Navy the profits are limited to 10 percent.

Mr. HULL. In 1935 you had \$38,000,000 for auxiliary cruisers. How much profit was there?

Mr. THOM. The law restricts profits to 10 percent.

Mr. HULL. The law is one thing, but the administration of it is another when you come to naval appropriations.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman and gentlemen of the Committee, if you will permit me to finish my statement, and then get me additional time, we will open the whole matter for a free-for-all as far as questions are concerned.

Mr. Chairman, I trust this Congress will not adjourn until it has passed a comprehensive and effective old-age-pension

law. There will be many plans before us, and the advocates of each will insist upon their method as the only method open to us. We need to have patience—we need to exercise a charitable attitude toward those who may disagree with the plan offered by someone else. Personally, I am an advocate of the McGroarty bill, known in this House as "H. R. 7154." In my judgment, the plan proposed in that bill is the best plan before the American people, and it was introduced in this House by one of the ablest men who ever was honored to sit in this Congress. Often I have heard some Member say, "This horrible, this visionary, this ill-considered Townsend bill." Members who are ignorant enough to say that, or make similar statements, are not to be censured but pitied. I trust I have sufficient training and experience in life as to prevent me from making any such rash statements concerning any bill intended for the relief of any class of our citizens. While an advocate of the so-called "McGroarty bill"—Townsend bill—I hope I have the good sense to keep an open mind throughout this debate and thus be in a position to exercise my best mental power to contribute my small part to the accomplishment of a long-delayed task—that of providing security for the aged of this country.

Just criticism of the bill before us is, no doubt, welcomed by the sponsors of the measure, but I hold that this criticism should be constructive and emanate from worthy motives, and not be brought forward in any spirit of ridicule or for the purpose of defeating the measure by methods that are unfair and unethical.

Personally, I feel the present bill will not give that security to the aged that we all hope for. My reasons are:

First. It seems to me we have appropriated enough under a system of selling interest-bearing Government bonds. The revenue to support the present bill provides for a general appropriation and will continue the same system of bond issue. We have now reached a point where the interest burden, public and private, is more than we can pay.

Second. The payments to old people, under this act, will be, prior to 1942, nothing more or less than a dole, and the recipients will still be objects of charity under a system that will permit only a bare existence.

Third. The present act is the most brazen attempt to submerge the sovereignty of State governments to the will of the General Government ever attempted in American history. Every State is compelled to pass laws such as will be approved by the board in control of payments under this act. Had any such attempt been made in 1861 to do the same thing this Government would not be known to the world today as the United States of America. Today we see the sovereign power of States disappearing entirely and the Federal Government reaching out in all directions to control the destiny of the American people. Why have any State legislature at all, if they must pass such laws as Congress and the executive branch of the Government shall direct? When will this tendency to overshadow State governments cease?

Fourth. The present act will not remove any of the aged from employment, for the payments under the act will not support the aged people now employed. This act will not create any new jobs for the unemployed, who are young and will work if they can secure work. This act will not remove the four million from relief, but will extend the same situation for years to come.

Fifth. This act creates another Federal bureau, with high-salaried administrators, who in all probability will be no more in sympathy with the needy than are the various directors and administrators of the multitude of Government set-ups handling relief today. It creates more Federal Government when we have enough as it is.

Sixth. This act will not place the purchasing power down in the grass roots, but will continue our present business policy of hand-to-mouth planning. It will not start the factories that are idle or bring a living price to those who produce raw materials. It will not restore business activity, but by bond issues will further increase the tax burden and further retard business.

## WHAT THE MCGROARTY BILL WILL DO

First. It will lessen the crime wave, for the lack of opportunities and idleness, without legitimate incomes, is now known to be a major factor directly responsible for crime.

Second. It will stop the ever-increasing stream of unfortunates on their way to the insane asylums.

Third. It will close out every poorhouse in America.

Fourth. It will take 4,000,000 people over 60 off relief rolls.

Fifth. It will put 4,000,000 unemployed young people to work in the place of 4,000,000 old people now working.

Sixth. It will take 2,000,000 old people off private relief and ease the burden of their relatives who support them.

Seventh. It will start the buying power of the American people at the grass roots among the retailers, and from there back to the factories and producers. The demand for employment will increase. Factories will start, producers of raw materials will find a market for their products, the unemployed now on the outside of factories looking in for a job will have a job. The whole intricate business machinery of the Nation will start that has been paralyzed since 1920, and especially so in the East since 1929.

Eighth. To do this will cost the Government nothing.

Ninth. Relief will be in the hands of the aged and sympathetic instead of some hired and unsympathetic and scientific nuisance.

Tenth. It will drive out that fear of a fateful future which has weakened the minds of millions and has filled the poorhouses and the asylums.

Eleventh. It will be doing for our aged what this Government should have done in the very beginning of it.

Twelfth. Everyone seems willing to give their support to the conservation of our national resources, but we have forgotten the greatest resource of all—the fathers and mothers of this Nation. Our civilization and progress cannot be measured by our fields, our mines, our factories, our churches, our buildings; but it can be measured by the people who live here. Their condition in life should be the greatest concern of any system of conservation, and the condition of the aged and their treatment by the Government under which they have lived and which they have helped to build is the true test and standard of progress and civilization of this or any other Government.

Thirteenth. This act will not control the action of any State legislature, but leave the sovereign power of the States intact.

Fourteenth. This act will create no new bureaus or administrations, but will use the machinery which we now have.

Out of a class of 100 college graduates, graduating at age of 25, the amazing results are as follows at the age of 65: 3 are financially comfortable; 1 has become rich; 4 have accumulated partially enough to live on; 65 are day laborers or paupers or living on charity, public or private; 27 are dead.

It should be remembered that this group has had the advantage of special training, and therefore much more able to fight the battle for existence than those who have had no such advantage.

There are now four million 60 years or older on relief.

There are four million 60 years or over employed.

Those who are accepted for insurance, at 60, have a life expectancy of 15 years. This applies only to those accepted. Of all, at the age of 60, the life expectancy does not average over 6 years and 8 months.

There are approximately 10,000,000 of the age of 60 or over in the United States. There are, therefore, about 2,000,000 not employed and not on relief and probably supported by relatives. Their status is unknown.

The Townsend bill will put relief in the hands of our old people, with sympathy and understanding, instead of with administrations that are hired to do the work and who are cold-blooded and unsympathetic.

Our old people who have reached the age of 60 only have a life expectancy of a little less than 7 years, and after having worked nearly all their lives in building up our civiliza-



tion, shall we in the future do as we have done in the past—turn them out to die neglected? Remember that 65 out of every 100 at age of 65 are day laborers or wholly dependent upon charity, either public or private. We condemn the Eskimos for murdering their aged parents, but have we not done the same thing under the cloak of modern civilization? We are not as honest as the Eskimos.

We have authorized the President to use \$4,000,000,000 to create artificial jobs for the unemployed. These are forced jobs and when forced, much of such planning must necessarily be futile. Much of it will be unnecessary, and no matter if the work is planned to be of permanent value to the country, such forced work can never take the place of natural demand born by necessity. Many of the forced jobs will not spring from any necessity, arising from the natural development of our civilization, but will be born by that other necessity, temporary in character, immediate in demand, and without natural impulses, namely, the necessity of finding something for those to do who are out of work, out of relief funds, and in dire need of the necessities of life.

Turn half of this \$4,000,000,000 into an old-age annuity fund, to start the Townsend plan, and our unemployment problem will be settled. The fund will be augmented by receipts from transactions, and each transaction will leave along in its path new employment, springing from natural causes, not artificial, and the advances made by the Government in cash will be returned. Let the President spend the four billion on artificially created jobs, and the Government will never be repaid, and the work accomplished will be of most doubtful permanent value to the country. I cite this, not in the hope of preventing the expenditure of the four billion by the President, for that has now been authorized. I cite it to show those who condemn the Townsend plan as visionary have plenty of material in the \$4,000,000,000 work bill to keep their visionary tendencies under complete control.

If these old people on an average only have less than 7 years still to live, can we in this Congress justify ourselves in voting for a bill that shall take them off the public-dole system and put them right back on a pension dole? That is what the provisions of this administration bill means. Anyone knows that the payments provided for per month is not enough for any old person's maintenance under any standard of decency. They can exist on the dole, they can exist on less, but we are here today to break the chains that have bound us in the past to an ignorant, unhuman, and now unthinkable policy of dealing with the aged. We are here to give them what they should have had at the very beginning of this Government. Because of lack of vision the old have been sent to the poorhouses, to the asylums, and to their graves. We have missed the greatest human problem for which free governments are instituted.

We are here today to change the program—we are here not only to give the aged a new deal but new hope. We shall miserably fail in our duty should we be content with providing a fund for the aged that shall merely keep body and soul together.

With their few years yet to live, let us pass legislation that shall recognize their service to a great country. Let their remaining days—just a few days—be days of gladness, days of hope, days in which they can devote their time and declining energies, not in labor of the strong, but in acts of kindness to their friends, neighbors, and the community.

It seems that as the last few years have sped past, we have been so engrossed in the mad policy of making more money, more profits, collecting more interest, that we have forgotten how to live. Neighborly deeds immortalized by James Whitcomb Riley live only in the history of the past. The specter of want—something to eat, and a place to stay when we are old—has pursued our people relentlessly. It has produced in the minds of the old and in the minds of the young a constant and dreaded fear of the future. I personally cannot remember a time, since I was old enough to understand, but what that common dread, that specter of want has not pursued me. I can well remember when the song *Over the Hills to the Poor House* filled my eyes with

tears, even when I was confident that I had the power to fight and overcome this dragon of want.

This mental attitude has had a devastating effect upon the American people generally. It has weakened minds, it has weakened the aged in their fight for existence. It has filled the poor houses, it has over-filled the asylums. When the young witness the treatment of the aged, under our present system, they know that soon they will be next, and this mental disturbance has dangerously affected the American mind. Today, if we attack this problem correctly, we can drive out this fear, we can destroy this dragon, we can establish clear minds, we can think of our neighbor, we can bring happiness and joy to ten million of our aged and hope to the young, and relieve the mental strain on our entire population. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. FOCHT].

Mr. FOCHT. Mr. Chairman, I ask unanimous consent to extend my remarks and to include therein a short statement and a short bill in connection with that statement.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FOCHT. Mr. Chairman, we have had whatever there may be of two sides to this question. As you all well know, that great philosopher, Tom Reed, who at one time presided over this House, said it mattered not how thin a pancake might be, there were still two sides to it. And there are therefore two sides to this question as a whole. Much has been said in compliment of the eminent gentleman from North Carolina [Mr. DOUGHTON], and I always have something to say in praise of him, the best I could say about any man, the fine courtesy he always exhibits to the Members, and the great patience shown here during his splendid explanation of the bill. Next we have the distinguished gentleman from Massachusetts [Mr. TREADWAY], saying why he is against the bill. I am inclined to think that many who may be against the bill are against that portion of it which seems to be very much involved. We can go back to that immortal decision of the great jurist John Marshall, and find the genesis of this proposition which we have here. It was when he wrote into a decision the thing that made America great and powerful, and which stands as the reason today for America being the greatest country in the world. I refer to the decision where he removed the barriers between the States, providing for the free flow of all commerce between the Commonwealths of the Nation. That is something that the European nations have been, to emphasize the matter, too dumb to understand, except in the time of Napoleon when he made an attempt and lost his throne for doing so. So let us separate these measures. Let each be free from hindrance of any other and be considered on its own merits.

When we come to the question of evolving something new, I am reminded that it is about 40 years now since we passed the Interstate Commerce Act, and yet not a day passes but you have arguments between the brightest minds of America before that Commission, and nothing seems settled about traffic or about freight rates. I heard read in the Senate by Senator Aldrich a report on the Federal Reserve question some 20 years ago, and I thought that was about right, but it is not now what it was then. It was understood at that time that if you had a piece of commercial paper you could have it discounted, and when you got tired of paying 6-percent interest upon it you could redeem that piece of paper. You can no more do that than fly. The only way that you can get any money now is to offer gold dollars and get your wife and all your relatives to endorse your paper and put up your farm, and then you may have some difficulty in getting it.

There is no such thing as perfection of human wisdom, and however great the men may be who framed this bill, however great you may be who discuss it here today, you will find in every State where there is an important State law, or where we have application of the Federal law, that after it gets through the committee and through the House and the Senate and the conference committee and the

Attorney General passes on it and the President signs it, and it gets down for real contact with the laws of Nature, that is where Nature unfolds the flaws. Hence, you do not have a perfect bill today. I would not be suspicious, I would not sound a note of that kind; I have too much respect for this House, and particularly its integrity, and I always challenge anyone who inveighs against this House and against its sincerity, much less its integrity.

But I have been in the legislative business so long that when I see such a righteous part of a bill relieving old women and men of the country, whose limbs are weakening under them and whose hands are palsied, connected up with an involvement of something else, I become suspicious. The same kind of a bill has been adopted by 28 States, for old-age pensions, and the reason they are not a howling success is that they do not have the money to put them into effect. The sentiment is there and the system is perfect enough. Yet you bring out a bill for old-age pensions, but hang something to it that makes me suspicious, as I say, for I learned long ago that there are more ways than one to kill a dog, and if that is what you are doing then I ask you to shift your position, for it would be an outrage to imperil the old-age-pension bill. Can you not get through this old-age pension and save these people and let them dry their tears and take the burden from their souls without involving it with something else, even though there is virtue in that something? It will take you 20 years to work out to completeness this thing of guaranteeing the payment of wages, and we want old-age pensions now. Look how long it has taken in England, and yet see what a little thing it is. I am going to put this into the Record. Germany had compensation many years before we did, and after the British Parliament had worked at it from 1920 to 1925, this is what they have done. But if they can do that, it seems to me that we can solve this problem without involving it with old-age pensions. I am afraid that this thing may fall down on account of this involvement. Right in my own district we have the great Logan Iron Works and the Burnham Steel Works.

I have many personal friends who now, at a time when these institutions are silent, when no smoke curls from them and no flame is to be seen from them at night, who are receiving pensions from a fund accumulated over the years. When we go through the valleys at night there all is as silent as death. As the lady said here the other day, when you walk through one of those towns in New England where the mills have been shut down it is like going through a graveyard; and yet, as I say, notwithstanding that, I have friends up there who are receiving pensions from a fund accumulated over the years. That is the case in many institutions. To iron out the difficulty you will have as between employer and employee will take you some years. You have already passed here 20 major pieces of legislation. It took you 18 months to bring out any tariff bill that was ever brought before this House. It took 30 or 40 years to evolve the Interstate Commerce Act and 20 years for the Federal Reserve. It should have taken 2 years for every one of them, or 40 years, and you passed them all in 4 months, and you are bringing them all back to iron them out again. I hope the genius of direction and the understanding of legislation on the part of the gentlemen in charge of this bill will in some way separate that old-age-pension bill from the others: although I will take it all rather than see old-age pensions fail.

I realize that in the consideration of initial legislation or new legislation there are two very divergent views, especially so when you are considering legislation with reference to social security. There are those who are ultraconservative. Then there are others who are very extreme. Always between those two extremes, legislation takes the middle course and reaches fruition.

I realize there are a great many imperfections in this bill. I do not expect it to be perfect, but I do know there are a great many questions of national importance, embracing almost every phase of social legislation in this bill. In addition to old-age pensions and unemployment insurance we have a provision providing for dependent children, infant and maternal welfare, welfare service for children, vocational rehabilitation, care of crippled children, Federal Public Health Service. All of those are very vital questions which are embodied in this legislation.

Now, with reference to unemployment insurance: The wage earners, those who could act in unison, have been carrying on an incessant struggle for the enactment of unemployment-insurance legislation. For 10 or 12 years the American Federation of Labor exerted its efforts for the enactment of a Federal employees' retirement act. That law provides, as you know, for 3 percent of the earnings of the Federal employees to be checked off and become a part of the fund. The railroad employees have been attempting to build up some sort of a retirement fund. We enacted in the last session the railroad-retirement law and, as you all know, that is now before the Supreme Court. The State of Missouri, my State, has just enacted an old-age-pension law. The house and senate have passed the law but the Governor has not yet signed it. That provides a maximum of \$30 a month. If this bill is enacted, that will make it possible for some old folks to secure a maximum of \$45 a month. In any case they will receive at least \$25 a month, although they draw the minimum as provided in the Missouri law. Now, if this bill is passed it will not directly affect men between the ages of 45 and 65, but by the enactment of the Railroad Men's Retirement Act, if it should go into effect, it is estimated that in the first year it will take out of service approximately 250,000 railroad men, placing them on a pension or annuity. That would naturally make openings for 250,000 younger men. In the railway-train service there are very few men now working for a railroad who have less than 30 years' seniority. Many of them are over 45 years of age; so that 250,000 young men will be placed in the service. I say that will have the effect of creating employment.

What I am interested in especially is the establishment of the principle. To my mind, this is the most far-reaching piece of legislation and is the most constructive and most humane proposal that this Congress has considered, or any other Congress has considered, for many years past. It is establishing that great principle of caring for our old folks, for the aged and the needy, caring for the children, crippled children, caring for the unfortunate mothers in maternity welfare. There are so many angles to this bill, and it reaches down into so many phases of social security that I think it is the most humane and constructive piece of legislation that we have ever considered.

Mr. DUNN of Pennsylvania. Will the gentleman yield?  
Mr. WOOD. I yield.

Mr. DUNN of Pennsylvania. The gentleman is president of the State federation in the State of Missouri, is he not?

Mr. WOOD. Yes. It was not necessary to mention that, however.

Mr. DUNN of Pennsylvania. But I wanted to make a point.

Mr. WOOD. The gentleman has asked me that two or three times. I tell the gentleman again that I am. Every time I have spoken the gentleman asked me that. I hope he finds out some day that I am.

Mr. DUNN of Pennsylvania. You are then affiliated with the American Federation of Labor?

Mr. WOOD. Oh, yes. I have told the gentleman that, too.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. Wood].

Mr. WOOD. Mr. Chairman, I am glad this Government has finally decided to consider seriously the great social-security questions now involved in this bill. The questions of old-age pensions and out-of-work insurance have been given more earnest consideration at this session of Congress than at all the sessions of Congress since the Constitution of the United States was adopted.

Mr. DUNN of Pennsylvania. All right. Now, this is the point I want to make.

Mr. WOOD. Now the gentleman is taking up my time.

Mr. DUNN of Pennsylvania. No. This is on the question of labor. I was informed when this bill was first introduced that the American Federation of Labor was against it. Now I have been informed they are for it.

Mr. WOOD. I do not know who the gentleman's informers were, but they misinformed the gentleman.

Mr. DUNN of Pennsylvania. Has the American Federation of Labor endorsed this bill in its present form?

Mr. WOOD. I do not know whether they have in its present form. They endorsed the original bill. They endorse the principle.

Mr. DUNN of Pennsylvania. Then they are not opposed to this bill?

Mr. WOOD. Even if the American Federation of Labor or the Manufacturers Association or any other association have or have not endorsed it, I am for this bill, because I believe it is right. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Mississippi [Mr. FORD].

Mr. FORD of Mississippi. Mr. Chairman, I am sorry that in an age of advanced civilization the United States has come thus far along the road of national development without establishing a plan and furnishing funds for taking care of the old people of our country.

England, Germany, France, Belgium, Australia, and Canada have excellent old-age-pension systems. The United States stands alone with China, of the major countries of the world, in its failure to provide for the aged people of the Nation. A total of 42 foreign countries now have old-age pensions and they have found it to be more economical than an almshouse system with all its congregation of misery. Denmark, a little country with only 5,000,000 people, pensions all its citizens over 50 years of age who have no means of support. With the economic advantage in mind it would appear that all would favor a well-established system of old-age pensions, even if they refuse to recognize the existing moral obligation.

I want to tell you that providing for those who have spent a lifetime of honest toil is not charity from the Government. I resent that sort of an interpretation being placed by some on this matter. It is a duty of humane civilized government to care for those citizens who have spent a lifetime in promoting their country by being good citizens. I can easily see where the path of duty lies on the matter of old-age-pension legislation and I regret that there is any opposition to the passage of a bill that will guarantee our aged citizens relief from the mental and physical torture of poverty in old age.

There is no justification whatsoever for a great, powerful, wealthy country like America leaving its aged people to shift for themselves while suffering the impediments of old age. After a life spent in rearing a family, paying taxes, and assisting in generally maintaining the country they are left to gaze toward the sunset of life with the ghastly figure of economic uncertainty appearing on all sides. There are no steps taken to help them combat the strenuous battle of life. My friends, everyone knows that the majority of our old people are not responsible for being unemployed or without funds. The inescapable disabilities of age prevent work. A bank failure, a bad investment, or a false friend may have swept away the savings of a lifetime. All their lives have been spent in a battle against a stubborn, adverse economical system.

Mr. Chairman, with this in mind I cannot agree that the several States should be required to match dollar for dollar with any funds furnished by the Federal Government for payment of old-age-pension benefits. Many States are absolutely unable to furnish any funds at all for this purpose, thus preventing any aged, needy citizens from receiving help in those States while citizens of other States are being granted assistance. It is my contention that the Federal Government should set a definite sum per person to be

granted each State for all persons in that State above a certain age. If the State is able to furnish additional funds it should be allowed to do so. If the Federal Government agrees to furnish a certain sum per month for every person over a certain age, then let it furnish that sum, without requiring that the State furnish an equal sum per person. I can name a number of States which will not be able to furnish any additional sums to match Federal assistance. I ask you if it is fair for the citizens of those States to be barred from the same relief that is going to other States because the other States happen to be richer. The richer States need it the least, and under the provisions of this bill they will receive it the most easily, while the States really in need will have no relief at all. I most earnestly ask you to amend this bill so as to see that all American citizens receive equal benefits, benefits to which you know they are entitled.

Mr. Chairman, I want to remind you of that clause in the Democratic platform of 1932 which said, "We advocate continuous responsibility of the Government for human welfare . . ."

I ask the Democratic Members, who are in such vast majority here, to discharge their obligations as Congressmen, as well as fulfill the obligations of the party. That means that we should all vote for an old-age-pension law that will bring some adequate relief to the aged citizens of our country, for they are entitled to a law that will bring relief without discrimination between the rich and poor States.

Mr. WOOD. Mr. Chairman, will the gentleman yield?

Mr. FORD of Mississippi. I yield to the gentleman from Missouri.

Mr. WOOD. Would the gentleman consider the 28 States which have passed old-age-pension laws as the richer States?

Mr. FORD of Mississippi. I do not think I would consider all of the 28 States as the richer States of the Union; but I call the attention of the gentleman to the fact that if he will check up on the legislation that has been passed by the 28 States which he refers to he will find a mere handful of people receiving pensions under the State law. I had hoped that we might enact a law that would provide a uniform system of benefits to the old citizens of our country who are unable to work or financially care for themselves. If, however, certain States cannot meet the requirements of the act now under consideration because of financial inability to do so, the aged people of those States, just as deserving as the aged in the rich States that can comply with the requirements, will not be able to share the benefits proposed by the legislation.

Mr. HOUSTON. Will the gentleman yield?

Mr. FORD of Mississippi. I yield to the gentleman from Kansas.

Mr. HOUSTON. Does not the gentleman know that at the present time over 50 percent of the Federal taxes are collected from six States?

Mr. FORD of Mississippi. That may be true, but does not the gentleman also know that most of the wealth that is now in those particular six States came from the people in the poor States and that it is now in the hands of the very few in this country? If the poor States have produced the wealth and we are trying to reach a better social position in this country, we cannot help the old people of one part without helping the old people of another part. Why should not the rich States be willing to say, "Yes; we will help the aged people in the poor States and put them on the same basis as those who live in the richer States"?

Mr. HOUSTON. Is this a share-the-wealth campaign?

Mr. FORD of Mississippi. The gentleman might term it that if he desires. I am trying to reach all of the people of the country. If we help a selected few in some of our States and do not reach out and get those in the poor States, we might as well throw this piece of legislation into the wastebasket for the good it will do the people as a whole. We cannot help a few people in the country and fail to help those who cannot help themselves. If we are going to ac-

as legislators in Congress, we have to think about the country as a whole. [Applause.]

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, I yield 1 minute to the gentlewoman from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. Mr. Chairman, I am going to devote my time to speaking on title IX of the social-security bill, which refers to unemployment compensation. The committee report in title IX states in part:

The failure of the States to enact unemployment-insurance laws is due largely to the fact that to do so would handicap their industries in competition with the industries of other States. The States have been unwilling to place this extra financial burden upon their industries. A uniform, Nation-wide tax upon industry, thus removing this principal obstacle in the way of unemployment insurance, is necessary before the States can go ahead. Such a tax should make it possible for the States to enact this socially desirable legislation.

This is one of the purposes of title IX of this bill. In this title a tax is imposed upon employees throughout the country against which a credit is allowed of up to 90 percent of the tax for contributions made by employees to unemployment compensation funds established pursuant to State law.

That this tax is imposed on employees is indicative of the conviction that employers should bear at least a part of the cost of unemployment compensation, just as they bear the cost of workmen's compensation. Each State is, of course, free to assess not only employers but employees; and in this connection it may be noted that in European countries, and under the law recently passed by the State of Washington, employees are required to contribute.

The amount of benefits payable for unemployment from contributions amounting to 3 percent of pay roll would vary from State to State. The maximum period for which benefits may be paid depends not only upon the rate of unemployment, but also upon the percentage of wages paid as benefits, the length of the required waiting period, the ratio of weeks of employment to weeks of benefits, and other provisions. The scale of benefits which States will be able to pay from a 3-percent rate of contributions on pay rolls will carry the great majority of unemployed workers through normal years until they are able to secure employment again. While the Federal tax is limited to 3 percent (1 percent in 1936 and 2 percent in 1937), some States will probably increase the benefits payable by requiring also contributions from the employees or the State government. Under a reasonable scale of benefits, reserves would accumulate in normal years to carry the fund through minor depressions or the first years of a major depression.

I want to bring to the attention of the House the enormous importance of keeping our industries running in order that wages may be paid. Again I wish to bring to the attention of the House the fact that ruin is certain if something is not done to save the great cotton-textile industry. The people of the country ought to realize also that no one on relief will receive a particle of benefit from this title. It is of great importance that the wheels of industry be kept turning and wages paid.

Tuesday President Roosevelt is reported to have said to the press that the processing tax is vital to the farmers. I speak not for the cotton farmers alone. I speak not for the mill owners alone. I speak for the 440,000 mill workers and for the 9,000,000 workers who earn their livelihood from raw cotton. I speak for the people of the entire United States—for every individual in every city, town, and hamlet in the United States is affected. It is vital to them that the burden of the processing tax be lifted. I took my demands to President Roosevelt this morning. He has not yet acted to save the cotton-textile industry, but I believe he will. The industry is in dire need; it cannot carry on without relief of some kind. I am vitally concerned with the interests of our people and will fight with every ounce of energy I possess to maintain and protect a basic industry which under normal conditions affords the opportunity for thousands of people to work and earn their living. I appeal to you to fight shoulder to shoulder with me—to demand of those who have the power to use it. President Roosevelt has full authority to save the situation. He must do it. We have a right to demand that. It is only through work that a nation can survive. If the sources of employment are allowed to disintegrate and disappear the very existence of the Nation is threatened. For our American people to be forced into unemployment by difficulties which can be corrected or forced into other channels of work, if such could

be found, for which they are not trained and cannot successfully perform, is not only gross but willful inefficiency, the responsibility for which should be definitely placed. A nation cannot afford to be inefficient, especially during a period of depression.

When your home and family are in danger you fight, even though the odds against you may be overpowering. With your back to the wall you grasp at every advantage and every aid. That is exactly how the cotton workers feel today. They are desperate. They are on the verge of hysteria with the tragedy of it all. They appeal to the Nation for the right to exist, the right to earn a normal living and enjoy the privileges to which every American is entitled. While their battle is an economic one, it is just as serious a war as any yet fought, and its effects quite as far-reaching.

During these days of tremendous economic readjustments we cannot assume a set of economic premises and rationally deduce conclusions helpful to the solution of our problem. We are living in a practical, rapidly changing world—not a world of assumed conditions. We must face the issues of our problems as they actually exist and try to reach a conclusion as judicial as possible for all concerned in view of those conditions. The textile industry is one of the oldest basic fundamental industries in America. The first cotton mill was established in Rhode Island in 1790. The industry has had and still has a tremendous influence on the development and industrial life of our Nation. There are thousands of our people who are dependent upon the industry. They need the industry. They are anxious to earn their incomes.

Two important factors contribute to the cause of this blight which has fallen upon one of America's greatest industries—the cotton-textile industry—one the processing tax and the other the destructive competition from Japan.

Many of my listeners are familiar with conditions in a mill town when work is plentiful. We of New England have known the happiness and contentment of steady work and wages. For the last few years, however, we have seen the cotton-textile industry steadily decline. We have seen factory after factory move away to establish elsewhere, to take advantage of wage differentials or economic conditions. We have protested and urged that the differentials be adjusted equitably. But that is not what is worrying us now. It is something bigger, more devastating; something that does not affect New England alone, but every part of the United States.

It is not difficult to visualize the vast number of people affected by the alarming conditions in this industry. Its ramifications reach into every home in the land. The cotton farmer of the South, the small-town merchant of the West, the exporter at the gateways of commerce, all are dependent upon the well-being of this tremendous business. If it falls, they fall.

Conditions in the industry are alarming. It is dying a slow death. In my section of the country there is no necessity for calling attention to it. It is only too evident. But you who are sitting before your radios in other parts of the land, to whom the textile industry means nothing until you notice perhaps that the price of your favorite brand of cotton sheeting or print goods has advanced to a noticeable degree—it is you I want to reach. As you know, the Government has placed a levy called a "processing tax" upon the manufacturers of cotton goods, the money so collected to be used in paying the cotton farmers for reducing their acreage and so limit their crops. From August 1933, when the tax was first levied, to December 1934, these taxes amounted to the tremendous sum of almost \$200,000,000. The effect of this burden has been a substantial increase in the cost of cotton. In some instances this increase has resulted in sales resistance and the substitution of other fabrics by the buying public. How heavy a burden it is can be appreciated when I tell you that the levy amounts to approximately one-half of the amount the industry pays in wages. The ultimate payment of this money falls with the greatest burden upon the poorer people. In its operation the cost of the actual amount of the tax

per yard is far heavier in the cost of heavy goods purchased by the workingman than in the finer semiluxury goods. You know how many of the working people must wear cotton clothing, must buy cotton sheeting and cotton pillowslips and towels. It is working a tremendous hardship upon them. It seems as if they must always pay the price. But these people cannot afford to pay more, with the result that the tax remains with the manufacturer.

To add to the troubles and worries caused by this processing tax comes another factor which must be faced and faced immediately. Japan, with its low-priced labor, home workshops and thousands of hand looms, has set out to capture the textile market of the world. Practically all of her larger cotton mills are equipped with automatic-weaving machinery far superior in speed to ours and operated by trained girls who think nothing of tending from 30 to 40 of these looms for as little as 20 to 25 cents a day. Japan can import American raw cotton, transform it into cloth, export it back to America, and sell it for less than the American manufacturer can make cloth. How can Japan do this? Because of thousands of these little Japanese girls, content with their 25 cents a day, living on rice, in surroundings no American laborer would tolerate, regimented into an army of workers to battle against our textile employees who rightfully enjoy the comforts and privileges of a decent existence. It is a battle of human bondage against normal existence, and thus far human bondage seems to be winning. Is it not absurd to allow us to be beaten by an army of little Japanese girls?

The result of this competition is obvious. Our exports of cotton-finished goods have dropped to almost nothing. Central and South America, which bought thousands of bales of cotton cloth each year, are now flooded with Japanese textiles landed at a price which approximates our cost of manufacture. If it stopped there we might survive. But the importations of Japanese textiles into the United States for the first 2 months of 1935 surpassed the importations for the entire year of 1934 by several millions of yards, and it is increasing month by month.

This loss of trade, this cessation of orders, has dramatically called the attention of the entire country to one of the basic reasons for our inability to compete. As the boa constrictor tightens its coils about its victim, squeezing and pressing until the lifeblood ceases to flow, so has the processing tax sapped and squeezed the operations of our cotton mills until one by one they are dying from lack of orders and from inability to function profitably.

Picture if you can a mill city, where block after block of mills line the streets, employing thousands of workers. I wish you could see the bustle, the life, and activity when one of these immense factories lets its workers out at the end of the day. A veritable army of men, women, and girls surges forth to scatter to their homes, to their diversions, or to trade in the stores. Happy, contented, tired, with the satisfaction that comes of a hard day's work well done.

Picture again that same city with its mills closed, its people idle, its looms still and silent. It is like a city of the dead. The thousands of windows of the mills look down upon streets devoid of activity; about the gates stand loiterers wistfully hopeful that news may be gleaned of the watchman of an early reopening. Even the children playing about the yards have caught the slowing tempo of dejection and despair. It sounds funereal, but I assure you that it is more permanent, more devastating. You see it in the faces of all the people, in their mannerisms, and their activities. Nothing disrupts family ties so much as uncertainty of income. The life of the community is changed entirely. Hardly a business but that is affected materially. Do we want our cities to become cities of the dead? That is what is happening today. But they can be saved.

In this country we have in the neighborhood of 440,000 textile workers. Their yearly wages approximate \$300,000,000. These figures were given me by a Government department and are conservative rather than excessive. I quote them simply to show you the magnitude of the business which is facing certain ruin under present conditions.

The textile industry as a whole, and of which the cotton-textile group is an important part is America's largest and most important business, employing a million and a half people.

Our export market for raw cotton, as you know, has gone the way of the finished goods. Japan was our last heavy customer, and now they are looking to fill their needs with Brazilian cotton, far cheaper than ours, but said to be equally good. The Soviet Government expects to export a million bales more cotton this year than last. Already the American price is so much higher that it is actually found profitable to bring back from Japan raw cotton stored there for sale. Of what avail will be the millions of dollars now going to the southern cotton planters if they have no market for their raw cotton at home or abroad? This Government at present has 6,000,000 bales in storage. Think of the effect upon the cotton pickers and their families. Distressing as conditions were when cotton dropped to 5 or 6 cents a pound, the present outlook appears worse. The workers of the South, depending upon the united labors of their families during cotton-picking time, in order to carry them on during the year, are the ones who will be affected most.

We all ask, "What is the remedy? What can we do to save this industry?" There are several methods of relief. The President of the United States has the power, given him by Congress, to place an embargo or quota upon the importation of these goods. He has the power to adjust the tariff. He also has the power to lift the burden of the processing tax and save the industry. Another avenue of escape from destruction and tragedy is contained in the amendment to the work-relief bill, introduced by the Senator from Georgia [Mr. GEORGE]. This amendment authorized the President to use the money at his discretion. In other words, he has the power to take the burden of the processing tax from the manufacturers and provide the money to pay for acreage reduction from the vast sum just authorized.

The question in everyone's mind right now is: "Will the President do this?" Will he come to the rescue of a dying industry and redraft the tariff regulations so that foreign competition will not close our mills? He can limit Japanese imports to a percentage of the total consumption of cotton goods in the United States. Will he equalize the wage differentials in this country to bring about a more equitable manufacturing cost in the industry? Will he lift the burden of the processing tax from the industry?

The answer lies with him. The people of my home city of Lowell are writing to President Roosevelt, using their own words, describing local conditions, and urging him to avert this tragedy and give the matter immediate consideration before it is too late. He has all the authority necessary to save the industry. Congress gave it to him. Now is the time for him to use it. We have a right to demand it. There is hardly a person in this country but who is affected by the question. I hope you all will become actively interested. It is not a sectional matter. It does not affect New England alone, or the South alone. It is vital to every one of us—the farmer, the manufacturer, the worker, the merchant, the consumer. Many of you know the agony of losing your jobs. Is the agony not greater when you know it could have been prevented? Let the North, the South, the East and the West join together and win the fight. The textile industry can be saved. It must be saved.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Puerto Rico [Mr. IGLESIAS].

Mr. IGLESIAS. Mr. Chairman, it is not my intention to enter into a discussion of the divers views in regard to this bill. I cannot ascertain at this time what the bill in its final form will be as passed.

I feel it my duty to call to your attention a matter of great importance to the people of Puerto Rico. My appeal at this time is in connection with the social-security legislation recommended which the House already has begun to consider.

I want to refer to one provision of this House bill No. 7260, which contains a definition of the United States, embracing Alaska, Hawaii, and the District of Columbia, but it does not include Puerto Rico. Chairman DOUGHTON's original bill and similar bills introduced by Congressmen MEAD and LEWIS do include Puerto Rico in the definition of this Nation.

I feel, Mr. Chairman and Members, that it is not wise to exclude the people of the island from participating in the obligations, responsibilities, and benefits of so far-reaching a national measure of social and economic character not only from the standpoint of fairness but also to instill the principles of the Nation's progress, humanity, and social education.

I request, Mr. Chairman and members of the Committee, and I trust, that your recognized sense of fairness and justice will lead your good spirit of justice to find the best way of recommending the incorporation of Puerto Rico in the definition of the United States into this humanitarian measure through a proper amendment.

Certainly Puerto Rico, an organized Territory, whose people are citizens of the United States, is an integral part of the United States, and in all fairness and justice the people of Puerto Rico should be permitted to participate in the obligations, duties, and benefits, as well as in the obligations and responsibilities, of so far-reaching a social program.

In this connection may I prevail to the extent of asking the chairman and members of the committee who are in charge of the stated bill now under consideration, and the Members of the House who will vote for the measure, requesting them to favor the inclusion of Puerto Rico in this legislation through amending it.

The plain facts of my request are that Puerto Rico has been American territory since 1898, and since 1917 all Puerto Ricans have been declared American citizens by action of Congress.

The following resolution was unanimously approved by the National Labor Convention of 1933:

Whereas the American Federation of Labor was always ready at all times to give its worthy support to the cause of the people in general and labor in Puerto Rico and to help our island: Therefore, be it

*Resolved*, That the president of the American Federation of Labor be authorized to earnestly urge and lend his moral support and help before the President and Congress of the United States to every measure and plans of rehabilitation as set forth in previous reports and recommendations of the executive council and the resolutions passed by the last three conventions, 1929, 1930, and 1931, of the American Federation of Labor.

Puerto Rico, gentlemen, stands today as the first best buyer of American goods in all Pan America, and the eighth of all European nations. The fact that Puerto Rico has bought and is continuing to buy millions upon millions of dollars' worth of goods from continental United States is vitally interesting, and it is vitally interesting to know that two-thirds of the wealth and riches produced in the island comes to the United States and remains in the United States. As a matter of record, Puerto Rico has already bought about two thousand million dollars' worth of goods in the last 34 years. Two-thirds of this money has gone to the various corporations and commercial businesses in the United States.

Gentlemen and friends, I request you to look into this great little Puerto Rico as an integral part of our Nation, that you may know more about it and cultivate more and more the best feeling, extending to the people of the island the benefits and obligations of every congressional Federal measure intended to relieve and treat the island as an integral part of the Union.

Puerto Rico is American economically and socially in its industry, trade, and its practices under the American flag.

Mr. Chairman, we have in the island pension laws which provide for the employees of the insular government and for the police. Other general pension bills have been pending in the legislature for some time and which involve about the same principle as is advocated in this bill now under consideration.

For the last 34 years our men, women, and children have been educated under the American flag. The industries of

America have gone over there and are leading the island in its progress forward and helping the great bulk of the people over there. We have obtained in the last 34 years the benefits of much of the progress that exists in America, but we want the measures of progress of the Nation to be extended to the island. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 7260, had come to no resolution thereon.

**COST OF ADEQUATE, GENUINE UNEMPLOYMENT, OLD-AGE AND SOCIAL SECURITY—SOURCES OF REVENUE FOR FINANCING THE LUNDEEN WORKERS' BILL, H. R. 2827**

Mr. LUNDEEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including therein a statement from the Department of Labor as to the cost of social insurance as reported at a hearing of the Committee on Labor.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. LUNDEEN. Mr. Speaker, many of our good friends, who are favorable in principle to the payment of average local wages or not less than \$10 per week plus \$3 for each dependent for unemployment, old-age, and social insurance, are asking: "What about the cost; and where can you get the money to pay for it?"

The hearings on H. R. 2827 recently held by the House Labor Subcommittee answer the question. They show that the Lundeen bill is not only an adequate but also a practical measure. By referring to the index of the hearings, Members of this House can find under the heading "Costs of H. R. 2827" the complete evidence presented in support of the statements I now wish to make.

**SUMMARY OF ESTIMATED COST**

To determine the cost of the social insurance which would be provided in H. R. 2827 requires several estimates, which should be used with caution. In the first place, the United States has no current basis for ascertaining accurately the number of unemployed.

The second and more important point requiring caution relates to the estimate of the effect of social insurance upon purchasing power, and its consequent results in decreasing the amount of unemployment through stimulation of reemployment. No experience in this country is available to indicate the extent to which an increase in consumers' purchasing power for those in the lower income groups would stimulate production and increase employment.

If it is assumed, however, that the entire amount of benefits paid under the provisions of this bill would appear in the market as new purchasing power, economists have calculated that 60 percent of this total would become available as wages and salaries. Therefore, on the basis of given average wages and salaries, it can be estimated how many persons could be reemployed, and this would result in a corresponding decrease in the number of unemployed eligible for benefits, and therefore in a reduction of costs.

Having in mind the above cautions, it may be said at once that if there be 10,000,000 unemployed, the annual gross cost, after taking care otherwise of those who should receive old-age pensions and those who are unemployed because of sickness or disability, and eliminating those under 18 years of age, to whom the bill does not apply, would be \$8,235,000,000. Deducting from this the estimated decrease in the cost of unemployment insurance on account of the reemployment of workers following the establishment of a social-insurance program, \$6,090,000,000, and adding to it the cost of old-age pensions, sickness, disability, accident, and maternity insurance, and deducting present annual expenditures for relief amounting to \$3,875,000,000, we would have a net annual increase for the Federal Government imposed by the provisions of the bill amounting to \$4,060,000,000.

If the number of unemployed be equal to the average number estimated as unemployed in 1934, as 14,021,000, then the annual net increase in cost, after deducting present expenditures for relief and estimating the reemployment which

would follow adequate social insurance, would be \$5,800,000,000.

The estimate of total costs of the program for social insurance under the bill should be compared with the amount that workers have lost in wages and salaries since the beginning of the depression. According to estimates published in the Survey of Current Business for January 1935, total income paid out to labor since 1929 was as follows (in millions):

	1929	1930	1931	1932	1933
Total income.....	\$52,700	\$48,400	\$40,700	\$31,500	\$29,300
Loss from 1929.....		4,300	12,000	21,200	23,400

The total loss to workers in wages and salaries in the first 4 years of the depression has amounted to \$60,900,000,000. It is with these huge losses sustained by American workers during these 4 years that the costs of security provided by the bill should be compared. Furthermore, considering the inadequacy of present relief measures, it must be realized that the cost of truly adequate relief would be the cost of this bill.

**AUTHORITY FOR ESTIMATES**

These estimates of the cost of an adequate unemployment, old-age, and social-security program are based on the statement of Dr. Joseph M. Gilman, economist of the College of the City of New York, who testified at the hearings held by the House Labor Subcommittee, representing the Interprofessional Association for Social Insurance. In accordance with permission granted me, I will now submit for the Record portions of Dr. Gilman's statement, taken from the hearings.

The first excerpt from Dr. Gilman's statement shows the estimated cost of the Lundeen bill on a basis of 10,000,000 unemployed, and may be found on page 585 of the hearings.

*Cost of 10,000,000 unemployed*

Number of persons unemployed (hypothetical).....	10,000,000
<b>Deductions:</b>	
1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	320,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pensions.....	2,250,000
3. Estimated number unemployed because of sickness or disability.....	250,000
<b>Balance of unemployed.....</b>	<b>7,180,000</b>
<b>I. Annual cost of unemployment insurance (7,180,000 by \$1,147).....</b>	<b>\$8,235,000,000</b>
<b>II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program.....</b>	<b>6,090,000,000</b>
<b>III. Annual net cost of unemployment insurance.....</b>	<b>2,145,000,000</b>
<b>IV. Annual cost of old-age pensions.....</b>	<b>4,535,000,000</b>
<b>V. Annual cost of sickness, disability, and accident insurance.....</b>	<b>1,300,000,000</b>
<b>VI. Annual cost of maternity insurance.....</b>	<b>55,000,000</b>
<b>VII. Total annual cost.....</b>	<b>7,935,000,000</b>
<b>VIII. Present annual expenditures.....</b>	<b>3,875,000,000</b>
<b>IX. Annual net increase in cost.....</b>	<b>4,060,000,000</b>

*Cost for 14,021,000 unemployed*

On a basis of 14,021,000 unemployed in 1934, the estimated cost is as follows:

Average number of persons unemployed in 1934, all ages.....	14,021,000
<b>Deductions:</b>	
1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	550,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pension (see above).....	2,250,000
3. Estimated number unemployed because of sickness or disability (see above).....	250,000
<b>Balance of unemployed.....</b>	<b>10,971,000</b>



Deductions—Continued.

I. Annual cost of unemployment insurance (10,971,000 by \$1.147 (see p. 586).....	\$12,584,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program (see p. 589).....	8,699,000,000
III. Annual net cost of unemployment insurance.....	3,885,000,000
IV. Annual cost of old-age pensions (see p. 586).....	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance (see p. 588).....	1,200,000,000

Deductions—Continued.

VI. Annual cost of maternity insurance (see p. 588).....	\$55,000,000
VII. Total annual cost.....	9,675,000,000
VIII. Present annual expenditures (see p. 589).....	3,876,000,000
XI. Annual net increase in cost.....	5,800,000,000

COST OF DEPRESSION TO LABOR

These estimated costs should be compared with the huge annual losses suffered since 1929 by labor.

Estimated annual wage loss of unemployed in 1934

[Based on average annual wage and salary rates for 1932 in National Income Report <sup>1</sup>]

Industry	Unemployed (in thousands)			Annual wage or salary			Loss of earnings (in millions)		
	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified
Agriculture.....	1,847	18	—	\$648,909	\$2,210	—	1,196.9	210.0	—
Mines and quarries.....	231	—	73	576	2,241	\$1,339	2,054.2	1,441.0	97.7
Electric light and power and manufactured gas.....	2,345	643	—	1,151	2,207	—	1,103.8	248.1	—
Manufacturing.....	959	108	—	—	—	—	—	—	—
Construction.....	—	—	1,409	—	—	1,409	—	—	1,965.3
Transportation.....	—	—	253	—	—	1,320	—	—	334.0
Communication.....	—	2,200	—	—	1,245	—	—	2,739.0	—
Wholesale and retail.....	—	427	—	—	1,958	—	—	836.1	—
Finance.....	—	—	—	—	—	—	—	—	—
Government:	—	—	—	—	—	—	—	—	—
(a) Excluding public education.....	—	99	—	—	1,477	—	—	146.2	—
(b) Public education.....	—	185	—	—	1,400	—	—	259.0	—
Service:	—	—	—	—	—	—	—	—	—
(a) Recreation.....	—	—	208	—	—	1,382	—	—	287.5
(b) Personal.....	—	—	460	—	—	1,045	—	—	480.7
(c) Domestic.....	—	—	1,123	—	—	670	—	—	752.4
(d) Professional.....	—	—	373	—	—	1,416	—	—	628.2
(e) Miscellaneous.....	—	—	79	—	—	1,105	—	—	87.3
Miscellaneous industries.....	—	—	871	—	—	1,285	—	—	1,119.2
Total.....	5,352	3,680	4,849	—	—	—	4,564.9	5,709.2	5,672.3

Total wage and salary loss.....	\$15,994,400,000
Unemployed entrepreneurs (110 at annual average loss, \$973).....	126,200,000
Total.....	16,072,600,000
Average loss.....	1,140

<sup>1</sup>73d Cong., 2d sess., S. Doc. No. 124, National Income, 1929-32.

\* 1929 rate; 1932 rate only \$352.

COST OF OLD-AGE PENSIONS

The following tables show the number of people eligible for old-age pensions and the estimated cost:

I. (a) Number of persons aged 65 and over (1930 census).....	6,634,000
(b) Estimated number of persons aged 65 and over in 1934 (President's Committee on Economic Security Report, p. 24).....	7,500,000
II. (a) Number of persons aged 65 and over, gainfully occupied (1930).....	2,205,000
(b) Estimated number of persons aged 65 and over who were gainfully occupied in 1934 (average).....	2,500,000
NOTE.—II (b) to II (a) in same ratio as I (b) to I (a).	
III. (a) Estimated number of gainfully occupied persons who would be eligible to retire upon enactment of the workers' bill.....	2,250,000
NOTE.—10 percent allowance for entrepreneurs of substantial means (U. S. Census estimate, letter to Committee, IPA, Dec. 3, 1934).	
IV. (a) Nongainfully occupied persons aged 65 and over (I (b)—II (b)).....	5,000,000
(b) Estimated number eligible for old-age pensions (males, 1,422,000; females, 3,078,000).....	4,500,000
NOTE.—10 percent allowance for those of substantial means.	
V. (a) Number of gainfully occupied persons in III (a) (2,250,000) plus husbands or wives aged 65 and over (777,000, or V (e)+V (g)) or (V (b)+V (c)+V (e)+V (g)) <sup>1</sup> .....	3,027,000
(b) Gainfully occupied males (less entrepreneurs).....	1,950,000
(c) Gainfully occupied females.....	300,000
(d) Gainfully occupied males, married.....	1,242,000
(e) Gainfully occupied males, married, whose wives are 65 and over (assumed not gainfully occupied).....	673,000
(f) Gainfully occupied females, married.....	104,000
(g) Gainfully occupied females, married, whose husbands are 65 and over (assumed not gainfully occupied).....	104,000

<sup>1</sup> All figures in V and VI are estimated from ratios derived from 1930 Census.

VI. (a) Balance of married persons among nongainfully occupied ((d)+(e)).....	1,237,000
(b) Balance of males (1,422,000—104,000) (IV (b)—V (g)).....	1,318,000
(c) Balance of females (3,078,000—673,000) (IV—V (a)).....	2,405,000
(d) Married males in VI (b) { whose wives are 65 and over.....	802,000
(e) Married males in VI (b) { whose wives are 65 and over.....	435,000

Of the 4,500,000 in IV (b), these have been accounted for:

(1) Wives, 65 and over, of gainfully occupied males (assumed not gainfully occupied) (V (e)).....	673,000
(2) Husbands, 65 and over, of gainfully occupied females (assumed not gainfully occupied) (V (g)).....	104,000
(3) Balance nongainfully occupied males 65 and over, married (VI (d)).....	802,000
(4) Balance nongainfully occupied females 65 and over, married (VI (e)).....	435,000
Not yet accounted for:	
(5) Nongainfully occupied widows, widowers, divorced, single persons, aged 65 and over.....	2,488,000

ANNUAL COST OF OLD-AGE PENSIONS

A. Number of gainfully occupied workers aged 65 and over, eligible for old-age pensions at annual average rate of \$1,200 per annum (\$1,199 average annual rate, 1932, 1929-32 National Income Report).....	2,250,000
B. Number of married couples nongainfully occupied, husband or both 65 or over.....	802,000
Annual pension, \$676 (\$10 plus \$3 per week).	
C. Number of unmarried persons 65 or over.....	2,488,000
Annual pension, \$520 (\$10 per week).	
Cost of A.....	\$2,700,000,000
Cost of B.....	542,000,000
Cost of C.....	1,293,000,000
Total.....	4,535,000,000

COST OF SICKNESS, ACCIDENT, AND DISABILITY INSURANCE

Class C, 1930 Unemployment Census (persons out of a job and unable to work on account of sickness or disability).....	172,661
---	---------

NOTE.—Would assume 250,000 since census figures are out of line with other experience.

Class D, 1930 Unemployment Census (persons having jobs, but idle on account of sickness or disability)-----	273, 588
<b>Total</b> -----	<b>446, 249</b>

NOTE.—According to report of President's Committee on Economic Security, which states that 2.25 percent of all industrial workers are at all times incapacitated, it would seem that the total of 446,249 badly underestimates the amount of sickness and disability.

Class C type-----	250, 000
Class D type-----	750, 000
<b>Total</b> -----	<b>1, 000, 000</b>

Cost of sickness, accident, and disability insurance (1,000,000 × \$1,200)-----

1, 200, 000, 000

NOTE.—\$1,199 average annual wage or salary in 1932 (National Income Report 1929-32).

**COST OF MATERNITY INSURANCE**

Number of gainfully occupied married women between ages 15 and 44 (1930 census)-----	2, 425, 000
Number of married women between ages 15 and 44 (1930 census)-----	17, 836, 000
Birth rate per 1,000 population (1930)-----	18. 9
Birth rate per 1,000 married women (above)-----	137. 0
Number of births per annum to gainfully occupied married women (on above basis)-----	332, 000
Probable number of births-----	150, 000
Annual cost for 16-week benefit (150,000 × \$369) (\$369 = $\frac{1}{52} \times \$1,200$ )-----	\$55, 000, 000

NOTE.—\$1,199 average annual wage, 1932, National Income Report, 1929-32.

**PRESENT COST OF UNEMPLOYMENT RELIEF**

It should be made clear that the cost of the Lundeen bill will not be over and above present expenditures for relief, but will replace these expenditures. At the present time, according to Dr. Gilman's statement, the costs of unemployment relief are as follows:

<b>I. Federal Government (source of statistics: General Budget Summary, Treasury Department, estimated expenditures for year ending June 30, 1935, schedule 3):</b>	
(1) Federal Emergency Relief Administration-----	\$1, 733, 208, 700
(2) Civil Works Administration-----	13, 842, 100
(3) Emergency conservation-----	402, 363, 000
(4) Relief of unemployment-----	100, 000, 000
<b>Public works:</b>	
(3) Loans and grants to municipalities-----	166, 300, 000
(5) Public highways-----	428, 600, 000
<b>Total expenditures of a relief character</b> -----	<b>2, 844, 313, 800</b>
<b>II. State and city (basis: Federal Emergency Relief Administration reports)-----</b>	
<b>Total unemployment relief</b> -----	<b>3, 250, 000, 000</b>

**PRESENT COST OF OLD-AGE RELIEF**

Present expenditures by National, State, and local government bodies for old-age relief may also be deducted from the additional cost of the Lundeen bill. Present old-age expenditures are as follows:

1. Federal Government to veterans and widows (report of Administrator of Veterans' Affairs, 1933)-----	\$235, 000, 000
2. State old-age assistance (President's Committee on Economic Security)-----	43, 000, 000
3. Industrial and trade-union pensions (President's Committee on Economic Security)-----	100, 000, 000
4. All other (rough estimate)-----	50, 000, 000
<b>Total</b> -----	<b>428, 000, 000</b>

**PRESENT COST OF SICKNESS, DISABILITY, AND ACCIDENTS**

The National Safety Council estimates for 1932 that wage loss from occupational disabilities was \$370,000,000. Compensation for such loss is estimated as \$200,000,000.

**TOTAL PRESENT ANNUAL EXPENDITURES FOR RELIEF**

Dr. Gilman's estimate of the total present cost of relief for unemployment, old age, and sickness at the present time is \$3,875,000,000. This is based on the tables just presented.

**REDUCTION IN COST OF WORKERS' BILL FOLLOWING PASSAGE**

The estimates just given of the cost of the workers' bill represent the cost for the first year. The following tables show the estimated decreases in the cost following enact-

ment of the measure, resulting from increased purchasing power.

The first table shows the total national income and the fraction of that income which is paid out in wages. Below that is the ratio of salaries and wages to income produced on a percentage basis.

Year	National income (excluding Government) <sup>1</sup>	Salaries and wages (excluding Government) :
1929-----	\$76, 500, 000, 000	\$45, 300, 000, 000
1930-----	63, 500, 000, 000	40, 600, 000, 000
1931-----	47, 800, 000, 000	32, 900, 000, 000
1932-----	34, 600, 000, 000	23, 700, 000, 000
1933-----	36, 300, 000, 000	21, 900, 000, 000

<sup>1</sup> National Income, 1929-32; National Income, 1933; Survey Current Business January 1935.

**Ratio of salaries and wages to income produced**

1929-----	0. 592
1930-----	. 639
1931-----	. 689
1932-----	. 679
1933-----	. 603
1934 (estimate)-----	. 600
<b>Total insurance benefits payable (annually) under workers' bill (p. 585, I+IV+V+VI)-----</b>	
	<b>\$18, 374, 000, 000</b>
<b>Present expenditures for relief, old age, etc.-----</b>	
	<b>3, 875, 000, 000</b>
<b>Increase in purchasing power of lower income classes upon passage of workers' bill-----</b>	
	<b>14, 499, 000, 000</b>
<b>Increase in annual demand for consumers' goods (100 percent assumed) (see Brookings Institute, America's Capacity to Consume, p. 84)-----</b>	
	<b>14, 499, 000, 000</b>
<b>Increase in annual wages and salaries to meet increased demand for goods (decrease in cost of unemployment insurance) (60 percent of \$12,590,000,000) (ratio of salaries and wages to income produced, 1934, above)-----</b>	
	<b>8, 699, 000, 000</b>
<b>Annual net increase in cost</b> -----	<b>5, 800, 000, 000</b>

**SOURCES OF FUNDS**

Now I wish to answer the question often asked: "Where will you get the money for this program?"

It has been pointed out that an important difference between H. R. 2827, the Lundeen bill, and other proposals is in the source of funds. Other proposals—including the Doughton bill—depend on the building up of reserves in advance of payment of benefits, these reserves to be secured by a tax on pay rolls. Several serious objections are made to this method. In an article in the *Annalist*, published by the *New York Times* on February 22, 1935, by Elgin Groseclose, professor of economics, University of Oklahoma, under the title, "The Chimera of Unemployment Reserves Under the American Money System", attention is called to the provisions in H. R. 4120 in these words:

The Wagner bill, as introduced in Congress, sets up in the Federal Treasury an "unemployment trust fund", in which is to be held all moneys received under the provisions of the act, and directs the Secretary of the Treasury to invest these moneys, except such amount as is now required to meet current withdrawals, in a defined category of obligations of the United States or obligations guaranteed as to both principal and interest by the United States.

The *Annalist* article summarizes the objections to these reserves for unemployment insurance as follows:

(1) Financial reserves can be effective only in cases where contingencies can be calculated and determined by actuarial methods and where these contingencies arise in sufficient regularity to permit the arrangement of reserves in accordance therewith. (2) The incidence of depressions are irregular and unpredictable, and hence defy actuarial procedure. (3) Purchasing power cannot be stored up en masse under our money system, which is a system of debt, rather than metallic circulation. (4) The attempt to create unemployment reserve will intensify booms. (5) Unemployment reserves are incapable of mobilization when needed and any attempt to mobilize them will only result in further intensification of depressions.

Testimony before the Committee on Labor on the Lundeen bill (H. R. 2827) brought out the further objection that a tax on pay rolls is a tax on cost of production which is passed on to the consumer in higher prices to all consumers and to workers in lower wages as well as in higher prices to them as consumers. Thus it tends to reduce rather than to expand purchasing power, causing in itself recurrent industrial depression which arises out of the failure of con-

sumption to keep pace with production, or a disproportion between money available for consumers' purchases and funds available for investment in increased production.

Moreover, these reserves, even if they could be accumulated without these disastrous effects upon consumers' purchasing power, and upon the monetary system, would be inadequate to cover more than a fraction of needs. The Commissioner of Labor Statistics and Senator ROBERT F. WAGNER (in radio addresses on Mar. 7) have estimated that if H. R. 4120 had been in effect from 1922 there would have been set aside by 1934 the sum of \$10,000,000,000; yet, the figures on the national income published by the Department of Commerce show that in 4 of those years workers lost \$60,000,000,000 of wages and salaries. Thus, even if reserves seem to involve saving the Treasury from obligation, as a matter of fact, they leave unsolved the real problem of protecting workers against the destitution of mass unemployment.

As the only adequate solution of the problem, and to avoid the unsound idea of setting aside reserves, the funds required in H. R. 2827 are made an obligation upon existing wealth and current higher incomes of individuals and corporations. These sources may be indicated as follows:

FIRST. INCOME TAXES OF INDIVIDUALS

If the United States were to apply merely the tax rates of Great Britain upon all individual incomes of \$5,000 or over, a considerable sum would be available for social insurance. These rates in 1928 would have yielded the Federal Government five and three-fourths billion dollars as against slightly over one billion actually collected. In 1932, a year of low income, we would have collected on the same basis \$1,128,000,000, as against the actual receipts of \$324,000,000.

SECOND. CORPORATION INCOME TAX

Compared with other countries, also, our corporation tax is very low. Taking a flat rate of 25 percent, we would have raised in 1928 the amount of \$2,600,000,000 instead of \$1,200,000,000.

THIRD. INHERITANCE OR ESTATES

Here again the United States is very lenient. In 1928, on a total declared gross estate of three and one-half billion dollars, the total collected by Federal and State taxes was only \$42,000,000, or a little over 1 percent. If an average of 25 percent were taken, this would have been raised in 1928 to \$888,000,000.

FOURTH. TAX-EXEMPT SECURITIES

Exact figures on the total are not available, but here is an important source of large additional returns which should be available for the general welfare.

FIFTH. TAX ON CORPORATE SURPLUS

In 1928, the corporate surplus, representing the accumulation by corporations of funds which had not been distributed to labor and capital, amounted to \$47,000,000,000, and even in 1932 it was over thirty-six billions. Made possible as it is by the cooperation of labor and capital, this surplus which is now set aside to meet capital's claims for exigencies certainly should be also a source of funds for labor's social insurance in the exigencies of unemployment. The Department of Commerce has showed in its study of the national income that labor has lost a larger percent of its earned income in the depression than capital has lost in interest charges, because capital has been sustained by drawing both on current income and on accumulated surplus. The great economist, Adam Smith, 150 years ago, called the industrial system a "collective undertaking." Thus it is both logical and just to provide a tax on corporate surpluses as a source for social insurance.

In support of my statements here, I wish again to offer portions of the statement submitted to the House Labor Subcommittee by Dr. Joseph M. Gilman. The first table estimates the funds available for unemployment, old-age, and social insurance. Please note that all figures in this table are in thousands. This table may be found on page 64 of the hearings.

[Figures in thousands]

Source	1933	1932	1928
<b>I. Individual income<sup>1</sup></b> .....	\$1,129,277	\$1,127,773	\$3,787,078
Estate tax, 50 percent of gross.....	1,030,478	1,415,191	1,777,135
Corporate tax, net income, 25 percent <sup>2</sup> .....	626,520	538,278	2,615,273
Corporate tax, net surplus, 25 percent <sup>3</sup> .....		9,019,881	11,789,015
Expenditures on war preparations.....	4750,000		
<b>Total</b> .....		12,101,126	21,968,522
<b>II. Individual income<sup>1</sup></b> .....	1,129,277	1,127,773	5,787,068
Estate tax, 75 percent of gross.....	1,445,717	2,122,791	2,665,701
Corporate tax, net income, 25 percent <sup>2</sup> .....	626,520	538,278	2,615,273
Corporate tax, net surplus, 25 percent <sup>3</sup> .....		10,623,859	14,144,855
Expenditures on war preparations.....	750,000		
<b>Total</b> .....		14,612,700	25,214,897

<sup>1</sup> Estimated on graduated scale approximating British tax rate but higher than the British rate for incomes from \$500,000 to \$5,000,000.  
<sup>2</sup> This should be a graduated tax averaging 25 percent.  
<sup>3</sup> Surplus and undivided profits less deficit: 1932, 36,079 millions; 1928, 47,156 millions.  
<sup>4</sup> As of Aug. 1, 1934.

NUMBER OF MILLIONAIRES DOUBLE

The sources of funds from income taxes in the higher brackets is greater today than it was a year ago. This is shown by the income-tax returns published by the Bureau of Internal Revenue. Dr. Gilman's tables, quoted below, show the number of income-tax returns made in the different income classes, and also the total amount of available revenue from that source.

Comparison of net income returns for 1932 and 1933<sup>1</sup>

Net income classes	Number of returns	
	1932	1933
Up to \$5,000.....	3,420,995	3,339,602
\$5,000 to \$10,000.....	237,273	219,735
\$10,000 to \$25,000.....	77,045	74,626
\$25,000 to \$50,000.....	17,653	18,168
\$50,000 to \$100,000.....	5,644	5,927
\$100,000 to \$150,000.....	932	1,085
\$150,000 to \$300,000.....	589	683
\$300,000 to \$500,000.....	136	139
\$500,000 to \$1,000,000.....	80	84
Over \$1,000,000.....	20	46
<b>Total returns filed to Aug. 31, 1932</b> .....	<b>3,760,402</b>	
<b>Total returns filed to Aug. 31, 1933</b> .....		<b>3,660,105</b>

<sup>1</sup> Prepared by the research division of the Interprofessional Association for Social Insurance on the basis of the preliminary report entitled "Statistics of Income for 1933", submitted to the Hon. H. Morgenthau, Jr., Secretary of the Treasury, on Dec. 3, 1934.

<sup>2</sup> Incomes of less than \$25,000 declined in number of returns from 1932 to 1933. All income classes above \$25,000 increased in number of returns. Net incomes of \$1,000,000 or over increased 130 percent in number of returns.

ESTIMATES OF FUNDS AVAILABLE FROM INCOMES OVER \$5,000

Applying the income-tax rates suggested in the table below, \$4,622,814,000 additional revenue can be raised each year from individual incomes, and \$1,431,273,000 from corporation incomes. The figures for 1928 are as follows:

	Total net income reported	Tax rate	Revenue available
<b>I. INDIVIDUAL RETURNS</b>			
Income classes:		Percent	
\$5,000-\$10,000.....	\$4,282,520,000	16	\$685,203,000
\$10,000-\$15,000.....	1,933,395,000	22	429,747,000
\$15,000-\$20,000.....	1,218,787,000	24	292,508,000
\$20,000-\$25,000.....	865,670,000	30	259,701,000
\$25,000-\$50,000.....	2,326,993,000	35	814,278,000
\$50,000-\$100,000.....	1,837,874,000	40	735,151,000
\$100,000-\$250,000.....	1,745,493,000	45	785,431,000
\$250,000-\$500,000.....	926,079,000	55	509,343,000
\$500,000-\$1,000,000.....	670,861,000	65	438,060,000
\$1,000,000-\$5,000,000 and over.....	1,108,863,000	75	831,647,000
<b>Total available</b> .....			<b>5,787,978,000</b>
<b>Tax collected</b> .....			<b>1,164,254,000</b>
<b>Additional revenue</b> .....			<b>4,622,814,000</b>
<b>II. CORPORATION RETURNS</b>			
Income classes:			
Under \$1,000-\$2,999.....	181,420,000	10	18,142,000
\$3,000-\$4,999.....	119,482,000	15	17,922,000
\$5,000-\$9,999.....	211,525,000	25	52,881,000
\$10,000-\$24,999.....	467,635,000	25	116,901,000
\$25,000-\$99,999.....	1,085,074,000	25	268,768,000
\$100,000-\$499,999.....	1,753,943,000	25	438,483,000

	Total net income reported	Tax rate	Revenue available
<b>II. CORPORATION RETURNS—continued</b>			
Income classes—Continued.			
\$500,000 under \$1,000,000.....	\$368,405,000	Percent 28	\$224,691,000
\$1,000,000 under \$5,000,000.....	2,119,926,000	23	679,681,039
\$5,000,000 and over.....	3,810,359,000	25	952,589,000
<b>Total.....</b>	<b>2,615,273,000</b>		<b>2,615,273,000</b>
<b>Tax collected.....</b>			<b>1,184,000,000</b>
<b>Additional returns.....</b>			<b>1,431,273,000</b>

Returns of corporations submitting balance sheets, 1928 (all returns): <sup>1</sup>	
Tax-exempt securities.....	\$10,116,160,404
Surplus.....	52,069,292,140
Net surplus (after deduction of deficit).....	47,156,183,422

**TAX INCOME, 1932**

The following table shows the available revenue from individual incomes for 1932:

	Total net income reported	Tax rate	Revenue available
<b>I. INDIVIDUAL RETURNS</b>			
Income classes:			
\$5,000-\$10,000.....	\$1,677,039,000	Percent 16	\$268,326,000
\$10,000-\$15,000.....	595,573,000	22	131,028,000
\$15,000-\$20,000.....	329,512,000	24	79,083,000
\$20,000-\$25,000.....	235,312,000	30	70,594,000
\$25,000-\$30,000.....	629,638,000	35	220,373,000
\$30,000-\$35,000.....	393,206,000	40	157,282,000
\$35,000-\$40,000.....	216,923,000	45	97,481,000
\$40,000-\$45,000.....	73,747,000	55	39,561,000
\$45,000-\$50,000.....	57,874,000	65	37,618,000
\$50,000-\$5,000,000 and over.....	35,239,000	75	26,429,000
<b>Total available.....</b>			<b>1,127,773,000</b>
<b>Income tax collected.....</b>			<b>324,745,000</b>
<b>Additional revenue.....</b>			<b>803,028,000</b>

**AVAILABLE INCOME FROM CORPORATE INCOMES, 1932**

1. Returns of corporations submitting balance sheets for 1932 (all returns): <sup>2</sup>	
Cash (in till or deposits in bank).....	\$15,917,202,000
Investments, tax-exempt.....	11,916,864,000
Investments other than tax-exempt.....	75,630,257,000
Surplus and undivided profits.....	45,663,748,000
Net surplus (less deficit of \$9,584,221,000).....	36,079,525,000
2. Returns of corporations showing net incomes (1932):	
Total gross income.....	\$31,707,963,000
Total net income.....	\$2,153,113,000
Income tax.....	245,689,000
<b>Available revenue at flat 25-percent rate.....</b>	<b>538,278,000</b>

**TAX INCOME, 1933**

	Total net income reported	Tax rate	Revenue available
<b>I. INDIVIDUAL RETURNS</b>			
Income classes:			
\$5,000-\$10,000.....	\$1,477,527,000	Percent 16	\$236,452,000
\$10,000-\$15,000.....	529,850,000	22	123,167,000
\$15,000-\$20,000.....	310,240,000	24	74,459,000
\$20,000-\$25,000.....	228,778,000	30	68,633,000
\$25,000-\$30,000.....	621,182,000	35	217,414,000
\$30,000-\$35,000.....	394,766,000	40	157,906,000
\$35,000-\$40,000.....	240,681,000	45	108,306,000
\$40,000-\$45,000.....	81,253,000	55	44,689,000
\$45,000-\$50,000.....	59,511,000	65	37,682,000
\$50,000-\$5,000,000 and over.....	81,559,000	75	61,169,000
<b>Total.....</b>			<b>1,129,277,000</b>
<b>Tax collected.....</b>			<b>372,968,000</b>
<b>Additional revenue.....</b>			<b>756,309,000</b>

**II. CORPORATION RETURNS (TAX INCOME, 1933)**

Total net income reported.....	\$2,506,078,279.
Income tax.....	347,649,990
Excess-profits tax.....	6,266,721
<b>Total.....</b>	<b>\$353,916,361</b>
<b>Available revenue at flat 25-percent rate.....</b>	<b>626,520,000</b>

<sup>1</sup> Statistics of Income, 1928, p. 32.

<sup>2</sup> Statistics of Income, 1932, p. 160.

<sup>3</sup> Statistics of Income, 1932.

The following tables show revenue available from estate taxes:  
*Estate tax as source of revenue*

	Jan. 1-Dec. 31, 1928	Jan. 1-Dec. 31, 1933	Jan. 1-Dec. 31, 1933
Gross estate.....	\$3,554,270,000	\$2,830,383,000	\$2,000,953,000
Tax paid.....	\$41,859,000	\$23,674,000	\$61,415,000
Percent to gross.....	1.1	0.8	2.9
Net estate.....	\$1,992,503,000	\$1,423,437,000	\$628,302,000
Tax paid.....	\$41,859,000	\$23,674,000	\$61,415,000
Percent to net.....	2.1	1.7	7.4

**REVENUE AVAILABLE**

	Average 25 percent	Average 50 percent	Average 75 percent
Gross estate:			
1928.....	\$888,567,000	\$1,777,135,000	\$2,665,701,000
1932.....	707,597,000	1,415,194,000	2,122,791,000
1933.....	615,239,000	1,030,478,000	1,545,717,000
Net estate:			
1928.....	498,128,000	996,252,000	1,494,378,000
1932.....	355,859,000	711,718,000	1,067,577,000
1933.....	207,075,000	407,150,000	621,225,000

**Comparison of American and European income-tax rates**

[Conversion units: 1 pound=\$4.86; France, 1 franc=\$0.0302; Germany, 1 mark=\$0.2383]

	Percent of tax to net income			
	United States	Britain	France	Germany
\$1,000.....	0	0.88	3.38	7.90
\$2,000.....	0	5.87	8.51	15.94
\$3,000.....	0.07	10.38	12.20	18.11
\$5,000.....	2.00	14.22	17.15	21.59
\$7,500.....	3.40	16.29	22.02	26.02
\$10,000.....	4.80	18.62	25.25	29.89
\$15,000.....	6.80	22.85	31.26	34.46
\$20,000.....	10.08	29.47	39.04	39.78
\$30,000.....	17.20	39.30	47.43	45.13
\$50,000.....	30.01	48.10	53.65	47.44
\$100,000.....	52.72	61.68	63.93	49.49
\$1,000,000.....	67.11	63.91	63.97	49.74

Source: New Republic, Jan. 24, 1934.

**American and European death taxes**

[Source: Preliminary report of Subcommittee on the Committee on Ways and Means, relative to Federal and State taxation and duplication therein (1933), p. 237]

	United States	Great Britain
\$1,000.....	0	1
\$5,000.....	0	2
\$10,000.....	0	3
\$15,000.....	0	3
\$25,000.....	0	4
\$50,000.....	0	5
\$100,000.....	1.5	9
\$150,000.....	3.33	12
\$200,000.....	4.75	14
\$300,000.....	6.50	17
\$400,000.....	7.62	19
\$500,000.....	8.50	21
\$600,000.....	9.25	22
\$800,000.....	10.56	25
\$1,000,000.....	11.75	27
\$2,000,000.....	15.77	33
\$3,000,000.....	18.45	37
\$5,000,000.....	22.99	41
\$10,000,000.....	30.94	52

Conversion: £1=\$4.86.

These facts and figures, and the testimony of many other experts and economists and leaders of thought can be found in the hearings on the Lundeen bill (H. R. 2827). They show conclusively that the cost of the workers' bill is well within the ability of the United States Treasury to pay, and if we will raise our income- and inheritance-tax rates to the level of the British rate, we can raise the necessary funds. I hope that Members of this House will study these facts and figures and give their support to the Lundeen workers' unemployment, old-age, and social-insurance bill (H. R. 2827).

<sup>1</sup> 14.1 percent.

## SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment-compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. The Chair desires to announce for the information of the gentleman from North Carolina and the gentleman from Massachusetts that the gentleman from North Carolina has consumed 3 hours and 35 minutes, and has 6 hours and 25 minutes remaining. The gentleman from Massachusetts has consumed 2 hours and 49 minutes and has 7 hours and 11 minutes remaining.

Mr. TREADWAY. Mr. Chairman, I yield 20 minutes to the gentleman from New Jersey [Mr. EARON].

Mr. EATON. Mr. Chairman, judging from the overwhelming multitude of Members here this morning, it would seem that the House is deeply and profoundly interested in this legislation.

Mr. TREADWAY. Would the gentleman like to have a better audience? I think he deserves it. Mr. Chairman, I make the point that there is no quorum present.

Mr. EATON. We have quality if we have not quantity.

The CHAIRMAN. The Chair will count. (After counting.) One hundred and one Members are present—a quorum.

Mr. TREADWAY. After the delay in counting a quorum, I think we should make sure that the Members stay with us. I think we should have a quorum all day on Saturday.

Mr. EATON. Mr. Chairman, all I can say is that I shall stay here if the rest will.

Mr. MARTIN of Massachusetts. Mr. Chairman, we have not a quorum now, and I make the point of order that there is no quorum present.

The CHAIRMAN. No business has transpired since the Chair counted a quorum.

Mr. MARTIN of Massachusetts. The gentleman from New Jersey started to talk.

Mr. EATON. I made one illuminating remark, Mr. Chairman.

The CHAIRMAN. The Chair will count again. (After counting.) One hundred and three Members present—a quorum.

Mr. MARTIN of Massachusetts. Mr. Chairman, I question the count.

The CHAIRMAN. The Chair has ruled differently.

Mr. MARTIN of Massachusetts. Mr. Chairman, I move that the Committee do now rise.

The CHAIRMAN. The question is on the motion of the gentleman from Massachusetts that the Committee do now rise.

The question was taken; and on a division (demanded by Mr. MARTIN of Massachusetts) there were—ayes 17, noes 83. So the Committee refused to rise.

The CHAIRMAN. The gentleman from New Jersey is recognized for 20 minutes.

Mr. DOUGHTON. Mr. Chairman, before the gentleman from New Jersey begins, I call attention to the fact that, notwithstanding the point of no quorum being raised by a Member of the minority, there is barely a baker's dozen present on that side, while we have a large number present on the Democratic side.

Mr. EATON. Mr. Chairman, before proceeding with my remarks, I wish to congratulate our distinguished Chairman on his mathematical gift. He is the chairman of my committee, and I have great affection and regard for him. I am glad that he has assisted in having one or two of these vacant pews filled.

In this proposed legislation, since there is only a scattering remnant of the House of Israel here this morning, I assume that those who have sufficient interest to follow me will pay attention to what I am going to say. I do not believe in the history of this Congress that a more difficult or more important piece of legislation has been presented to this House for its consideration. I am in favor, as I believe every man and woman in this organization is, of facing the problem of old-age pensions for the people of this country and making at least an intelligent effort to adequately solve it. I do not believe that any legislation, however well considered at this time, even though it professes to be permanent in form, will reach into the heights and depths of that great and pressing problem and finally solve it; but I am satisfied that we are making some attempt in this bill to face the situation and to begin a solution of the problem. Personally, I am deeply disappointed that the great Ways and Means Committee has not brought in by itself, separate and distinct from all other considerations, a single old-age-pension bill, open to discussion and amendment, supported by the public opinion of this Nation and susceptible of laying the foundation for a permanent solution of that great problem. As it is now, this bill contains what to my mind are some of the most dangerous and contentious provisions ever introduced before this House. These matters ought to come before us as separate bills and be discussed and voted upon each on its own merits.

I am in favor of an adequate old-age-pension proposal. By adequate I mean provisions that will insure to our worthy aged citizens a decent and honorable subsistence absolutely divorced from the taint of pauperism. I do not think the pension contained in this bill is adequate and I do not think it will satisfy the countless millions of our dear old folks who have been misled and disturbed by various people seeking personal advantage, some of them, and some of them absolutely sincere in their leadership; but it is a beginning, and if we will take the rest of the bill out, the obnoxious, unrelated, and burdensome features of annuities and unemployment insurance, and leave in those provisions made more adequate that have to do with ministering to human needs, both in childhood and old age, I am sure it will receive strong support from every portion of this House, and I would be glad to support it myself.

In this country at the present time we are suffering, as the rest of the world is, from a mental and moral collapse. There is nothing wrong with America except that the people have gone wrong morally. We had a great test in the 10 years of our prosperity, which we are accustomed on our side to attribute to the Republicans, and which you on the Democratic side are accustomed to attribute to luck; but we had a great and searching test of the moral stamina of our people in prosperity. While adversity has never yet been able to destroy us, with prosperity we plunged into a condition

of extravagance, self-indulgence, materialism, and bye and bye wild speculation which carried us like the swine in the scriptures over the precipice, and now we are wallowing in the gloom of a great moral and intellectual collapse, and nobody can reasonably expect to see any permanent relief or solution of our problems until the people themselves, from center to circumference in this country, have acquired the practice and power once more of sound moral judgment and intellectual weighing of issues leading to a decision to do right when it is right because it is right, and not because some law has been placed on the statute books here in Washington, which substitute a policeman for personal conscience and the supervision of a bureaucrat for intelligent self-control, self-reliance, and self-direction on the part of the citizen.

Mr. Chairman, I read in the testimony before the Senate on the economic bill two amazing statements. One comes from the economic council, appointed by the President:

The one almost all-embracing measure of security is an assured income. A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old age—in sickness or in health.

That sounds like the marriage ceremony—

It must provide safeguards against all of the hazards leading to destitution and dependency.

Now, listen to this. One of the witnesses before the Senate committee made this statement:

There is only one honest thing, as every member of this committee knows, for any administration to do, and I don't care whether it is Republican or Democratic, Communistic, or Socialist, The Federal Government, or the so-called "government" of every country, has to maintain its people.

Mr. Chairman, you place your finger there upon the central weakness of our thinking today. What is the Government, and where is it going to obtain resources to maintain its people? No dollar that any government spends has any other source except in the sweat and toil of brain and brawn of its wealth-producing people. There is no other possible source from which the Government can secure a supply of money to maintain its people. And as for the hazards of life, Mr. Chairman, how are you going to avoid hazards? They are the essence of life. There will not be a blade of grass grow to maturity this summer that does not have to fight for its existence every moment.

There will not be a bud on a tree that will come to fruition unless it has to fight for its life. Every man from the cradle to the grave faces hazards every day that no government, no legislation, no possible philanthropy can ever remove. First of all, there are the hazards of babyhood. Then babies grow to manhood and go to college and are denuded of their native intelligence. [Laughter.] Then, when you go down a little further in the scale of life and lose your job, you have the hazard of being taken over by Mr. Hopkins and induced to go "boondoggling", which I would consider the greatest hazard that has ever intruded into the life of a young man. Then you get married, and look at that for a hazard. By and by you are the victim of disease; of the inroads of age; of your own stupidities and poor judgment; of accident and climatic changes. This is a crazy notion, as expressed in a lot of this new-deal legislation, and accepted by increasing numbers of our people, that somehow, by some legerdemain, the Government of the United States can make it impossible and unnecessary for any of its citizens to face any difficulty, to run any risk, to bear any burden, but to be assured an income in youth, childhood, and old age, and even after they die. The thing is absolutely absurd.

I am opposed to this bill in all of its parts except those that have to do with that immediate ministering to human needs among young and old which is clearly the duty of society as a whole. I am especially opposed to it in the part that has to do with unemployment insurance in industry. I think I can speak with some authority on this subject, because I have spent the last 18 years of my life in the industries of this country, based upon the belief that industry has become the chief instrument of modern civilization, and unless

industry in some way is permitted to function and solve its problems by its own initiative and in accordance with its own nature I do not see how civilization can escape final collapse. I admit with sorrow the failure of industrial leaders in the past to face the social implications of their job. They have been deluded, like everyone else, by the notion that a part is greater than the whole. But this ought not to involve capital punishment for all industry, nor does it justify turning all industry over to the control of politically minded bureaucrats.

I am shocked at the threat to industry contained in this bill. It amounts to a tax of 9 percent on the already overburdened industry of our country.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. EATON. Yes; I yield.

Mr. VINSON of Kentucky. The gentleman does not understand there is any 9-percent tax for unemployment insurance, does he?

Mr. EATON. No; but you have got a tax for annuities on the employee and the employer, and you have unemployment insurance taxes which ought to be shared in by the employer as well as by the employee. This principle obtains in every country that has tried the plan and is embodied in the program proposed by various States of our country. Why do you not bring in a bill after a year's further study covering the problem of unemployment insurance? This question is so vital and far-reaching that it ought to be considered by itself.

Mr. VINSON of Kentucky. I think if the gentleman will investigate, he will find that the study of unemployment insurance in this Congress began about a year ago. A subcommittee of the Ways and Means Committee held hearings. Then the matter was referred by the President to his Economic Security Committee, and they studied it for 6 months. Then the Ways and Means Committee have had it for about 3 months in this session. So that if you will add that all together you will find that the question has been studied for about a year.

Mr. EATON. I have been working on it in the industries for the last 18 years, and so far as I know only here and there has any industry been able to set up a solution that amounts to anything. Of course, all the political mind needs to do is to pick up a great complex structure like our national industrial and economic life, which took 300 years to create, pass a law, rub the Aladdin's lamp, and behold the millenium has come.

Mr. VINSON of Kentucky. Did I understand the gentleman to say he had been in industry for 18 years?

Mr. EATON. That is correct.

Mr. VINSON of Kentucky. I thought the gentleman had been representing a district in New Jersey for the past several years.

Mr. EATON. I have had that honor, I am proud to say, but is there any crime about being associated with the wealth-producing forces of this Nation? I own a farm and I raise cabbages. Is that wicked?

Mr. O'CONNOR. How about the corned beef?

Mr. EATON. I have suggested corned beef and cabbage. Our Irish friend rises at once to the bait.

Mr. TREADWAY. Will the gentleman yield to me?

Mr. EATON. I yield with pleasure.

Mr. TREADWAY. I understood the gentleman had been watching the development of these various welfare factors over some period of years, and is rather somewhat of an expert.

Mr. EATON. Well, I do not claim to be an expert on anything any more.

Mr. TREADWAY. But has the gentleman seen this morning's paper, as to the result this bill will bring?

Mr. EATON. I regret that I have not.

Mr. TREADWAY. May I inform the gentleman?

Mr. EATON. I would be delighted to be illuminated.

Mr. TREADWAY. Here is an item appearing to be written as the result of a press interview with the President of the United States on yesterday, and the President is purported to have said that "unemployment insurance and

old-age pensions go hand in hand, and together would ultimately answer the problem of balancing the Budget." Is that not a new discovery, that this enormous tax on industry will eventually balance the Budget? Would the gentleman kindly explain what line of argument the President of the United States must have had in mind to offer that suggestion as a method of balancing the Budget?

Mr. EATON. The only argument that he had in mind, in my judgment, is the firm conviction that in this country one is born every minute, and sometimes there are two. [Laughter.]

Mr. TREADWAY. Then, if I may still further interrupt the gentleman, on the second page of the same paper, from which I have just read, is a newspaper account of how, "with a twinkle in his eye, he took a stand shoulder to shoulder with his right-wing critics in spurning a pair of amendments proposed to the social-security bill in the House", which were to strike out those items, and then he goes on to say that the second one continues this balancing the Budget proposition. So that evidently we have a great deal of evidence from the other end of Pennsylvania Avenue that we now have a method of balancing the Budget by spending \$2,800,000,000 more.

Mr. EATON. The most important item in that report, in my judgment, is the twinkle in his eye.

Mr. TREADWAY. I think so, too. [Laughter.]

Mr. EATON. Mr. Chairman, I do not know what the prospect is for taking out of this bill the vital portions that have to do with old-age pensions and assistance to crippled children and leave these tremendous economic questions that have to do with our complex industry for future study, even though the Ways and Means Committee have spent fully 3 months on this, as I understood the gentleman to say.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. EATON. I yield.

Mr. FITZPATRICK. Our distinguished colleague from Massachusetts referred to the newspaper as authority for the President's statements. I wonder if the gentleman saw also Dun & Bradstreet's report that the greatest prosperity in the history of our country is now approaching under the present administration.

Mr. EATON. Will the distinguished and kindly gentleman from New York lift the veil and show us where it is?

Mr. FITZPATRICK. It is in the morning's paper; the gentleman is going by the newspaper report.

Mr. EATON. And the gentleman from New York is going by Dun & Bradstreet.

Mr. FITZPATRICK. What does the gentleman from New Jersey think about Dun & Bradstreet?

Mr. EATON. I have no brief for Dun & Bradstreet.

Mr. FITZPATRICK. But the gentleman is familiar with business. They get business pretty straight, do they not?

Mr. EATON. I used to be familiar with business when there was any. How far off is this prosperity? Is it just around the corner?

Mr. FITZPATRICK. What about the income taxes for 1934, 40 percent greater than for the previous year?

Mr. EATON. The reason for that is that this administration has enough snoopers and tweezers to force the taxpayers to cough up. [Laughter.]

Mr. FITZPATRICK. To make them honest! [Applause.]

Mr. EATON. Yes; if that is your idea of honesty.

Mr. O'CONNOR. Mr. Chairman, if the gentleman will yield, the gentleman answered his own question. A few years ago the gentleman's party said that prosperity was just around the corner. When we took office on March 4, 1933, there was not even the corner left.

Mr. EATON. And now you propose to have a corner on prosperity.

I am thankful for all these helps as I go along. [Laughter.]

Mr. Chairman, I think we stand today in this country at the crossroads of a great decision which transcends all parties, all sections, and all interests; and this decision is whether we are going to choose American organized industry as the instrument for the solution of these tremendous, far-

reaching problems, or whether we are going to resort to some modified form of Russianism and attempt to solve these problems by government. Now, you might as well face this issue; it is here. Before the new deal came in the gentleman from New York was different, my beloved friend O'CONNOR, whom I used to instruct when he was young, but who has wandered far from my instructions, I regret to say, although he still retains his pulchritude and affectionate nature. [Laughter.] He made some statement to the effect that political parties were responsible for depressions and for recovery. If we ever get out of this, no political party will do it, especially no Democratic Party, because we have none any more. You have not been within shooting distance of your platform since the first few months after the President came in. You have been acting as the representatives, the tool, of a non-American institution known as the new deal. And the ultimate aim of the new deal is to place all American industry, business, and individual liberties under the control of Government here in Washington. We have no Democratic Party and we have no Republican Party functioning as such in an American way. We are in a state of suspense awaiting to see what under heaven's name is going to happen to the country and to our Government.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, in view of the aid the gentleman has had from the other side of the House in his speech, I yield to him 15 additional minutes. [Applause.]

Mr. EATON. It seems incredible to me that 20 minutes have gone. I have hardly got within speaking distance of what I want to say. [Laughter.] Mr. Sam Jones used to say that some people stuck to their text when they preached, but that he stuck to his crowd. I would be glad to do that, if I had a crowd to stick to this morning.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield?

Mr. EATON. With pleasure to the gentleman from California.

Mr. HOEPEL. Inasmuch as the gentleman has 15 minutes, I hope he will use this time not to criticize the new deal but to tell us what he and the Republican Party would do if they were in power today. [Applause.]

Mr. EATON. Now, just think of that! [Laughter.]

Mr. TRUAX. Mr. Chairman, will the gentleman yield?

Mr. EATON. Certainly; I feel highly honored.

Mr. TRUAX. I thank the gentleman. A while ago the gentleman from New Jersey quoted the distinguished Sam Jones. I wonder if the gentleman recalls a statement or phrase that the Reverend Jones used namely:

It is always the hit dog that yelps loudest.

I presume, from the fact the industrialists are yelping loudest, that they are the ones hit by certain features of this bill.

Mr. EATON. Does the gentleman wish to draw a comparison between the yelps of politicians and industrialists?

Mr. TRUAX. No; I am talking about industrialists. I understood that the gentleman was an industrialist.

Mr. EATON. Well, the gentleman's understanding, as usual, is about 90 percent off. [Laughter.]

Mr. TRUAX. The gentleman admitted it; the gentleman just said that he was associated with industry for 18 years.

Mr. EATON. But I have not represented the wicked capitalist. I have represented the down-trodden and the oppressed workingman in whom the gentleman is interested.

Mr. TRUAX. I am glad to hear the gentleman say that, and I hope he will confirm that statement now.

Mr. EATON. What statement?

Mr. TRUAX. That the gentleman represents the down-trodden workingman.

Would the gentleman favor a resolution to the effect that all Members of Congress should devote their full time to their work as Members of Congress, for which they are well paid, in my humble judgment?

Mr. EATON. Except for the quorum calls. [Laughter.] Now is the gentleman exhausted?

Mr. TRUAX. For the present, temporarily; but I hope to come back.

Mr. EATON. Does the gentleman feel that he may recover within 15 minutes?

Mr. TRUAX. Possibly so.

Mr. EATON. Mr. Chairman, after being led astray by these tempters, I now come back to the real issue in this bill. It is just one more block in the way of recovery, one more power to create uncertainty and anxiety in the minds of American business. I recognize the faults of industrialists. The gentleman from Ohio, my dear old State, which has gone crazy by going Democratic in recent months, speaks of the industrialists as if they are very wicked. They are like politicians. They have a streak of fat and a streak of lean, but if you take the industrialists out and stand them before the wall and destroy them, what is going to happen to the politicians? What is going to happen to the Nation?

Mr. TRUAX. Will the gentleman yield?

Mr. EATON. Just for one chapter.

Mr. TRUAX. I may say to the gentleman from New Jersey that I am not a politician. I formerly was a hog raiser.

Mr. EATON. I can believe that. [Laughter.]

Mr. TRUAX. Until the hog prices were wrecked by the gentleman's administration. Will the gentleman yield further? I am sure he will get some more time and I would like to finish my statement. After the Republican Party did just what the gentleman said we are doing to the industrialists, namely, put all the farmers out of business for 12 years, I still think all the more of the four-legged hogs on my farm.

Mr. EATON. I am glad to see brethren dwell together in unity. [Laughter and applause.]

Mr. Chairman, this frivolity is very disconcerting. I apologize if the gentleman takes that bad.

Mr. HOEPEL. Will the gentleman yield?

Mr. EATON. Can I get more time?

Mr. TREADWAY. How soon will the gentleman begin his main speech?

Mr. EATON. That will depend on the number of interruptions on this side.

Mr. TREADWAY. I am sure my colleague wants to be courteous to both sides of the House, but I think he has been very generous in yielding so far.

Mr. EATON. I have enjoyed it.

Mr. TREADWAY. If he wants more time for his own speech, I will be glad to yield the time to him when he has finished with the gentleman from California.

Mr. EATON. That would be rather indefinite.

Mr. HOEPEL. I would like to have the Members of the House informed as to what the gentleman would do, and what the Republican Members of Congress would do, to get the country out of the depression if they were in charge of the administration of its affairs, as are we Democrats. I would also like to ask the gentleman if he is in favor of Mr. Hoover's ideas on the gold standard?

Mr. EATON. That is too large a dose for one swallow. Mr. Hoover's ideas on the gold standard I leave to experts like the gentleman from California. But what would we do if we did what the country needs to have done for it? This new-deal administration is piling up debts which, with all this legislation that is now going through removing hazards from human life and the like, will involve an absolute and necessary tax every year on the industrial and productive wealth of this Nation of between seven and ten billion dollars and there is no escape.

Mr. Chairman, the first thing we would do, or will do, when we come in power next year, is to take an ax and chop out the upas tree of bureaucracy which has been overlaid on the industry of this Nation by the new deal to an extent never equaled in its history.

Mr. McFARLANE. Did the Republican Party ever do that when they were in power? If so, name the date.

Mrs. KAHN. Yes.

Mr. EATON. The gentleman has an answer to the question by the gentlewoman from California.

Mr. McFARLANE. I would like an answer from the gentleman. He has the floor.



Mr. EATON. The gentleman is very kind to make that suggestion.

Mr. Chairman, if and when the Republicans are in power, we would undertake to balance the Budget. We have heard of that phrase before. We would not do it by means of double-barreled bookkeeping, in which one set of books is fixed up so that it matches the income, and the other set of books is built up like the fellow that shingled his roof on the fog—nobody knows what it means. Then we would cease wrapping American industry in the graveclothes of brainless and inexperienced bureaucracy which could not run a shoe factory or industry to save its soul. Then we would try to cut down the normal expenses of government. A few deserving Democrats that will be covered in under the civil service before you get through, in order to prevent contingencies, we would try to get rid of them; and then we would try to run the Federal Government alone and let the States run their own governments and let the people run their own business, giving a chance once more for American industry, American initiative, and American self-reliance to assert themselves. [Applause.]

Mr. Chairman, I had a fine speech here, but I have chased so many rabbit tracks that I have kind of lost interest in it. I am like the new deal—I do not know where I am going to come out.

Mr. TREADWAY. Would the gentleman care for additional time to make his own speech?

Mr. EATON. On some other occasion.

Mr. TREADWAY. I will be glad to yield the gentleman a few additional minutes in order to make his speech.

Mr. EATON. I rather rejoice in the opportunity of addressing such an intelligent assembly, but I yield back the balance of my time, except to say that this legislation does not provide adequate care for the aged, but it does lay a new and intolerable burden of taxation and control upon American industry without solving the problem of unemployment. It is simply one more step toward sovietizing our distinctive American institutions, devitalizing the self-reliance and enterprise of our people, and mortgaging our future by a debt so mountainous that we will be in grave danger of repudiation or inflation. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. BURNHAM].

Mr. BURNHAM. Mr. Chairman, we have all been tremendously interested in the wit, wisdom, and repartee indulged in by our distinguished colleague from New Jersey, Dr. EATON, as well as the participation of other Members of the House. We have also been edified, I am sure, by the illuminating and eloquent address of our friend from New Jersey. My remarks will be brief.

It is not very often that I take the floor, or ask for time to present my views, but the subject under discussion is one that I am tremendously interested in, although I confess I cannot work up much enthusiasm over the pending social-security bill, for I do not believe that it will do all that this great Government should do for its aged people. I say great Government, because it is a great Government notwithstanding the fact that we are still in the depths of the greatest depression this country has ever known. All around us, wherever we go, there is suffering and destitution, showing only too well how very necessary it is to enact some legislation that will fortify our national home life and humanity against want and distress during enforced unemployment and old age.

To my mind we will never bring about recovery until we restore confidence and solve the unemployment problem. This alone and this only can bring prosperity to our Nation and happiness to our people. It is just common American "horse sense", and I still have faith in the common sense of the American people.

As I said before, I do not believe that this pending legislation will bring about the desired results and for that reason I would like to see the bill, introduced by my distinguished colleague from California [Mr. McGROARTY], embodying what is known as the "Townsend old-age revolving pension plan", brought up on the floor of this House for full and open dis-

ussion. I was present throughout most of the hearings on the original bill introduced by Mr. McGROARTY, and was pleased to appear before the committee on February 6, urging serious and sympathetic consideration of its various phases and far-reaching possibilities.

I was interested in the statement of Dr. Robert R. Doane, an eminent economist of New York City, who appeared before the committee at the request of Dr. Townsend. The facts, figures, and statistics submitted by him and which appear in the hearings confirm my belief that the provisions of the McGroarty bill would bring about not only relief and security for the aged, but that they also point the way to national economic recovery.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. BURNHAM. I yield.

Mr. BUCK. When the gentleman appeared before the Committee on Ways and Means, with respect to the original McGroarty bill, did he not state, as recorded on page 968 of the hearings, "Introduced by Mr. McGROARTY, as it is drawn, I do not think that it is practical"?

Mr. BURNHAM. I stand by my statements as you will find them in the Record. That bill, as I said at that time, and as I still believe, was somewhat loosely drawn, but I think the new bill or the substitute or amended bill is very much better and is economically sound.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield for one question?

Mr. BURNHAM. I yield.

Mr. FITZPATRICK. Would the gentleman be kind enough to explain the bill? I would like to get some information about it.

Mr. BURNHAM. I am not here at this time to explain that bill. I may state to my friend that if the bill comes before the House I shall be pleased, if I am granted time, to give a full explanation of it.

Mr. FITZPATRICK. There is a possibility that we may get a vote on it, and I should like to get the gentleman's explanation of it.

Mr. BURNHAM. I should vote for it.

Mr. FITZPATRICK. But the gentleman could not explain it?

Mr. BURNHAM. I would be glad to explain it, although I might not explain it to the gentleman's satisfaction.

Mr. FITZPATRICK. I would simply like to get your explanation of it.

Mr. BURNHAM. If the gentleman will allow me to proceed, I will be glad to state what is in my mind.

Having been an ardent advocate of a liberal old-age pension for many years, I very naturally became interested in the plan evolved by Dr. Townsend, whom I know to be a thoughtful, intelligent, earnest, honest, and sincere man. Nearly a year ago I filed with the Speaker of the House numerous petitions, bearing the names of thousands of my constituents, who are vitally interested in the plan and demand its consideration. I have discussed its possibilities with many Members of the House and the Senate, individually and collectively. Some think it fantastic and visionary, chiefly because they have not taken time to consider it, while others like myself believe that it possesses merit and that there is much to recommend it. Certainly it is worthy of serious consideration. It cannot be laughed off. It cannot be brushed aside.

Less than 40 years ago the Wright brothers were laughed at when they attempted to fly the first machine, yet as a result of their tireless efforts we are today spanning continents and oceans with fast flying planes, helping to make the world a better place in which to live, and if we would help to make the world a better place in which to live, let us start by providing those elderly people, who have passed the heyday of life, and whose shadows are lengthening, with not only the necessities of life but also with the comforts to which they are entitled.

The recipients of old-age pensions should not be made to feel that they are objects of charity by being compelled to take the pauper's oath, for, after all, they are merely receiving what is justly due them, having contributed to the sup-

port of the Government during their years of gainful occupation. We find many hard-working, thrifty, frugal people who invested their savings in supposedly gilt-edged securities, hoping and believing that the income from their investments would adequately provide for them during their declining years but, through force of circumstances over which they had no control, find their investments wiped out and their savings gone. Fear and apprehension of such a condition is the cause of much unhappiness and distress in this country. Fear of facing a penniless old age is the cause of much insanity.

One of the interesting features of the Townsend plan is to retire from gainful occupation those persons above the age of 60 years. By so doing enough vacancies would be created to absorb many of the idle and unemployed persons now on the relief rolls. It would also help to make room for the hundreds of thousands of young men and women who are graduating from high schools and colleges without prospects of employment of any kind. Again I say the unemployment problem, due in some measure to the increasing mechanization of our industrial system, is the greatest obstacle to economic recovery. If a way can be found to adequately care for the elderly people and at the same time put the idle to work, it would make for a contented and happy Nation. It would tend to lessen crime and greatly reduce communistic activities, thereby effecting a great monetary saving. The cost of crime runs into billions. The vast amount of money spent in crime prevention, crime detection, crime prosecution, jails, penitentiaries, and insane asylums would go a long way toward paying a liberal old-age pension. Savings in other taxes through the abolishment of the need for poor farms, relief agencies, and institutions for the care of the indigent will partly offset the transaction tax provided for in the Townsend plan. There will be no longer any necessity for the enormous pension payments by Government agencies and private industries. Security for old age will be assured and poverty will be reduced to a minimum.

The revolving fund provided for in the Townsend plan would certainly tend to increase the purchasing power of the Nation, which in turn would increase consumption; and if we increase consumption, we must of necessity increase production, and this, of course, means that the wheels of industry would be started, the idle put to work, and prosperity restored.

This proposed plan of old-age security is attracting Nation-wide attention, and many millions of worthy citizens throughout the United States are vitally interested in it; they are entitled to be heard. They have sent us here to represent them. I do not know how long I shall remain here, nor am I concerned, but while I am here I shall do my full duty by those who constitute my constituency. [Applause.] Here is one of many resolutions of a similar character which I have received. I offer it for your consideration. I will not take time to read it but ask unanimous consent to have it included in my remarks. It is from the Board of County Supervisors of San Diego County, Calif.

The CHAIRMAN. The gentleman from California asks unanimous consent to extend his remarks as indicated. Is there objection?

There was no objection.

The matter referred to follows:

Before the Board of Supervisors of San Diego County, State of California, on the 25th day of February 1935

In the matter of resolution urging United States Congress to enact into law H. R. 3977, bill known as the "Townsend old-age revolving pension act"

Whereas the economic situation in the county of San Diego, State of California, and Nation, is such that an unusual remedy is required to restore and maintain prosperity, to provide jobs for the unemployed, to create positions for those graduating from our schools and colleges, to care for the million of aged men and women, many of whom no longer have visible means of support, with no opportunity of procuring labor, to feed and care for the more than 7,000,000 of undernourished children, to take from the highways the young boys and girls now without homes; and

Whereas it appears that social security can only be secured and the wheels of industry set in motion and made to continually revolve by the creation of a tremendous buying power; and

Whereas the present system of dole, designated as welfare and emergency relief, is detrimental to the morale of our citizenry and is not restoring normal conditions, and never will if continued; and

Whereas Congress now has before it a substantial remedy and curative which will meet our economic ill and produce a normal healthy condition for all time to come, which will restore prosperity to our Nation, happiness to millions, and social well-being for all: Therefore be it

*Resolved by the supervisors of the county of San Diego, State of California,* That we do respectfully urge the Congress of the United States, now assembled, to enact into law H. R. 3977, "A bill to promote the general welfare, to assure permanent employment and social security for all, and to stabilize business conditions through an assured definite and constant circulation of money and credit by the National Government, and for other purposes"; and be it further

*Resolved,* That a copy of this resolution be forwarded to both the Senate and House of Representatives, to the President of the United States, officially signed and attested by the seal of the county of San Diego, State of California.

Passed and adopted by the Board of Supervisors of the county of San Diego, State of California, on the 25th day of February 1935, by the following vote, to wit:

Ayes: Supervisors Hastings, Richards, Trussell, Hicks, and Sweet.

Noes: Supervisors, none.

Absent: Supervisors, none.

STATE OF CALIFORNIA,

*County of San Diego, ss:*

I, J. B. McLees, do hereby certify that I am the county clerk of the county of San Diego, State of California, and ex-officio clerk of the board of supervisors of said county; that the foregoing resolution was passed and adopted by the board of supervisors at a regular meeting thereof at the time and by the vote above stated.

[SEAL]

J. B. McLEES,

*County Clerk and ex-officio Clerk of the Board of Supervisors.*

By C. BUCKLEY, Deputy.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Oregon [Mr. Morr].

Mr. MOTT. Mr. Chairman, I am very much pleased that the opportunity has come at last to discuss the question of old-age pensions before a body that has not only the inclination but the authority to do something about it. For the first time in the history of our country the Congress of the United States is now actually engaged in considering an old-age-pension bill and in the course of the next few weeks a Federal old-age-pension law will have been placed upon the statute books of the Nation.

I am not at all satisfied with the old-age-pension provisions of the bill which is now before us under the rule adopted for its consideration on Thursday of this week, and, so far as I know, nobody is satisfied with them. I repeat now what I stated on Thursday, that no one believes that the old-age pension provided in the bill is adequate.

No one whom I know of is seriously of the opinion that the old-age-pension proposal in the pending bill will do what people of the United States generally want and hope and expect a Federal old-age-pension law to do, and from now until the final vote is taken on this bill I intend to do everything within my power to have the bill amended in such a way that it will at least partially meet the demand of the people of this country for an adequate Federal old-age-pension law. The demand for an adequate old-age-pension law has been perhaps the greatest, the most sincere, and the most human demand that has ever been made in this country by the people for any kind of Federal legislation, and it is our duty to try to meet that demand honestly and courageously and to the best of our ability, having in mind always the greatest good to the whole of our common country.

I would be disappointed, indeed, if I did not think this House were willing to go a great deal further toward satisfying this demand than what is proposed in this bill, and I desire to express now not merely the hope but the conviction that with the bill now before us as a nucleus, inadequate as it is, the House and the Senate will be able to amend it into a good bill, and that when we make a good bill out of it the President will sign it.

I am particularly happy to learn, according to the quoted statements of the Democratic leaders reported in the papers

yesterday, that they probably will not object to the offer, by way of amendment, of other plans of old-age pensions as substitutes for the pension plan recommended in the President's bill. I sincerely trust the report of their recent decision is true and that they will not change their minds before the debate is concluded. I think this is a very liberal view for the leaders to take, because, as I stated in the debate upon the rule, I think there is no question that the offer of substitution of any other pension bill providing for a special method of taxation is not germane to this bill. And so I want to congratulate the majority leaders and to say to them that if they will keep their reported promises and not object to these offers, in spite of the fact they are not germane, then they have done all that we have asked. And let me say, also, that if they will do that, then it means that those of us who fought the rule on Thursday, although we suffered a technical defeat, have really won a moral victory.

I want to confine my remarks to this bill, and I do not want to discuss at this particular time any of the other plans which are now before the Congress.

When these other plans are offered next week and the point of order is not made against them, I intend to discuss them all, and in as much detail as possible I desire particularly to discuss the revised McGroarty bill at that time.

Just in passing, however, I want to say one thing now about the revised McGroarty bill. This is only a preliminary suggestion and is by way of admonition. If this bill is offered by way of amendment, I hope that the Members who discuss it, and particularly those who intend to oppose it, will discuss that bill upon the basis of what it actually is, and not upon rumor or hearsay, and not upon the basis of what the bill is not. I hope that gentlemen who refer to it will not refer to it as the \$200-a-month pension bill, or as a \$24,000,000,000 bill, as was done during the course of the debate upon the rule. Such statements are clearly ridiculous and show an amazing ignorance of the bill on the part of any gentleman who makes them.

Mr. BUCK. Will the gentleman yield?

Mr. MOTT. I yield to the gentleman from California.

Mr. BUCK. I wish the gentleman would explain just what the new McGroarty bill is and what it does.

Mr. MOTT. I stated that I could not go into a discussion of any of these other bills in my remarks on the pending bill today, but I will take just a minute to tell my distinguished friend what the revised McGroarty bill is not. In the first place, it is not a \$200-a-month pension bill. It provides for the imposition of a 2-percent transaction tax, which, according to Dr. Doane's testimony before the Ways and Means Committee, will raise about \$4,000,000,000 per year, and that \$4,000,000,000 will pay to the eligibles under the bill about \$50 a month. That is what the revised McGroarty bill provides for at the present time. The other small taxes also provided in the bill will probably increase that amount slightly. All mention of the \$200 should be out of the debate, when the debate comes, because the bill does not provide for it. If it is to be discussed, I hope gentlemen will discuss it on the basis of what it is. That is all the time I can devote to this point now.

Mr. YOUNG. Will the gentleman yield?

Mr. MOTT. I will yield to the gentleman.

Mr. YOUNG. I agree with the gentleman, and he is making a fine speech. The present McGroarty bill is entirely different from the old. But when the gentleman says that so much revenue will be produced and so much annuity, is it not a fact that the entire cost of administration must be paid under the provisions of the bill before any annuity will be paid?

Mr. MOTT. That is correct.

Mr. BUCK. Will the gentleman yield again?

Mr. MOTT. I will yield, but I think I ought to suggest that if I yield any more I may not have any time to discuss the pending bill at all. I did want to say something about the bill under discussion during a part of the time allotted to me.

Mr. BUCK. Is it not a fact that the new McGroarty bill has not been made known to the rank and file of the sup-

porters, so that we are getting requests for the passage of the original bill?

Mr. MOTT. That is undoubtedly true, and I think it is very unfortunate. I think the people of the country should be informed as to just exactly what the revised bill is. I hope every Member will read it and study it, and be prepared to discuss it accurately and thoroughly when it comes up. I would like to have full, free, open, and intelligent debate upon it, and I hope gentlemen will be prepared to discuss it when it is presented. I may say that there are other amendments, many of them of a necessary and vital character, that will also be offered to the revised bill.

Mrs. GREENWAY. Will the gentleman yield?

Mr. MOTT. I yield to the lady from Arizona.

Mrs. GREENWAY. Many of my constituents have already had that bill read, and it has been read at meetings, and still think it carries \$200.

Mr. MOTT. I am sorry to say that there still seem to be many people in the country who think that it carries \$200, but, of course, that is impossible. Four billion dollars a year will not provide \$200 a month to the eligibles under the bill according to any testimony before the committee.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. MOTT. Yes; I yield to the gentleman from Michigan.

Mr. MICHENER. I think as a matter of fact the promoters of the Townsend plan, if this change has been made, should so state. There have been in my district a number of speakers and organizers—Dr. Munger, from California, and others—within the last 2 weeks, and the impression they leave, as stated in the daily press, is that there has been no material change in the bill, and these old people are still expecting \$200. I agree with the gentleman from Oregon. I have read the bill. It will not pay \$200 a month; and the leaders of the plan, if they are in the gallery, I hope will take this to heart and follow the suggestion and state to the folks at home just what the new bill does.

Mr. MOTT. If that is true, I am extremely sorry to hear it. For anybody to suggest or hold out that the new McGroarty bill is going to pay \$200 a month, or any sum nearly like that, is entirely wrong, and it certainly should not be done.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. MOTT. Yes; I yield to the able gentleman from Texas.

Mr. BLANTON. The gentleman is one of the leaders of his party here in the House, and one of its spokesmen. I wonder if he could tell us whether the Republican Party in the House is backing the new McGroarty bill?

Mr. MOTT. I would not say that at all. I have never considered this old-age-pension matter a partisan subject, and I do not think anyone on the Republican side so considers it.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield to make a friendly suggestion?

Mr. MOTT. I yield to the gentleman from Colorado.

Mr. MARTIN of Colorado. I know from study of the new McGroarty bill that the gentleman has made a very clear and concise statement of its contents, and the important change which has been made in the McGroarty bill, but, further, I have seen Associated Press statements published in the papers in my district in which it is stated specifically that this change was made for the purpose of preventing overpayment. I think it is not fair to have such an explanation of that change made to the people of the country.

The change does just what the gentleman from Oregon says it does, that if, under Dr. Doane's own figures, through the medium of a transaction tax and other taxes we could raise \$4,000,000,000 in taxes it would pay a pension of about \$50 each, a very reasonable pension, and yet the supporters of the plan throughout the country are being told that the change is being made to prevent overpayment.

Mr. MOTT. I have already said that in my opinion such a statement cannot possibly be justified. Now, Mr. Chairman, I undertook to do no more at this time than to state very briefly what this revised McGroarty bill was not, and I did not even intend to enter this far into a discussion of it. It was solely on account of some of the unusually wild and unsupportable statements that have been made here on the floor of the House in connection with it I thought it proper at this time to state what I have stated. I trust gentlemen will now permit me to proceed without further interruption during the brief remainder of my time.

Mr. Chairman, I know there are gentlemen here who know a great deal more about old-age-pension legislation than I do, but I dare say that there is no one here who has given it more careful and thoughtful study over a longer period of time, or who perhaps has had more actual experience in the consideration and enactment of old-age-pension legislation than my humble self. I have been very actively and continuously interested in the subject ever since I entered public life. I have tried during all of that time to overlook no opportunity, to spare no effort, to have this great humanitarian principle translated into statutory law, and it is one of the happiest moments of my life to know now that we are going to accomplish that at this session of the Congress; that we are at least going to make an actual beginning by putting an old-age-pension law upon the Federal statute books. I shall be proud always to have been a Member of the Congress which first did that. I want, with all the rest of you, to make this as good a law as we can possibly make it, and that is why I am glad that it has developed, since the rule was adopted Thursday, that the procedure here is going to be open, and that we are going to be able to give consideration to every worthy plan that may be advanced.

I was coauthor of the first old-age-pension bill introduced into the legislature of my State. That was some 10 years ago. The bill did not pass at that session because there was as yet no demand even for a State old-age pension. Yet at that time I stated—and, so far as I know, I was one of the first men to make the statement—that within 10 years not only would every State have an old-age-pension law but that ultimately the matter of old-age-pension legislation would become a subject of exclusive Federal jurisdiction, and I think that prediction has a good chance of being fulfilled at this session of the Congress. I think most people of the country agree now that it ought to be a matter of Federal jurisdiction. Old age is universal throughout the country and unemployment is universal, and both have become national rather than State problems.

My idea of an adequate Federal old-age pension is different, perhaps, than the idea entertained by some. The original idea of the old-age pension, as you know, was that it was a substitute for the poorhouse, and I may say that at the time when that theory was first advanced it probably was a good theory.

Now, however, a new and entirely different theory and reason obtains, and it has been brought about naturally and logically by reason of an industrial evolution that has been taking place in this country and the world during the last generation. So that most people agree at the present time that a system of old-age pensions is absolutely necessary, if our economic and industrial system in this country is to survive. The problem has become an economic as well as a humanitarian one.

The reason for that is very simple. Within the last 30 or 40 years, but particularly within the last 10 years, our methods of producing and distributing and selling the things that we want and that we need have become so perfect through the improvement of ourselves and our machinery that it requires now only a portion of our population to produce, distribute, and sell everything that we need and everything we can afford to buy.

The CHAIRMAN. The time of the gentleman from Oregon has expired.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes more to the gentleman from Oregon.

Mr. MOTT. We have normally an unemployment problem of some eight or ten million. We have more unemployed people than that now, of course, but even if we should return to normal conditions, in the opinion of a great many authorities on the subject, we would still have an unemployment problem of at least eight million, and it will be a permanent problem. Those 8,000,000 people must be taken care of. They are permanently out of jobs, not because they want to be, not through any fault of their own, but because modern industry under our present system cannot absorb them. They are surplus, and this problem must be faced and solved. There are several ways in which to do it, but as I see it, the whole problem resolves itself down to but two real alternatives, and we must choose either the one or the other of them.

The alternatives that logically present themselves to me are these: We can continue to operate industry under the present system, a necessary byproduct of which must be permanent unemployment for millions of men, and we can continue to keep these unemployed men on direct or indirect relief; or, as the other alternative, we can, by appropriate legislation, spread employment in private industry by dividing the work necessary to be done among all those who are able to do it, and by subsidizing those who are not.

Those who are able to do the work required by modern industry are those who are physically able and who have not reached the age limit of their economic usefulness in and to industry. If the available work required by modern industry to supply all of our needs and desires were confined to and distributed among this restricted portion of our population, I believe it would be economically feasible and entirely possible to subsidize the rest of it. By the rest I mean those people on either end of the life chain, the very young and the very old.

The very young are already subsidized to a large extent by the Government, by the way of free schooling and otherwise, and this policy of subsidization by Government of those who have not yet entered upon the period of their real economic usefulness has of late years been increasing, both as to the amount of the subsidy and as to the duration of it.

Now, there are between eight and ten million people in this country above the age of 60 years, and this number represents, as nearly as we can calculate it, approximately the number of what I have referred to as the permanently unemployed—the number, in other words, which must continue to remain unemployed under our present economic and industrial system. And in this connection I call your attention to the fact that in this country during the past 10 or 15 years the average increase of normal unemployment has been at about the same ratio as the increase in the number of people over 60 years of age.

I state it now as a bald fact which I think is recognized by everyone, that these millions of people over 60 years of age, for the most part, reached the end of their real economic usefulness in and to modern industry and that industry cannot take care of them without displacing an equal number of those who are still within the age of the effectiveness required by modern industry. If, therefore, that portion of our population which has passed this age limit could be retired under conditions which would enable them to cease competition altogether with the younger and more efficient workers a large part of our unemployment problem obviously would be solved.

The particular method or plan by which this subsidation is to be brought about is not, in my opinion, very material, so long as the plan is financially sound and is able to actually raise the revenue required to pay the retirement pensions. The tax necessarily must be large, but there is no way to avoid that if we are to attempt in any adequate way to solve this problem. The tax will have to be paid by that portion of our people which does the work and earns the income. That means the burden will have to be borne by all those who are living in their income-producing age. The beneficiary of this subsidy would, of course, bear his full share of the burden also, because he would be subject to taxation during the whole portion of his income-producing life and until he reaches the age of retirement.

It is not my intention here to say anything whatever about the humanitarian angle of this problem. My observation has been that its desirability from that angle has long since been so thoroughly conceded that it is no longer a subject of argument or controversy.

The question remains now, What is an adequate old-age pension? That is to say, what amount of pension is necessary for the beneficiaries to receive in order to bring about the economic remedy I am here urging?

I think it follows logically from what I have said that the only adequate kind of an old-age-pension law is a law providing for a pension large enough to support the pensioner in decency and comfort after he has passed the age of economic usefulness and to retire him completely from the field of competition with younger men. It would be difficult to justify, either from the economic or the humanitarian angle, a pension larger than is necessary to do this; but, on the other hand, a pension which is not large enough to do it is totally inadequate and cannot be justified on any ground whatever as a solution to the problem of old age and unemployment. And let me say in this connection that as a condition precedent to eligibility for the kind of an adequate pension I have suggested is that the pensioner be required actually to retire from competition and to spend his pension money. Without such a condition one of the basic reasons for an adequate old-age pension is defeated.

Mr. McCORMACK. Will the gentleman yield?

Mr. MOTT. I yield briefly to the gentleman from Massachusetts.

Mr. McCORMACK. The gentleman stated there were normally 10,000,000 unemployed. I wish to suggest to my friend that there are normally from two and a half to three and a half million.

Mr. MOTT. Well, that is a difference of opinion. It is my opinion that there are 10,000,000 unemployed in this country at the present time who will remain unemployed, even if good times return, on account of the natural evolution in industry, and in this I am sustained, I think, by the best research and authority we have on this question.

There are more than 20,000,000 people on relief today, according to the actual figures of the Federal Relief Administrator. How many of that 20,000,000 are employed? Few, indeed, or they would not be on relief; and after the relief is finished, after the \$4,800,000,000 of the present works relief is exhausted, how many of those 20,000,000 will be absorbed in private industry? I say to the gentleman we will be fortunate, indeed, if half of them can go back. We will be fortunate, indeed, if no more than 10,000,000 are still unemployed.

I think at the present time the real thing at issue before this House in the consideration of the pending old-age-pension bill is, What is an adequate old-age pension? I ask gentlemen to keep their minds upon that question when they read the old-age provisions of the President's bill.

I ask them to try to reconcile in their own minds the proposed maximum Federal contribution of \$15 per month with any individual idea they may have as to what constitutes an adequate old-age pension. I ask them to try to reconcile that \$15 with any hope, with any plea, or with any just demand on the part of the aged and the needy of their own States for an adequate old-age pension. Let me say to gentlemen who so glibly praise the President's bill that they are confronted with a problem and a question here which the President's bill does not answer to the satisfaction of anyone.

It will be a part of the business and the job of this Congress to answer that question and to answer it right; to determine what is an adequate old-age pension, and then to have courage enough to write that kind of a pension into the bill. It will be a part of the task of this Congress to determine what is the best method of financing that old-age pension, and then to have courage enough to write that method of financing into the bill.

Mr. Chairman, we have before us the most tremendous, the most far-reaching, the most important task that I believe has ever been before this Congress. I hope that all Members will

enter into it with a serious, a studious, and an open mind; that they will put aside all partisan consideration; that they will allow the procedure on this bill to be just as open and free as possible, all to the end that before this Congress adjourns we may give to the old people of this country a just and an adequate old-age pension that will permit them to retire for the remainder of their lives in decency and in comfort and in happiness, and which will allow the real work of modern industry to be carried on by those who are young enough to do it. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. Mr. Chairman, this bill is not the result of any activity on the part of a Dr. Townsend or a Dr. Pope or an advocate from down in Kansas who has been letting us hear from him for several years, or the activity of any one individual. It is the result of a wide-spread conviction on the part of most of the Members of Congress that there should be such relief granted to the aged men and women of America. It has been growing in the Congress of the United States for many years.

I believe, Mr. Chairman, that 85 percent of the Membership of this House are strongly and sincerely in favor of an old-age pension. It would have been passed several years ago if we could have led our administrations to believe that it would be financed. This bill, in my judgment, would be passed by this Congress if there had never lived a man by the name of Townsend.

In the last Congress we had this question actively before us on the floor, in the cloakrooms, and in our offices. The President of the United States last year, before the Congress adjourned in June, told the Congress that while at that time he could not approve such a bill, he would expect us to pass a proper old-age pension and a proper unemployment-insurance bill in this session, when the Government would be ready to finance it, and he said he would approve it.

That was one of the first messages he sent to this Congress after we met, and he is going to sign a proper bill. And he will sign this bill, if we do not wreck it with amendments.

The great Ways and Means Committee of this House deserves the commendation of the people of the United States for the fair and impartial manner in which they have conducted hearings, the sympathetic view from which they have approached this bill, and the efforts they have put forth in bringing a proper bill before this House, a bill that can be financed.

I wish to say to my colleagues in all earnestness I believe that every friend of old-age pensions on the floor of this House, if he desires a bill passed in this session and become a law so that relief will be granted the aged people, should get behind this committee bill and pass it without a single amendment. We know it will be approved and signed by the President. We know that it will become law.

There are 435 Members of this House when every district is represented. All of us are different—different in every way; different in our viewpoints and our physiognomies and our constituencies. We cannot expect all of us to think alike on a proposition. Naturally you will have many amendments offered from the floor, embracing every angle of thought. What are you going to do with them all?

There are some Members here who would pass the original Townsend plan to pay \$200 per month to all persons over 60 years of age, which would cost the Government \$24,000,000,000 annually, or \$20,300,000,000 more than our entire revenues our Government received last year from all sources of taxation. Then there are some who prefer the revised and amended Townsend plan, which they say would pay only \$50 per month.

Then there are some Members who would make the age limit 55 years, and even some, possibly, who would like to see the pensionable age limit begin at 50 years. None of us can have our own way. We must find out what a majority of the Membership want and are willing to do and then all get

together on that, for only such a plan can pass, for it takes a majority of those voting in this House to pass any measure.

It is quite amusing now to remember the history of the mutations through which the Townsend plan has undergone. At first a mailed-fist demand was made on this Congress that all Members would be defeated for office and crucified in the next election if we did not pass it just as it was proposed, to pay \$200 per month to every person in the United States who was 60 years of age or over.

I was the first Member of this House to take the floor, which I did on January 21, 1935, to explain that such a proposal was financially impossible, and that if passed it would bankrupt and wreck the Government. You will remember that I was deluged with threats from all parts of the United States, because I refused to deceive the aged men and women into believing that such a plan was possible.

Since then, Mr. Chairman, Dr. Townsend himself has realized and admitted that his plan was unsound, because he has now changed it, and it was amusing to hear the gentleman from Oregon explaining that under the revised and amended Townsend plan, it is now expected that not over \$50 per month will be paid, which is only one-fourth of what he originally proposed.

It is not a question of how much we would all like to see aged men and women receive for their support, but it is a question of how much this Government is financially able to pay without bankrupting it, and how much is a wise and salutary sum to pay, considering the matter from the standpoint and best interests of the American people as a whole.

From the minstrel show exhibited for 40 minutes this morning from across the aisle, with the seasoned interlocutor propounding his prepared questions to the hilarious end men, it is very evident that we are not going to have any constructive help from the minority. All we could get out of our friend from New Jersey was that if the Republicans were in power they would balance the Budget. Has he forgotten that during the 4 years of Herbert Hoover there was a deficit of \$4,000,000,000 or an annual average deficit of \$1,000,000,000 per year for each of those wasteful 4 years?

We Democrats have across the aisle among our Republican colleagues some delightful companions and splendid gentlemen. The great, able, distinguished minority leader of this House, the gentleman from New York [Mr. SNELL], is doing the best he can with what he has got. [Laughter.]

It does not behoove any of the few Republican colleagues who sit across the aisle here to condemn our House administration for bringing in a rule that gives the Membership 20 hours' debate, when in the whole history of their party they have never brought a bill to the floor of this House yet which gave as much as 20 hours' debate on any subject. Plenty of time for debate is an unusual thing with the Republicans. This rule gives every Member of this House, new Members and old Members alike, an opportunity to get on this floor and express themselves on this measure, something to which they are entitled. The Republicans here ought not to complain.

I was amused this morning at the Old Guard—and they were all here. There was the distinguished minority leader, the gentleman from New York; there was the distinguished gentleman from Massachusetts [Mr. TREADWAY], acting as the specially prepared interlocutor; there were the end men, the witty gentleman from New Jersey [Mr. EATON] and our other good friend from Massachusetts.

They had active helpers in the shape of our good friend from Massachusetts [Mr. MARTIN]; our good friends from Michigan [Mr. MAPES and Mr. MICHENER], and our distinguished friend from New York [Mr. TABER]—oh, we had the Old Guard all here, 27 of them in number. What were they doing? I am sorry our friend from Massachusetts forced that division here on his motion to rise, and showed just how few Republicans were on the floor when a bill of such tremendous importance was before the country. He forced a division, and it disclosed there were just 27 Republicans on the floor.

Mr. MARTIN of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. I will yield in a minute.

Mr. MARTIN of Massachusetts. Will not the gentleman yield right now?

Mr. BLANTON. I am sorry, I cannot do it now. Twenty-seven of them! It went into the Record; he forced it. They were all loyal; every Republican here was loyal; they got up and voted with our good friend from Massachusetts [Mr. MARTIN], their straw-boss leader. They all voted with him that the Committee rise. It was a solid Republican vote.

Mr. MARTIN of Massachusetts. Mr. Chairman, will not the gentleman yield at this point?

Mr. BLANTON. In a minute. I am sorry I cannot yield now. Mr. Chairman, especially the assistant minority leader ought to conform to the rules, particularly when he comes from so great a Commonwealth as Massachusetts.

Of the 75 years following 1860 the gentleman's party, the Republican Party, was in absolute control of the United States Government for 57 years, when it could have passed any legislation it wanted, yet not once did it propose an old-age pension.

Mr. MARTIN of Massachusetts. Mr. Chairman, a point of order; what is the subject before the House?

Mr. BLANTON. Do not take this Republican interference out of my time, Mr. Chairman. I do not yield for inquiries.

The CHAIRMAN. The subject before the House is the social-security bill, on which the gentleman from Texas has been recognized.

Mr. MARTIN of Massachusetts. Mr. Chairman, my point of order is that the gentleman is supposed to confine himself to the subject.

The CHAIRMAN. The gentleman is not stating a point of order.

Mr. MARTIN of Massachusetts. Mr. Chairman, I make the point of order the gentleman should proceed in order.

Mr. BLANTON. Mr. Chairman, I am proceeding in order. I know the rules. I will conform to the rules, Mr. Chairman. The gentleman cannot teach me anything about the rules.

Mr. ANDREWS of New York. The gentleman is discussing the same thing the gentleman from New Jersey discussed.

Mr. BLANTON. I am discussing the old-age-pension bill, and the attitude of Republican colleagues toward it.

Mr. ANDREWS of New York. The same subject the gentleman from New Jersey discussed.

Mr. BLANTON. The gentleman's Republican Party for 57 long years was in complete control of the United States Government, but they had no sympathy for the subject of old-age pensions; they had no time for it; they did not want it discussed. They never brought in a bill to grant old-age pensions during the 57 years they had the United States Senate, the House of Representatives, and the White House under their control and domination.

When did the gentleman's Republican Party during that 57 years bring in a bill here for old-age pensions? When did they ever propose such a bill? When did they ever speak for such a bill? Why, about 10 years ago our good Democratic colleague from New York [Mr. SROVICH], made an hour's speech from this floor advocating old-age pensions, and the movement has been growing ever since.

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield the gentleman from Texas 2 additional minutes.

Mr. MAAS. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. I am sorry, I have only 2 minutes. When have the Republicans been interested in unemployment insurance? When have they been interested in social-security legislation?

They cannot stand it; they cannot take it when we propose these things. They do not like it. Our good friends over there across the aisle remind me of a little incident that happened out in Arizona many years ago when our former colleague and the now distinguished United States Senator

[CARL HAYDEN], used to be sheriff out there in Arizona. There was a high-toned forger who went from New York to Arizona and got to operating out there and Carl arrested him and put him in jail. Carl had a Chinaman who used to feed the prisoners. This high-toned forger was used to having his meals served in his room by special waiters in the Waldorf-Astoria, and was used to being paid special attention. This Chinaman took him his dinner one day. He had a great big hunk of corn bread on a tin plate, and another hunk of sow belly, and a big tin cup full of black coffee. The Chinaman handed it in to him but this high-toned forger pushed it away and said, "Take it away; I do not want it." The Chinaman looked at him grinning and smiling and said: "You no likee? Alle light, me takee away, but by-and-by maybe so you likee."

Now, by-and-by when you get [laughter]—by-and-by when you Republicans get used to the present Democratic Party with Franklin D. Roosevelt in the White House passing social-security legislation, unemployment-insurance legislation, and old-age pensions, by-and-by maybe so you likee. [Applause.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. HOEPEL].

Mr. HOEPEL. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include therein a letter I received from President Green of the American Federation of Labor and a letter from the secretary of the Technotax Society.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HOEPEL. Mr. Chairman and Members, in the ancient days the barbarians descended on the civilized races, constantly adding to their harrassment and in some instances conquering the existing governments. In our civilized age the barbarians of monopoly have descended upon the people and, through the use of the machine, have virtually enslaved the workers of the principal civilized nations of the world.

Our Nation was prostrate in 1932 and in the ardent hope that the new deal would bring surcease in these distressing conditions we were given power and are now charged with a solemn responsibility to those who thus expressed their confidence in our President and in our party. While I admit that from the standpoint of academics I may not be equal to the least among us, yet, from the standpoint of practical experience, I yield to no one in my observation and understanding of the problems which beset us.

In the game of the new deal, it is my opinion that our leadership has been drawing to too many deuces, and in several instances jacks, and that we have actually discarded ace legislation which would have solved our economic problems long ago, had it been adopted. I doubt if there is any individual in the Congress who is so partisan that he would like to see the new deal fail, even though many of us do differ on the modus operandi of attaining recovery.

The "technotax" is the ace in the new deal. We must tax the machines according to the number of workers they displace.

I will mention only a few of the thousands of instances which prove conclusively that the machine is adding to our unemployment situation, a situation which can never be satisfactorily and permanently corrected under the present new-deal procedure.

For instance, we have the steam shovel, which displaces the labor of from 25 to 50 men. We have the glass-manufacturing machine, which displaces hundreds of men. We have the vitaphone, which displaces thousands of musicians. We have television, which, ere long, may displace even the movies. We have modern machinery in the steel industry whereby one machine will do the work of numbers of men. We have a machine which cleans poultry, and which displaces at least 50 percent of the men and women formerly engaged in such industry. We have, in process of manufacture, a mechanical cotton picker, and one of these machines will displace a hundred workers. We have, in process of

development, a machine which will revolutionize the manufacture of shoes, and a telegraphic linotype machine, which will not only displace telegraph operators but linotype operators as well. To be more specific, a message may be transmitted here in the city of Washington by the members of the press, and the same message may be reproduced simultaneously on hundreds of linotype machines throughout the country.

These are only a few of the many instances where labor is being displaced by machinery—but they are enough to prove that the solution of the machine problem is of paramount importance if we are to have permanent recovery and abolish unemployment.

I will mention further only two specific illustrations of machine displacement of man power, which I wish particularly to call to the attention of the Chairman of the Committee on Ways and Means with the hope that he will carefully consider them. In one instance known to me a machine was installed at Torrence, Calif., in the steel mill. With this machine 1 man was enabled to perform the same amount of work as was formerly done by 4 men. In other words, the installation of this machine put 3 men on the unemployment list who were formerly earning \$16 per day and the purchasing power of these 3 workers was thus reduced a total of \$48 per day. It should be borne in mind that the price of steel was not reduced to the consumer because of the installation of this machine.

In another instance, in a poultry plant, 50 percent of the employees were released when a machine was installed which cleaned the chickens, ducks, geese, and so forth. The price of poultry, however, was not reduced to the consumer. At this particular plant to which I refer fully 50 men and women were released and thrown into the ranks of the unemployed.

These situations can be multiplied throughout the United States for every type of labor-displacing machine.

Now, what happens? The workers who are displaced by these machines walk the streets, seeking other employment in a field which, because of the machine, is increasingly restricted. Even in the days of the most prosperous era of our Government the displacement of human labor by the machine was taking place, so that in the period from 1917 to 1929, although we were in the heyday of prosperity, the number of the unemployed increased by approximately 1,000,000 persons, thus evidencing the fact that mass production and the modern machine are responsible for our unemployment situation.

Production in the United States, as we all know, is highly specialized and is a testimonial to American efficiency. Distribution, however, has fallen down and it is with distribution that we are most concerned. Unless we solve this problem of distribution, all our efforts in the new deal will fail.

The difficulty today is that the machine has taken profits to itself in the production of commodities to an alarming extent. These profits are centralized in the hands of a few; they are not used for consumption purposes but for investment, either at home or abroad. It is self-evident that the individuals who control the financial structure of America also control the machine and its profits, with the unfortunate result that the plight of the unemployed, and even those employed, becomes increasingly desperate because of the fact that they do not have an adequate means for consumption—that is, purchasing power.

If this situation were the only one with which we had to contend, it could be more easily remedied, but we have in addition another condition which operates in the interest of the financier, who is the machine owner. It is obvious that those who are thrown into enforced unemployment, as are the millions today, cannot be permitted to starve. Some means of sustenance must be provided for them, and lo and behold, what do we find? We find that the financiers and machine owners, who have built up their wealth through mass and machine production, are now called upon by the Government to invest in tax-exempt securities, which they freely do, so that the necessary funds may be obtained to enable the Government to extend the crumb of relief to the

unfortunate unemployed who are victims of the octopus owned and controlled by these very financiers.

As I explained a moment ago, the steel manufacturer who installs a machine which displaces three men profits to the extent of \$48 per day in wages, and is thus in a position to use these accumulated savings to lend to the Government, through the medium of tax-exempt securities, so that the Government may extend work relief to the unfortunate individuals who lost their jobs because the steel manufacturer put in a labor-saving machine.

To be more specific, the steel manufacturer profits, going and coming. While the number of our unemployed continues to increase and those who are employed have their living standards reduced, the steel manufacturer gains \$48 per day profit for each machine, and then lends this money to the Government, exempting his wealth from taxation and at the same time receiving substantial interest payments. How long can we, as a people, permit the candle to burn at both ends, with all the benefits and profits going to the owner or controller of the financial and machine structure?

Of course, it is recognized that we must have the machine. It is also recognized that the inventor of the machine is entitled to compensation and also that the owner of the machine is entitled to a return on his investment; but surely no one will contend that when a machine owner installs a machine which displaces three men and thus saves himself \$48 per day he is entitled to this entire profit.

I have introduced House Joint Resolution 45, which has for its objective a thorough study and analysis of displacement by machines, with a view to imposing a graduated tax on mass production, machines, and equipment, based on the number of workers thus displaced. Funds derived from this taxation are to be applied exclusively to public improvements in order to give employment to those who have been displaced by the mass-production machine. If this were done, industry itself would bear the burden of the unemployment situation, as it should, and the taxpayer would be spared taxation for this purpose.

Mr. LUCKEY. Mr. Chairman, will the gentleman yield?

Mr. HOEPEL. I yield.

Mr. LUCKEY. If the labor-saving devices used in the manufacturing of automobiles were taxed, what effect would it have on the price of the automobile to the average person on the street?

Mr. HOEPEL. The gentleman apparently did not understand my statement, that I have introduced a resolution asking that an investigation be made of the displacement of man power by machinery and the social and economic consequences thereof, with a view to formulating such legislation as may be shown to be necessary to combat the situation. The gentleman's question would come in for thorough consideration and study in connection with the presentation of specific tax legislation.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield for a question?

Mr. HOEPEL. I yield.

Mr. HOFFMAN. I have a tractor on my farm. Would the gentleman tax this tractor because I can do more work with it?

Mr. HOEPEL. The gentleman must understand that the details of the technotax have not been worked out, and cannot be until the necessary information called for in my resolution is available. I am merely presenting the idea for consideration, study, and eventual enactment.

Mr. HOFFMAN. Is it practical, I mean? Does the gentleman's idea go so far that he would tax the tractor used by the farmer?

Mr. HOEPEL. Although, as I have stated, the information necessary to the formulation of a definite plan of taxation on the principle of the technotax is not available, it appears to me that the tax should first be applied on the products of manufacture which enter into interstate commerce. I would get the big boys first.

Mr. HOFFMAN. First the gentleman would tax the manufacturer of the machine and then he would tax the tractor.

Mr. HOEPEL. I am not discussing the details of the tax feature now. I have introduced a resolution which would authorize a study of the question.

Mr. HOFFMAN. I thought the gentleman had some concrete plan worked out.

Mr. HOEPEL. My first objective, as indicated in my resolution, to which I invite the gentleman's attention, is to secure a study of this question.

The technotax, as I have explained, would distribute the benefits of the machine to the inventor, to the owner, and to the unemployed, and would positively prevent the rapid accumulation of wealth in the hands of a few. In my opinion, it is the fairest and squarest means of distributing the profits of labor to those who are engaged in labor, or who are displaced because of the labor-saving machine. We cannot continue to bury our heads, like the ostrich, and refuse to recognize the fact that the machine is a Frankenstein monster which has all but devoured us. In this connection, I ask your consideration of a letter received from the executive secretary of the American Technotax Society, Mr. Samuel Bristol. This society recognizes that the menace of mass-production machinery, privately owned, is the crux of our present economic maladjustment.

The letter is as follows:

AMERICAN TECHNOTAX SOCIETY,  
Whittier, Calif., April 2, 1935.

Hon. JOHN H. HOEPEL,

House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: In behalf of the American Technotax Society I wish to assure you of our hearty approval of your efforts to secure the unemployment survey, as contained in your resolution introduced in Congress on January 3 last. It is our hope that you will be able to win for it the support of every Member of the Seventy-fourth Congress, without regard to party affiliation.

In further explanation of the Technotax plan of graduated taxes upon labor-saving machinery, permit me to add a few thoughts that may shed further light upon the problems involved.

It is apparent that an uncontrolled force is at work in America nullifying the recovery efforts of the Government and defeating the reemployment program. The testimony comes from two authoritative sources, namely, Gen. Hugh Johnson, recently resigned N. R. A. Administrator, and William Green, president of the American Federation of Labor.

Writing in the Saturday Evening Post on January 19, General Johnson declared that the industrial codes in 1933 secured reemployment for 2,785,000 workers in industry. Yet Mr. Green in his booklet *The Thirty Hour Week*, published in January 1935, reveals figures showing that unemployment has actually increased by 429,000 men during the past year.

It, therefore, appears that in spite of favorable trade indexes throughout the country we are slipping backward in the matter of employment, which all agree is the real measure of recovery. When the employment curve falls at the same time that production rises, the situation calls for a different type of economic thinking—and possibly the discarding of certain outworn theories.

The Bureau of Labor Statistics admits that comparatively little is known about the extent or duration of technological unemployment. Similar testimony comes from Brookings Institution and other research agencies. Is it possible that the Federal administration does not deem this a factor worth considering?

The Technotax Society maintains that the uncontrollable factor which is disrupting America's economic life is mass-production machinery privately owned and regulated only by the profit motive. We believe that until the Federal Government attempts an analysis of the forces that are creating wholesale unemployment, no progress can be made along the difficult pathway toward economic recovery.

We urge that graduated taxes be levied upon the output of labor-saving machinery to raise revenues with which to carry on the burdens of unemployment relief and to extend the program of needed public works. Taxes upon the production of machines will lift the relief burdens off the shoulders of general-property taxpayers and enable us to balance the budget by paying as we go. Technotax rates, graduated according to the workers displaced by each machine, will save the Government from financial collapse, and stabilize business by putting reasonable controls upon the present uncontrolled and dangerous displacement of workers by machinery. Machine taxation will not stop progress, but will enable our people to enjoy a fairer share of the benefits which machine production have made possible.

If the Federal administration desires new light upon the critical unemployment problem, it seems to me that the survey of machine-created unemployment which your resolution provides is indispensable. The time for experimentation is past. If recovery is to be accomplished, the Government will have to proceed with assurance along paths definitely charted by incontrovertible facts. For these reasons I am convinced that your proposed survey is the most effective step yet offered as a solution for unemployment and its resultant ills.



The Technotax Society is grateful to you for your efforts in this matter and we again pledge you our support in this great, constructive program. With kindest regards and best wishes for your success in these endeavors, I am,  
Sincerely yours,

SAMUEL BRISTOL,  
Executive Secretary.

The American Federation of Labor, which is seeking to establish a 30-hour week, is fully conscious of the significance of the displacement of labor by the machine. I ask your attention to a letter received on this subject from the president of the American Federation of Labor, Mr. William Green, as follows:

AMERICAN FEDERATION OF LABOR,  
Washington, D. C., January 8, 1935.

Hon. J. H. HOEPEL,

House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: Thank you for your interest in the unemployment problem and in the development of mechanical equipment in industry, as indicated in your letter of December 28.

We are conscious of the fact that constant displacement is going on and wholesale additions are being made to the army of the unemployed. This has been caused by reason of the fact that various men are doing the work which a greater number of men were formerly employed to do. As workers become more efficient through the use of machinery and power, displacement of those now employed goes constantly on. That increases the serious problem of unemployment, which at the moment, either directly or indirectly, affects 40,000,000 people.

Reciprocating your good wishes, I am,  
Sincerely Yours,

WM. GREEN, President.

#### ECONOMIC HEIRLOOMS

In further exposition of the ideas of the technotax, I submit examples of the quaint half-truths and misconceptions of the machine age that are current among economists, newspaper men, legislators, business men, and others, as presented in a pamphlet issued by the American Technotax Society, of Whittier, Calif.:

#### PROSPERITY IS JUST AROUND THE CORNER

This naive theory has been circulating at intervals since the collapse of December 1929. Its authors have made the wish father to the thought, "Leave business alone and all will be O. K." They overlook the significant fact that mounting unemployment was a feature of the business boom of 1921-29. The curve of production went up, while the curve of employment dropped. Yet the theory lingers on.

#### PROSPERITY DEMANDS INCREASED WORLD TRADE

One of the many devices by which the economists of big business would restore business and relieve unemployment. They forget that world trade is done with bills of exchange. For each dollar's worth of exports we receive a dollar's worth in imports. But the imported dollar's worth contains two to five times as much labor as the exported one, and American laborers get the worst of the deal. Anything beyond a minimum volume of world trade is a threat to the job of every factory worker and brings him nearer to the wage and living standards of the coolie. America's best market is her employed wage earners.

#### THIS GLORIOUS MACHINE AGE

The economists of big business with their journalistic hirelings have made a fetish of machine progress. In the name of progress they develop more labor-savers, cut down pay rolls, and try to squeeze dividends out of a surfeited market. This gigantic conspiracy against American labor has brought our unemployed total to 11,000,000. Yet one still finds men with run-down heels and a high polish on the seat of their best trousers repeating with gravity and assurance the philosophy of machine efficiency.

#### INDUSTRIAL CODES

A well-meaning but ill-advised attempt to force American industrialists to reemploy the workers whom their efficiency experts had eliminated with labor-saving machines. The codes were based upon the unwarranted assumption that the proper way to get men back into industry is to raise wages and shorten hours. The result was new varieties of chiseling, together with increased development of labor-saving machinery and speeding.

#### AMERICA'S HIGH LIVING STANDARDS

One of the most popular fallacies. Statistics reveal that a large part of the labor force subsists on much less than the income required to maintain a minimum American standard of living.

#### LEISURE OF THE MACHINE AGE

The production per unit of American workers has increased more than 100 percent in the past 30 years. Yet there are millions still working long hours at starvation wages, while other millions are unemployable. Is it leisure or unemployment?

#### MACHINES DO NOT DESTROY JOBS, BUT MAKE MORE WORK

One example will show the absurdity of this claim. A steam shovel can be built with 1,000 man-hours of labor. It will replace 25 to 50 men, and in 5 years a total of 250,000 man-hours. The ratio of labor investment to return is 250 to 1—not bad guessing for curbstone economists.

#### DISCHARGED FACTORY WORKERS FIND OTHER INDUSTRIAL JOBS

Another fallacy. One group of 750 industrial workers displaced by machines was investigated by the labor bureau. Only 55 percent had found steady work in 6 months. Other researches show the same trend.

#### PROGRESS IN THE MACHINE AGE

A race of dwarfed, tuberculous Lancaster mill workers gives an adequate picture of machine progress in England. America, with half the gold of the world and great mechanical advance, leads the world in crimes, divorces, and suicides. We have no competitors in the stupid inadequacy of our economic distribution. We are breeding a race of cowed, neurotic job-hunters.

#### THE PHILOSOPHY OF ABUNDANCE

Dreamers picture a world in which power and machines would create abundance for all, with a working day of 2 or 3 hours. What are the facts? Our fuel and mineral resources are being squandered at an unheard-of rate. Natural gas is nearly gone, the last reserves of petroleum are being tapped, anthracite coal is scarce and expensive. Our last great lumber area is rapidly being exhausted, and our consumption of lumber is three times the replacement. Electricity we have—but because of profligate deforestation, dwindling streams supply less than 30 percent of electrical energy, the other 70 percent being obtained from a lessening fuel supply. With the passing of Theodore Roosevelt, conservation has been forgotten. Coming generations can look out for themselves.

#### THE SELF-SUFFICIENCY OF CAPITALISM

American industry, the pride of our age, is rapidly going the way predicted by Marx and Engels in the Communist Manifesto. Since 1920 labor displacement by machines has been an uncontrollable factor. Efficiency is eliminating the mass of the workers, but it has destroyed their buying power at the same time. Capitalism is proving to be a self-destructive enterprise.

#### WHAT IS THE ANSWER?

Though conditions are admittedly bad, the Technotax Society believes there is a way out of our economic difficulties. We urge you to lay aside prejudice or bias while you study this plan.

Technotax proposes graduated taxes on the products of labor-saving machinery—graduated by units corresponding in number to the workers displaced by each machine. Thus a 10-man machine would pay 10 units of unemployment relief funds.

Technotax is essentially a revenue measure. From our total of more than \$40,000,000,000 worth of manufactures it would raise funds sufficient to take care of the entire public-works program, and extend that program to the point where private industry could take up the unemployment slack.

Technotax will solve our financial woes and create circulation of money by giving buying power to the greatest consumer in the world—the American workingman. It would lift the burden of unemployment relief off the shoulders of general property taxpayers and save the Federal Government from financial collapse. It would enable us to balance the Budget by the simple expedient of paying as we go.

Technotax would gear technological development into time with the needs of the people. It would put free-wheeling and four-wheel brakes on the crazy industrial juggernaut that is threatening ruin to the Nation.

Technotax proposes a nonpartisan commission of the ablest business men and economists to set rates that will reduce unemployment and stabilize business. It does not seek to destroy machinery, but only to make secure for mankind the wonderful contribution which machine production is capable of giving us. It is the alternative to technocracy or communism.

Technotax has been endorsed by Congressmen, leading economists and business leaders as a workable recovery measure. It is in accord with the principles of the new deal. It is based upon proven economic experience.

In my opinion our leading economists appear to have frozen, atrophied, or one-track minds, and cling too closely to established custom and precedent. Many of them seem to think that a mechanized, mass-production industry is an absolute symbol of progress when, in reality, unless properly controlled in the interest of all the people, it personifies greed and stupidity, and adds to the concentration of wealth and to the impoverishment of those who have lost their jobs because of the machine. True it is that, in some instances, the machine has removed the burden of toil from the backs of the workers, but it is equally true that it has contributed more to relieve the laborer of his pocketbook and his family of the necessary food and clothing than any other fetish venerated by our capitalistic class.

In conclusion, may I state that we all recognize that we are in a most serious depression and that the suffering of our people because of this depression is greater than that ever endured in our history during a period of war. If we were confronted with war, the resources of our entire country would be called upon and willingly sacrificed, without stint or favor, in our battle against the enemy. If the health or happiness of our citizens were menaced through

pestilence, plague, or other calamity, every facility at hand would be employed to alleviate the distress of our people. Yet here we have in our very midst the octopus of the modern machine which has enslaved our entire Nation and which continues to make millionaires on the one hand and paupers on the other, and notwithstanding the havoc which it has wrought, we as yet have not risen to our responsibilities in the handling of this question.

The machine must be made the servant of all men and not the special servant and wealth builder for the owners alone. The profits of industry must be more equitably distributed among all the people, as they would be under the technotax principle of taxation, and once and for all, we must abolish a system which would bind our people in economic serfdom in the name of progress, and thus destroy the very foundations of our democratic form of government. [Applause.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. Ford].

Mr. FORD of California. Mr. Chairman, I was rather surprised today when I came in here and found the gentleman from Oregon speaking on the bill and admitting that the rule passed the other day, which he had characterized as a gag rule, would permit amendments whereby the various plans that are being offered in the House, particularly the McGroarty-Townsend plan, might be offered as substitute amendments to this bill. It was largely on the philosophy that he developed in opposing that rule that a great many Members voted "no" on the most liberal rule that has ever been presented to this House for the consideration of any bill coming before the House.

Mr. Chairman, I am glad that an open rule permitting amendments was adopted on this bill. I voted for this open rule in order that the new McGroarty bill may be offered as an amendment to section 1 of the bill and be given an opportunity to be discussed on the floor of the House. I shall vote for this amendment when it is offered.

For many years I have been an advocate of an adequate old-age pension. I have always felt, as I do now, that it is a disgrace to send old people to the poorhouse. And it is likewise a disgrace to keep them starving in their homes on an inadequate pension.

I have been hoping, and am still hoping, that this Congress will pass a generous old-age-pension bill at this session, and I believe it will. The bill before us, with its proposal of a Federal contribution limited to \$15 per month per person, to be matched by the States is disappointing. The Federal contribution is too small and the age limit of 65 is too high.

When a man or woman of 60 faces the world with no income and no chance of employment, there is, indeed, a tragic situation. Such a person must either become a dependent upon the bounty of relatives or he must accept public relief, and thus become a pauper, suffering all the shame and sense of dishonor that goes with such a state, and that regardless of the fact he may have intelligently and with good advice laid up for his old age; but when this terrible debacle came along in 1929, followed by the depression, literally hundreds of thousands of prudent and saving elderly people in the United States were deprived of the means that they had laid aside and had worked hard for in order to protect them in their old age. I do not hesitate to say that this is due to the economic system that we have permitted to exist, and that it is nothing short of diabolical.

Mr. BUCK. Will the gentleman yield?

Mr. FORD of California. I yield to the gentleman from California.

Mr. BUCK. The gentleman may mention this later in his statement, but I wonder if he will be good enough to refer to the other provisions of the new McGroarty bill, explaining its broadened tax base and its various administrative features?

Mr. FORD of California. I do not care to go into that phase of it at this time. The broadening of the base is because they have added a tax on gifts and inheritances, together with the levying of additional income tax.

Mr. BUCK. Those taxes will not raise any great amount of additional money. But the old bill laid no tax on personal services. Is it not true that they have also added a tax on the wages of every laboring man in the new bill?

Mr. FORD of California. Any sales tax is a tax on the wages or earnings of the consumer.

Mr. BUCK. I mean a direct tax which the employer has to deduct from the wages of the various employees.

The new bill, in section 1, attempts to define a "transaction" as "including the rendering or performance of any service for monetary or other valuable consideration, including all personal service." That is a broader wage tax than we propose in title II. However, I will be glad to develop that in my own time.

Mr. FORD of California. I will be glad to have the gentleman do that.

Mr. ANDREWS of New York. Will the gentleman yield?

Mr. FORD of California. I yield to the gentleman from New York.

Mr. ANDREWS of New York. I am interested in the statement as to how far the rule may extend. Has the gentleman clearly in mind that the so-called "McGroarty bill" is germane as an amendment?

Mr. FORD of California. Yes; but I do not care to discuss that phase of it at this time.

Mr. ANDREWS of New York. Does the gentleman understand that bill?

Mr. FORD of California. Yes.

Mr. ANDREWS of New York. And the gentleman would vote for it?

Mr. FORD of California. Yes.

Mr. ANDREWS of New York. If it was finally adopted?

Mr. FORD of California. Yes. I would not state on the floor of this House or anywhere else that I would do something and not do it.

Why leave needy men and women between 60 and 65 in such a plight? Why not face the facts, realize that the problem is one that must be met, and that the obligation is ours?

Whatever else is done in regard to this bill, I hope and pray that the age limit of those eligible to old-age pensions will be fixed at 60. If this is not done, I shall feel that we have failed to face the facts, to meet our obligations, to do our duty.

I think we all feel that something much more drastic than this bill is necessary.

We have done much experimenting in the past 2 years. We have tried, and I think wisely, new measures and new methods. Some have proved disappointing, but most have been in the public interest and have helped to advance recovery.

We have today the opportunity to try another experiment, and a daring one. This is to substitute the revised McGroarty bill for section 1 of the so-called "security bill."

The objection to the Townsend plan, as embodied in the earlier bill, was that it obligated the Federal Treasury to pay out in old-age pensions approximately \$24,000,000,000 a year, without any assurance that the money would be available.

However enthusiastic a responsible Member of Congress might be over the thought of the old people of this country being provided with a generous income, to be spent each month, sound reason made him pause. For to vote payments, with grave doubt as to the possibility of being able to make the payments, is unsound. This has been realized by the friends of the new plan and a new bill substituted for the old.

The new McGroarty bill does not obligate the Treasury for one dollar in excess of the funds that shall be collected under its taxing provisions. Should the tax collections provided under it prove to be sufficient to pay to persons over 60 who are eligible under it the sum of \$200 a month each, the payments will be made. And I am certain that under these conditions this would be a happier world.

Should, however, the revenues under the bill be less than the amount needed to pay the \$200 a month each, then

those eligible under the bill would receive a pro rata share of the entire sum collected, less the cost of administration. The Federal Treasury would not be obligated to make up the deficiency. Thus the charge that the wild inflation feared by many Members under the plan would be entirely refuted.

While a transaction tax is a sales tax, even those opposed to such a tax on principle, as a means of raising regular revenue, can accept it as a special tax for a highly social and eminently worthy object.

That the tax money distributed as pensions to be spent each month will put purchasing power in the hands of many consumers, and will thus stimulate business recovery, is a phase of this plan that has been much discussed. It is certainly worth trying.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. Young].

Mr. YOUNG. Mr. Chairman, I wish to compliment the gentleman from Oregon [Mr. Morr] on his courageous and correct statement in regard to what the new McGroarty plan does not do.

Old-age security is the problem to which many Congressmen have devoted much thought and research. The facts are that years ago I made speeches in Ohio in favor of old-age pensions. That was back in the early days when the stones were sharp in the path and the brambles thick for those few of us who advocated social legislation such as unemployment insurance and old-age security.

I served during 1930 and 1931 as a member of the Ohio Commission on Unemployment Insurance. As a member of that commission I studied unemployment and unemployment insurance. We recommended unemployment insurance. I signed the majority report making this recommendation and helped draft the model unemployment-insurance bill which was introduced in the General Assembly of Ohio. This "Ohio plan" has now been recognized as a national model.

My purpose today is to speak on the old-age pension phase of the social-security program. Later on I shall speak on unemployment insurance.

President Roosevelt favors old-age pensions. His present program calls for \$15 per month to citizens over 65 with the States participating at least on an equal basis. In Congress I have supported President Roosevelt and upheld his leadership. His plan is a step forward. I would go farther. It is not adequate. Furthermore, it does not provide for social security. I want old-age pensions to commence at 60 and from the time the citizen becomes 65 the amount should be increased. Let us commence this social-security program now. Let us provide more adequate old-age security payments than this bill provides in its present form.

The depression brought forth a brood of fantastic plans, schemes, and panaceas to promote recovery, contentment, steady employment, and prosperity. The best known was Dr. F. E. Townsend's first revolving old-age pension plan of \$200 a month for each individual of 60 and more. Liberals, like myself, were publicly advocating old-age pensions years before Dr. Townsend announced his plan. Dr. Townsend asserted his plan pointed out the royal road to recovery.

I refer to his first plan, because that is fundamentally different from the plan as now contained in the new McGroarty bill. When these agitators go into Ohio and other States and tell the worthy people we represent, particularly the elderly people, that only slight changes have been made in the new McGroarty bill, they are stating what is not the fact and they know it is not the fact.

Within a year selling Townsend-plan booklets and literature became a leading industry of Long Beach, Calif., and a profitable business for those who sold Townsend-plan booklets at 25 cents each which cost but a fraction of that sum. Then on April 1, 1935, he publicly abandoned his original plan. The original Townsend plan providing \$200 per month for all over 60, amounting to about six times the annual revenue of our Government from all taxa-

tion, is abandoned by its author and sponsors. H. R. 7154, Mr. McGroarty, now supported by Dr. F. E. Townsend and the Townsend leaders, differs fundamentally from the originally announced and much-exploited Townsend plan.

Mr. BUCK. Will the gentleman yield?

Mr. YOUNG. I yield to the gentleman from California.

Mr. BUCK. Did not the original and first plan call for a 10-percent retail tax?

Mr. YOUNG. Yes.

Mr. BUCK. Then that plan should really be called the first plan, the first McGroarty bill the second plan, and the new McGroarty bill the third plan.

Mr. YOUNG. That is correct.

Mr. BUCK. Has the gentleman any knowledge of how many other revised plans will be introduced?

Mr. YOUNG. This latest plan, as the gentleman from California and I agree, is fundamentally different in character from what these people in our States have been given to understand.

Mr. BUCK. And those of us who stated we disagreed with the second plan, or whatever you may call it, and believed it to be unworkable, have been proven to be correct in our position by the introduction of this new bill.

Mr. YOUNG. That is true. The \$200 per month feature has been altogether eliminated from this recently introduced McGroarty bill, H. R. 7154.

This measure provides for the raising of the revenue by increasing inheritance taxes to a small extent, by increasing income taxes and, in addition, by the imposition of a 2-percent sales transaction tax. The size of the monthly payment to elderly individuals depends, under the new McGroarty bill, H. R. 7154, which is to be offered as a substitute, I understand, on the amount of money said taxes produce after the cost of administration has been deducted. Of course, this may be very fine for the bureaucrats and the administrators of the plan, but it may not be so good for the elderly people who are dependent. How can we say to the people we represent that we are providing old-age security for them unless we definitely write into the statute laws some minimum as a certain amount that every worthy elderly person of this country will receive?

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. YOUNG. I have only 10 minutes, but I shall yield once more.

Mr. FITZPATRICK. There is not a guaranty in that plan as to the amount they will receive.

Mr. YOUNG. There is no guaranty. Under the recently introduced McGroarty bill, which is the latest Townsend plan, the annuity payment to the elderly people that we represent may go from nothing up. Of course, as a sop and because they have been talking so much about \$200 per month, the bill states that in no event shall the payment exceed \$200 per month, but everyone knows that after the cost of administration has been deducted, the payment will be but a part of that amount.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield?

Mr. YOUNG. I must refuse to yield further, Mr. Chairman.

I urge that a substantial minimum amount be fixed so that there may be real old-age security. Also I urge that the inheritance tax be increased. I have prepared amendments providing these changes. I would strengthen and liberalize the bill.

Every worthy individual 60 years of age or older, who is in needy circumstances, is to receive the pro rata share of the amount obtained. If such person is in receipt of a small income, this is deducted from the annuity paid.

This latest Townsend-plan measure represents a real step forward. It has meritorious features. The original McGroarty bill, H. R. 3977, advocated by many who had not carefully studied its provisions, was loosely drawn and was not practical. It has been definitely discarded by Dr. Townsend. It is unfortunate that overzealous agitators deceived worthy old people and caused them to believe that our Gov-

ernment could readily pay every elderly individual \$200 each month. This was cruel and uncalled for.

Present poor-relief systems for the indigent aged are inadequate. In addition they are costly and give no assurance of security. China and India are about the only nations which do not have old-age-security laws. No problem before us is of greater importance than to provide real old-age security for all individuals 60 and older who are citizens of our country.

About 350 years ago, while Elizabeth was Queen, somebody thought of the poorhouse. Since then we have found better ways of doing everything. We have exchanged the quill pen for the fountain pen and printing press; the candle for the electric light; the horse for the railroad, automobile, and airplane. Stage coaches, tallow dips, flintlock muskets are gone never to return. Nevertheless, we still tolerate the poorhouse. We care for our needy aged by methods in vogue in 1588.

After years of depression this problem is particularly acute. Savings of thousands of aged people have been wiped out despite the fact that they providently and thriftily saved for their future. They are destitute. Their sons and daughters, lacking jobs in many instances, cannot help. Younger people and the middle-aged may never be able to accumulate sufficient for their own old age. Certainly they are not able to adequately provide for their aged and infirm parents. This depression, like war, leaves its toll for future generations to pay. The question is, Shall we provide for our aged extravagantly and cruelly in poorhouses, or humanely, economically, and scientifically by old-age pensions?

As Congressman at Large I represent a constituency of 7,000,000 of the finest people living anywhere. Far too many of my people are unemployed and in need. In November 1933 the citizens of Ohio, by an overwhelming vote at a State-wide initiative election, decreed that in Ohio there should be old-age security. This by the largest majority ever recorded on any issue submitted to Ohio voters. The old-age-pension law enacted in Ohio is unjust, unfair, and inadequate. We do not have old-age security. By old-age security I mean adequate pensions payable to all worthy citizens 60 and older who are in need. By "adequate" I mean at least \$50 per month for each individual, and I would increase that to \$75 per month for all over 65.

Old-age pensions provide an open road for happiness and contentment for men and women who have, through no fault of their own, beheld the savings of a lifetime swept away as a result of ill-founded trust and abiding faith in big city bankers, in manipulated insurance companies, in exploiting building and loan associations, or have been swindled in any manner through the connivance of others, or who have by reason of economic conditions, been unable to lay aside sufficient for the "rainy day" that awaits us all. Local communities now overburdened, relatives now overtaxed caring for the less fortunate, and county poorhouses, will be displaced. A new era is at hand. The aged and infirm will face security and contentment instead of uncertainty, humiliation, and misery.

In 29 States old-age pensions have been provided. Many States, like Ohio, have provided for old-age-security laws because of a direct mandate of the people expressed at the polls. Ours is, in fact, the only civilized country in the world that does not have a national old-age-pension law. The cost of a few battleships will go a long way toward adequately pensioning for 1 year every needy individual in this country. Unfortunately the average State pension is less than \$25 per month. The average cost of maintaining inmates in poorhouses is \$40 per month. Justice and ordinary business prudence call for more adequate old-age-security legislation.

The need for old-age-security legislation is largely due to the congestion and intensity of modern industrial processes. Either aged people, in honorable poverty, must be supported by private charity or by society. I favor old-age-security legislation because it is the duty of the Government and also because the reliance upon private charity is an unequal and insecure dependence for men and women who have earned

the right to live their few remaining years in modest independence, and enjoy a little repose.

The hope we all cherish is an old age free from care and want. To that end people toil patiently and live closely, seeking to save something for the day when they can earn no more. And yet the same fate awaits the majority. In the life of the worker there are weeks, often months, of enforced idleness, weeks of unavoidable sickness, losses from swindling, and then, as age creeps on there is a constantly declining capacity to earn, until at 60, many find themselves destitute. There is no more pitiful tragedy than the lot of the worker who has struggled all his life to gain a competence and who, at 60, faces the poorhouse. The black slave knew no such tragedy as this. It is a tragedy reserved for the free worker in the greatest Nation on earth.

There is nothing radical about the old-age-pension idea, though, personally, I do not fear being termed a "radical." The word "radical" is derived from the Latin word meaning "root." We ought to go to the roots of our social and economic troubles. As a matter of fact, payment of old-age pensions by the State or National Government involves no new policy nor any innovation of principle. In 1913, as a member of the General Assembly of Ohio, I participated in the enactment of Ohio's first mothers' pension law. Before that time the State had dealt in haphazard fashion with children of destitute widows. Children were sent to children's homes and the mother to work. This blighted the lives of children and brought misery to the mother. Instead of cruel separations of mothers and children, we now have the enlightened system of mothers' pensions, with regular payments to mothers to take care of their children. The family is kept together. Furthermore, the cost to the State is less. No State that has adopted mothers' pensions has returned to the old inhuman methods. I urge the same principle for the needy aged who, after a lifetime of industry, effort, and struggle at 60 become in need of assistance from the Government or from public or private charities. It is time to free white hair and wrinkled brows from dread and anxiety. Instead of "over the hill to the poorhouse", the Government should lend a helping hand in a scientific and adequate manner to our deserving and needy aged as they go down the sunset side of life.

Mr. Chairman, private charities, bread lines, and soup kitchens must not be the only answers of American intelligence and sense of justice to the problem of unemployment and indigent old age. Out of the hardships of this depression, when millions of people sought work which they could not find, let us hope that a better future may come for aged men and women whose condition is desperate even in the best of times, and through no fault of their own.

In Ohio we have a sales tax. This is the most atrocious and obnoxious form of taxation. A sales tax or a sales-transaction tax most heavily burdens people in moderate circumstances and the poor. It is the tax of last resort. Increased inheritance and estate taxes against large inheritances and increased income taxes in the higher brackets, which I advocate, will not burden people in moderate circumstances nor the poor. Taxes should be assessed according to ability to pay. Lest someone from California say that the tax proposed by Dr. Townsend is not a sales tax but a transaction tax, I refer to Dr. Townsend's testimony before the Senate Finance Committee, Saturday, February 16, 1935:

Senator BARKLEY. So it is really a sales tax?

Dr. TOWNSEND. There is a distinction, but there is very little difference. A sales tax has to necessarily be a tax on a transaction. All taxes on transactions of a financial nature are sales taxes.

Senator BARKLEY. So it is a distinction without a difference?

Dr. TOWNSEND. Well, the public conception of a sales tax is a limited transaction tax. That is the only difference.

Senator BARKLEY. The transactions tax would be unlimited; it would apply to all transactions involving sales?

Dr. TOWNSEND. That is what we propose to do.

Senator BARKLEY. The name is changed in order to get away from the term "sales tax"?

Dr. TOWNSEND. That is all.

For the purpose of providing revenue for old-age security I am willing to support a small transaction-sales tax. I will not support such a tax for the general operation expense of Government.

The entire combined revenues of the Federal Government from all sources of taxation in 1934 amounted to \$3,700,000,000. To obtain this we resorted to almost every conceivable form of taxation—we taxed incomes, inheritances, gasoline, tobacco, liquor, beer, imposed nuisance taxes of all kinds, excise taxes, taxed bank checks, added extra postage rates.

Mr. Chairman, I conclude by urging enactment of the most liberal old-age-security law that is practical. I know this will not be \$200 per month per individual, but I hope it will be \$50 or \$75 per month per individual. I, for one, will not be a party to deceiving or holding forth false hopes to elderly people I represent. Dr. Townsend did this for a time. That was cruel and unconscionable. I will continue to fight for the most liberal old-age-security law that is practical. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 20 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, I have before remarked that I am ranking man on the Committee on Expenditures, seemingly a perfectly useless committee. We are supposed to delve into the manner and amount of the expenditures, but we should apparently not investigate expenditures of this administration. So it seems futile to suggest that anything be done by the committee. But if I have any conscience or any courage whatever, I must make use of this forum to voice a protest against some of these immense expenditures made or contemplated.

The gentlewoman from Massachusetts [Mrs. ROGERS], in the Record of yesterday, painted a word picture of the cities of the dead, which I would like to have you read. Then consider the fact that we are faced with a monstrosity of this sort, to be paid for by industry that is dead or dying. Perhaps it is expected that someone who holds a ranking position on this committee should voice a protest in behalf of that industry.

We cannot discuss this bill without comparing it with other huge expenditures. That is probably why our able chairman from North Carolina favors it. With what utter despair and discouragement he must have voted for the tremendous expenditures already made, and how hopeful he perhaps may be that we now have a plan that will take the place of these enormously wasteful expenditures that have been made. He knows he must not criticize them. Harry Hopkins would call him "too damned dumb to understand." I think that I know how that splendid gentleman feels in his own heart regarding those futile experiments which have cost so much. We on this side sympathize with the Senators from Virginia, especially the senior Senator from Virginia, who had to carry through the Senate that bill for \$5,000,000,000 when he did not believe in it at all. A strange situation, was it not?

But you elected a President; and you think he had a mandate from the people to be practically a dictator, and that you are simply to obey his will. Word has come to you, sir, that no matter whether constructive suggestions are made, or not, with respect to certain portions of this bill, you are to pass it just as it is; and you probably feel that you must obey that command.

Some of you on that side think that you embarrass us when you ask us what program we may have.

We most certainly now do have a program. We expect to adopt the Democratic platform of 1932, which you abandoned for these foolish new-deal experiments. Think of what you perpetrated on the people of the United States through the promises in that platform, which you have now willfully abandoned. Because of what you have done it is now necessary for the Republicans to adopt that 1932 program, which so won over the voting populace.

I hope the Democratic Party are enjoying their slide down hill. They are carrying the country down hill to the tune of probably \$50,000,000,000. I presume you will let us have the sled to drag back up the hill, later on.

Some have stated that the Republicans would not get into power until 1970. With that campaign chest—\$5,000,000,000—I am inclined to believe that the Democratic Party

may perhaps extend its power another 4 years, but let me make the prophecy that the Democratic Party will not be heard of for half a century thereafter, when the poor, suffering people are obliged through taxation to pay the bills.

I want to call attention—and I think that a large portion of the public saw it—to the last edition of the Saturday Evening Post. Perhaps some of you dislike those editorials so much that you will not buy that publication anymore. The last issue contained such a caricature that I am certain no words spoken to the American people could be as effectual in arousing them as those portrayed in that picture by Herbert Johnson.

Look at that satisfied, ridiculous—I do not know how to express it—smile of Jim Farley's, sucking at the rich mixture of billions of dollars for distribution, and the other infants in their delight in the pop handed to them for largess. Are they our great engineers? No. Great financiers? No. Lew Douglas has gone, Johnson has gone; practically all the practical men have gone, except Harry Hopkins, the great spender of all time.

Mr. KNUTSON. Will the gentleman yield? Surely the gentleman does not object to the expenditure of \$250,000 in preparing a relief map showing the movements of the people in the Mediterranean and Euphrates during the second millennium between the years 2000 and 1150 B. C., something that the human family has been thirsting for for centuries? [Laughter.]

Mr. GIFFORD. I am not given much to ridicule. Of course, the rhythmic dancers might not receive our entire approval, but we are informed that we are all "too damned dumb to understand it." [Laughter.]

Then we have the great Tugwell. Is he really a master engineer who can judiciously spend \$900,000,000 for soil erosion, reclamation, and all those things that require the services of a great engineer? No. Before we pass on these things we should like to know—as TOM BLANTON formerly desired to know—the personality and ability of those who are to spend the money. As a saving declaration, in view of the storms of protests, the President has stated that he himself will expend it. Marvelous, indeed, is his capacity in all things. There is only one man for friend BLANTON to follow now, and that is the President of the United States. He says, "I follow my President." But he did not follow him in the matter of the \$2,300,000,000 for the veterans' bonus. The great BLANTON—and I am looking at him and can now criticize him, since he has just been deriding us—the great man who has stood here for so many years and filled the CONGRESSIONAL RECORD with statements that he had saved the country millions of dollars! He has boasted greatly of saving great sums in the Private Calendar alone. Behold the great BLANTON, straining at gnats and swallowing camels!

Mr. BLANTON. Mr. Chairman, will the gentleman yield? Mr. GIFFORD. Yes.

Mr. BLANTON. None of my colleagues over here are able to understand anything that the gentleman has said.

Mr. GIFFORD. Oh, the gentleman does not want to understand what I have said. But I think that the gentleman's colleagues fully understand. They know the record of the great BLANTON for more than 15 years. He has claimed to be the great watchdog of the Treasury, but now he is "following his President." Seemingly, no matter where he may be led.

Mr. BLANTON. If the gentleman will allow me, I would rather follow him than Mr. Hoover—

Mr. GIFFORD. Do not take that out of my time.

Mr. BLANTON. Who during the 4 years of his administration left us with a \$4,000,000,000 deficit.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. Yes.

Mr. TREADWAY. The gentleman has referred to the extravagant expenditures on the part of the President. Is not the President liable to change his mind and be economical and balance the Budget?

Mr. GIFFORD. I wonder if the gentleman wants me to read again the President's pre-election speech on balancing the Budget, wherein he said that it was dangerous for the banks to loan the Government any more money? He said that in 1932. Do you want that dose of medicine again?

Mr. TREADWAY. I call the gentleman's attention to the fact that in this morning's paper in a press story there is an alleged interview—I take it to be official—with the President of the United States yesterday wherein he called attention to the fact that this legislation now pending before us would be a means to balancing the Budget. That statement is definitely made. I want to know of the gentleman whether he does not think the President is just human in wanting to change his mind sometimes, for it will be remembered that under date of February 16 the New York Herald Tribune carried the statement that the President would not further comment to the press on pending bills?

Possibly the President is not aware that this so-called "social security bill" is a pending measure, but in February he would not answer any questions about pending bills. He did yesterday, evidently, because he told how to balance the Budget by spending these billions of dollars in old-age pensions and unemployment insurance. Why did he change his mind?

Mr. GIFFORD. I want to give the President credit and I want to give our splendid chairman, Mr. DOUGHTON, credit for thinking that, if they can get rid of this vast expenditure in the way in which it is being made, this program will take the place of it and will hasten the balancing of the Budget. But in further reply, the gentleman well knows that yesterday when those New England Governors called at the White House to see the President and told him the exact conditions in New England—told him in no uncertain language, because I heard their statement read—it was easier for the President afterward to tell the press than to face those New England Governors and tell them that he must refuse to grant them relief.

Mr. TREADWAY. Did not the press account say that he waved them into the next room so that he might interview members of the Cabinet, and then he gave out the press statement?

Mr. GIFFORD. Exactly. The President is in a peculiar position. He does not want to face Senators and Members of the House and New England Governors, even though they are largely Democratic. It is highly amusing to have all those Democrats, elected in New England, now pleading for Republican policies. They are the only policies that will save New England. They pinned their faith on Mr. Roosevelt in 1932 and 1934, but if the election were to take place in these New England States tomorrow can you not imagine the result?

Mr. TREADWAY. In reference to the policies they represent, and the President, and the criticisms of our Governors of New England, all of them, I think, but one Democratic, they are pleading, as I understand it, for higher tariffs, for repeal of the processing tax, and doing away with the reciprocal treaties. Is not that the program of the Democratic Governors?

Mr. GIFFORD. True. I ought to take this opportunity still further to impress on this House the situation in the textile industry, the second largest in the country, which is one great industry that must bear the burden of this bill. You are killing this industry; it is practically dead; and the President refuses to come to its relief. We have delegated practically all of our power to him. He is the only one who can give us help.

Mr. HOUSTON. Will the gentleman yield?

Mr. GIFFORD. I think I have finished that.

However, I sympathize with the President and with the party that elected him, because they must insist on Democratic policies. The repeal of the processing tax might not do so much, perhaps, as the textile industry hopes it would, but it would help and lend encouragement. And Japan, at present our largest customer for raw cotton, says to us, "We send you only one-half of 1 percent of the amount you

consume in your country; and, as we are your customer for raw cotton, you do not dare do anything about it." However, that one-half of 1 percent is sold so cheaply that it acts like the surplus of any other commodity. Our manufacturers, our mills, our retailers, cannot sell an article for a fair price when purchasers declare, "I bought the same thing for half that money last week somewhere else."

It is the surplus, however small, that very largely establishes the price. Everybody acknowledges that to be a fact. That has been your plea on that side of the House for many years. Let us recognize it. But let us place this sick, suffering, despairing industry back on its feet. Let us now begin to assist all legitimate industry without waiting for all the social aims of the administration to be achieved!

Mr. Chairman, I want to vote for much in this bill. I welcome the old-age pension plan. Massachusetts has its old-age pensions. It costs Massachusetts \$4,500,000 a year. We pay \$24.50, on the average, to our aged and needy people. I presume that I should welcome the Federal Government coming in and helping us out, although the result will be that a large amount paid to other sections will come from my State. New York will also pay a huge amount for the benefit of other States. But when the Federal Government sets up machinery and is morally bound thereby, whether it be a home-loan bank, a farm-credit bank, or anything of that sort, and the States cannot or will not meet their share of the costs, the individual involved will assert his rights and the Federal Government in no time at all will have to assume the whole burden. Well did the chairman, in his opening address, stress the point that the States should be made to pay their share. He is trying hard in this bill to preserve State rights and State responsibilities, but he has already been forced to listen to some very strong speeches in the last 3 days in favor of the Federal Government paying it all. Many States cannot meet the cost; many States will not do so.

It is argued that it is not fair that old people in Arizona or New Mexico should be treated any differently than those in New York or Massachusetts. Our prediction is that in 1 or 2 years, perhaps, the Federal Government will have to assume the entire burden. It will be a Federal old-age pension long before 1940 or 1942, when the second title of this bill really goes into effect. We fully understand the doctrine that has taken possession of our Congress for many years, since the sixteenth amendment to the Constitution was adopted. Then you learned that six States principally paid the bills. It is very fine to distribute largesses over the many States of the Union whose constituents seldom look into the hard, cold face of an income-tax blank, but who feel that they should be supported by those six States of the Union. The half flimsy excuse that perhaps some of the people residing in those States made their money in some of the other States is often presented. Just as if that money that was invested in those other States did not pay its full share for labor, for taxes, and in other ways to benefit the States where the business is located. The cry is, "Abandon State responsibility! Take it from those six States! Let them pay the bill." Mr. Chairman, we are building a ceiling of debt over our Federal Government. The other day I spoke of forty billion. "Andy" has now raised his estimate to fifty billion. Forty billion, forty-two billion, and so on until fifty billion is reached in 1940.

[Here the gavel fell.]

Mr. TREADWAY. I yield the gentleman 10 additional minutes, Mr. Chairman.

Mr. KENNEY. Will the gentleman yield?

Mr. GIFFORD. I yield.

Mr. KENNEY. In circumstances like that, I wonder what the gentleman thinks George Washington or Alexander Hamilton might have done, when money is so sorely needed and so scarce for worthy purposes?

Mr. GIFFORD. They would go back to the days of Thomas Jefferson and Jeffersonian doctrine. We read that Secretary Wallace is not welcome down in Georgia today to make a Jeffersonian speech. Those great men would not

have embraced spendthrift measures. We can well imagine them saying to us, "Return to the old anchorage and stop extravagances."

I hope you will feel I am really sincere in my criticisms. However, may I now indulge in a little pleasantry? We should look with great care as to who is to spend the \$5,000,000,000. I wonder what this "new" set-up will be—another alphabetical organization? But the greatest of all alphabetical organizations ever set up by any party is, as you know, that great "I O U" organization, which you are setting up. Now, who will carry on? Tugwell, Hopkins, Farley, and Wallace? Have their past performances appealed to you? I do not want history to record—just a few years from now—that their carrying out of these things was a dismal failure. Have you gentlemen recently seen Haskins' new book on Government? Have you seen to it that your schools all have it? It is a most valuable treatise on our governmental activities. Haskins wrote an excellent book on the same subject some years ago. I well remember one of the interesting illustrations on the subject of experimentations of the Weather Bureau. The Weather Bureau generally gave out the report "probably fair", "probably cold", and soon it was being known as "Old Probability."

The weather people in Washington were worried because a farmer in Maryland foretold the weather more accurately than they did in Washington, so they sent an investigator and the farmer explained his success in the matter thus: "See that donkey out there? When it is good weather he grazes contentedly. When it is to be bad weather he is uneasy. I can tell by the degrees of uneasiness what the weather is going to be." The inspector went back and reported to Washington, and in consequence they put a jackass at the head of every weather bureau in the country. [Laughter.] I mean no offense to any particular individual, but I hope that history will not make the same comment regarding the present. Probably those mentioned are doing the best they can; but they are not engineers, and the public now has scant faith in them. Yet when certain of them are criticized they reply that we are too damned dumb to understand.

The President has let Lew Douglas go and supplanted him by a new Director. I do not know who he is; do you? Is he simply another "yes" man?

Advisers to the President come and go, and, while expressing the greatest affection for him, many of them cannot agree with his philosophy. He now has a Secretary of the Treasury, I presume, who will do anything the President wants him to. I am sure I read Mr. Morgenthau's statement to the effect that he would certainly do so when he took the office.

And now Governor Eccles comes with a banking bill that will assure the Government that the banks will have to cooperate. No wonder business men do not come before your committee; no wonder banking men do not come before the Committee on Banking and Currency. No; indeed. They realize that they are faced with a virtual dictatorship. To demur, will bring punishment, swift and sure. Governor Eccles said:

If the banks do not lend the Government money or do not conform, it will be "just too bad" for those banks.

This is the man who does not worry about a \$40,000,000,000 debt or the balancing of the Budget for several years to come, like Tom BLANTON.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I shall be pleased to.

Mr. BLANTON. The gentleman from Massachusetts forgets that the rules prevent him from referring to his colleagues by their personal names.

Mr. GIFFORD. Mr. Chairman, I do not yield further; the gentleman himself taught me to do it.

Mr. BLANTON. Mr. Chairman, I make the point of order that the gentleman is out of order in referring to his colleagues by their given names and not in the way the rules provide; and I base my point of order on the second ground that the gentleman is not talking to the bill. The gentleman

has not told us what he thinks about the unemployment-insurance feature in this old-age-pension bill.

Mr. GIFFORD. Mr. Chairman, I do not yield further.

Mr. BLANTON. Mr. Chairman, to save time I withdraw my point of order; perhaps the gentleman will get to the bill after a while.

Mr. GIFFORD. Mr. Chairman, I am glad the gentleman finally understands me. I learned this first-name business largely from him, and I want to call to the attention of these new Democrats that they should enjoy the speeches of Blanton, our old friend Jack Garner, and other Democrats here in the House during which they so glibly talked about Uncle Andy and Cal. Yet the Republicans have referred to your Democratic President only in the very remotest way, if they criticize him at all.

You remember how the gentleman from Kentucky [Mr. Vinson], speaking from the well of the House, recited that poem about "Cal and the rocking horse." Oh, we Republicans are then supposed to take, and like, criticism, ridicule, and even insult; yet the gentleman from Texas cannot refrain from criticizing me because I spoke of him as Tom. [Laughter.]

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield.

Mr. MAY. Will the gentleman from Massachusetts tell the House whether or not he is in favor of or against old-age pensions?

Mr. GIFFORD. Mr. Chairman, am I really so difficult to understand? [Laughter.] I raised my voice so that you could not avoid hearing me. I said I was greatly in favor of old-age pensions. Does the gentleman now hear me? Massachusetts is proud of her old-age pension system. I will vote for that title in the bill; but will I vote for the unemployment-security title—that experimental thing for which a suffering industry will have to pay? No; not now. Does the gentleman understand that?

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield.

Mr. KNUTSON. The gentleman from Kentucky just came in the room. He did not hear the gentleman's remark.

Mr. GIFFORD. I hardly think he would fully sympathize with me if he had.

Mr. Chairman, there are other matters to be discussed in view of the presentation of this bill, but I refrain from further remarks at this time. As the ranking man on the minority side of the committee to watch expenditures of the Government, I have felt constrained to make these comments; and if I do say something that may be regarded as political, I say again, look up those speeches of Blanton, Garner, and other leading men on your side and you will understand what tremendous blasts we Republicans had to endure all those years. Then marvel that we Republicans are so considerate of you during these days when you offer so much which deserves criticism. [Applause.] Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I yield 1 minute to the gentleman from Missouri [Mr. COCHRAN].

Mr. COCHRAN. Mr. Chairman, the gentleman from Massachusetts laid emphasis upon the fact that industry was dead. He stated that dead industry could not pay the money that would be necessary in order to carry out certain provisions of this bill. In order that the readers of the Record may know how dead industry really is, I ask unanimous consent that at this point I may be permitted to insert in the Record the figures showing how the chief executives of big business have voted themselves thousands of dollars increases in salary since President Roosevelt has been in office.

[Here the gavel fell.]

Mr. GIFFORD. Mr. Chairman, reserving the right to object, will the gentleman let me make answer so it also will appear in the Record?

Mr. COCHRAN. The gentleman will have the privilege of putting in the Record anything he desires. I asked unanimous consent that I may be permitted to insert these figures in the Record.

Mr. KNUTSON. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts.

Mr. GIFFORD. Mr. Chairman, I am allowed 2 minutes. I would like to answer the gentleman, because he is a good friend of mine. I notice the income-tax payments have increased; we upped the rates last year. Your N. R. A., to my knowledge and to the gentleman's knowledge, has made many firms and manufacturing plants earn more money last year on less turn-over and fewer employees.

I want to read a short excerpt of a few days ago from a New York financial journal for the benefit of the House.

Mr. COCHRAN. The gentleman is taking up all my time.

Mr. GIFFORD. The gentleman's time has expired. I have been granted 2 minutes.

Mr. KNUTSON. I yield the gentleman 2 additional minutes.

Mr. GIFFORD. This article is as follows:

Not since the dark days of the banking crisis early in 1933 have the feeling of despondency and unwillingness to embark upon new business commitments been so wide-spread as during the past few weeks. This has been noted in all walks of business. The pessimism is most profound in New York, doubtless, but sentiments of further disaster are spreading into other areas. The consequence of this deep depression in business sentiment is a contraction in the volume of new orders entering trade channels, retail sales volume turning downward, and commodity and financial markets have reacted sharply.

We should refer to the financial papers of the last 3 weeks and the above statement will be fully verified. Pick out a spot somewhere that is prosperous and put in the RECORD if you want to, but prosperity is found only in "spots."

Mr. COCHRAN. Will the gentleman please put in his scrapbook and read to the House the story appearing in the Washington Post this morning where Dun tells what has been going on in the country and what is expected in the country? The gentleman is fair. Let him do that.

Mr. GIFFORD. I have not that article in my scrapbook.

Mr. COCHRAN. It is on the first page of the Washington Post.

Mr. GIFFORD. The gentleman may do that if he wishes. I am putting in my own excerpts. In heaven's name, defend conditions if you can. Place in the RECORD all possible to encourage our business men and the country.

Mr. COCHRAN. Anything that refers to the Democratic administration in a good way the gentleman does not carry in his scrapbook.

Mr. GIFFORD. May I say that I greatly desire to go along with my President and your party when I think you are right. He is the only President I have. I do not want to put anything in his way, but it is a real duty to warn of unhappy conditions and to call attention to the driver when we are certain he is going in the wrong direction.

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, under leave to extend my remarks, I insert the following list taken from the St. Louis Post Dispatch, as well as a news story from the same paper, that shows the salaries of leading business men, which is a clear indication that business is not quite as dead as the gentleman from Massachusetts [Mr. GIFFORD] would have the House believe. Surely if business was dead it would not be able to pay such salaries.

Range of salaries for business leaders

	1928	1929	1932	1933	1934
William F. Humphrey, president Tide Water Associated Oil Co.	\$53,390	\$92,555	\$52,987	\$12,000	\$60,000
Frederick P. Small, president American Express Co.	81,470	84,390	76,419	70,125	68,665
M. G. Gibbs, president Peoples Drug Co.	50,000	50,000	45,000	40,000	50,000
P. W. Litchfield, chairman Goodyear Tire & Rubber Co.	101,000	101,000	79,787		81,000
Burnett W. Robbins, president General Outdoor Advertising Co.			75,128	56,259	56,390
Louis Block, chairman Crown Zellerbach Corporation	78,100	75,100	65,450	67,800	67,500
William F. R. Murrie, president Hershey Chocolate Corporation	66,550	66,550	66,550	66,550	91,500

Range of salaries for business leaders—Continued

	1928	1929	1932	1933	1934
Milton Dammann, president American Safety Razor Co.	\$45,833	\$45,000	\$54,000	\$54,000	\$59,740
J. B. de Mesquita, secretary American Safety Razor Co.	40,000	45,000	40,500	40,500	52,365
James H. Rand Jr., president Remington-Rand, Incorporated	75,500	75,000	76,128	60,000	94,128
Francis H. Brownell, chairman American Smelting & Refining Co.	100,000	108,000	100,000	100,000	100,000
Simon Guggenheim, president American Smelting & Refining Co.	50,000	50,000	42,000	40,500	50,000
Jacob France, president Mid-Continent Petroleum Co.	125,000	125,000	90,000	81,000	81,000
Martin J. Condon, president American Snuff Co.	75,800	70,119	61,549	60,000	54,256
George Horace Lorimer, editor Saturday Evening Post	100,000	120,965	118,750	100,000	100,000
Francis B. Davis, chairman United States Rubber Co.	120,965	125,550	107,550	96,136	125,000
C. B. Ames, chairman Texas Co.		101,353	48,700	75,000	75,000
William Dekraft, chairman finance committee, United States Rubber Co.		36,600	35,417	31,532	50,700
P. S. Collins, vice president Curtis Publishing Co.	78,890	78,968	72,692	60,750	60,750
F. A. Healy, vice president Curtis Publishing Co.		46,191	58,153	54,000	53,998
J. D. A. Morrow, president Pittsburgh Coal Co.	30,000	34,000	30,780	24,772	74,420
Louis S. Cates, president Phelps-Dodge Corporation			82,220	75,000	76,440
Frank W. Lovejoy, president Eastman Kodak Co.	84,537	85,050	83,461	90,000	90,908
William G. Stuber, chairman Eastman Kodak Co.	113,650	114,425	111,490	49,600	61,230
F. T. Bedford, president Pennick & Ford, Ltd.	85,951	106,213	53,264	50,000	50,000
A. W. H. Lenders, vice president Pennick & Ford, Ltd.	70,951	74,349	40,908	38,000	52,175
William T. Nardin, vice president Pet Milk Co.	59,950	52,295	36,666	36,000	50,458
William E. Levis, president Owens-Illinois Glass Co.		42,596	59,166	100,000	100,000

AMERICAN CHICLE CHAIRMAN GETS \$75,000 A YEAR—T. H. BLODGETT, NEW YORK, AMONG DOZEN HIGHEST PAID REPORTED TO SECURITIES COMMISSION

WASHINGTON, April 8.—T. H. Blodgett, New York, chairman of the American Chicle Co., reported a salary of \$75,000 to the Securities Commission today. This figure placed him among the dozen highest-paid business officials so far listed at the Commission.

Michael Gallagher, Cleveland (Ohio) coal operator, president of the Pittston Co., received \$51,080.

Edwin C. McCullough, New York, president, held 52.9 percent or 71,050 shares of the common stock of the American Beverage Corporation. McCullough's salary was reported at \$30,020.

Samuel Bayuk, Wyncote, Pa., chairman of the Bayuk Cigars, Inc., held 14 percent or 13,552 shares of the company's common. Bayuk's salary was \$25,080. Harry S. Rothschild, Philadelphia, president of the company, received \$33,120.

OTHER SALARIES

The following list shows first, persons or corporation, if any, holding 10 percent or more of the reporting company's stock; then, the salaries, if reported, for major officers, and then the stock holdings of directors and officers:

The Schiff Co.: Robert W. Schiff, president, Columbus, Ohio, held 16,436 2/3 shares of common stock. Salaries: Schiff, \$68,504; Al Schiff, second vice president, Columbus, \$36,542; William Schiff, fourth vice president, Columbus, \$15,044; Saul Schiff, director, Columbus, \$18,285. Principal stockholders: Robert Schiff, 16,433 2/3 common; Al Schiff, 6,121 2/3 common; Morris Schiff, 2,000 shares common and 500 shares preferred; William Schiff, 3,000 2/3 shares common; Saul Schiff, 2,482 shares common; all of Columbus.

Independence Lead Mines Co.: Salaries: H. B. Kingery, Wallace, Idaho, president-manager, \$3,000; Herman Marquardt, Wallace, secretary-treasurer, \$900. Principal stockholders: Mines Finance Co., Spokane, Wash., 1,000,000 shares common class A; H. B. Kingsbury, 22,100 shares common; Marquardt, 2,901; F. C. Keane, Wallace, 1,000 shares.

Cream of Wheat Co.: Major salaries: Daniel F. Bull, Minneapolis, Minn., vice president, \$36,000; George V. Thompson, Minneapolis, secretary, \$27,000; George B. Clifford, Jr., secretary of subsidiary, \$13,500.

Deere & Co.: Trustees under the will of Charles H. Deere, deceased, Moline, Ill., held 138,179 shares of the common and 133,570 shares of preferred. Two of the trustees also held the major blocks of stock among officers: William Butterworth, Moline, Ill., board chairman, 28,636 shares of common and 21,265 shares of preferred; Charles Deere Wiman, Moline, Ill., vice president, 16,854 shares of common and 12,150 shares of preferred; Charles G. Webber, Minneapolis, Minn., vice president, held 29,798 shares of common and 37,740 shares of preferred.

Kroger Grocery & Baking Co.: Individual salaries were not reported, but the company said the aggregate for the three highest paid officers was \$130,961. Major stock holdings were: Otto Armleder, Cincinnati, Ohio, director, 30,198 shares of common; C. O.



Sherrill, Cincinnati, Ohio, vice president, 2,745 shares of common; Fred Lazarus, Jr., Columbus, Ohio, director, 2,481 shares of common.

#### MANY SALARIES INCREASED

How the pay of many big corporation executives rose last year is shown by their reports to the Federal Trade and Securities Commissions.

Francis B. Davis, chairman of the United States Rubber Co., for example, got \$125,000 last year, compared with \$107,550 in 1932. J. D. A. Morrow, president of the Pittsburgh Coal Co., received \$74,440 last year and \$30,780 2 years before.

The figures were too limited to give a definite indication of the trend throughout the thousands of American corporations, officials said, adding that in some cases changes in official capacity—promotions, demotions, or resignations—probably accounted for changes.

Most salaries and other compensation reported to the commission were maintained in 1934 at the 1932-33 rate, although in a few cases there were declines.

#### J. H. RAND, JR., GETS \$94,120

James H. Rand, Jr., president of Remington-Rand, Inc., received a boost in compensation from \$76,128 in 1932 to \$94,120 in 1934, but George Horace Lorimer, editor of the Saturday Evening Post, got \$100,000 in 1934 against \$118,750 in 1932. The earnings of William E. Levis, Alton, Ill., president of Owens-Illinois Glass Co., increased from \$59,166 in 1932 to \$100,000 in 1934.

The figures cover officers who so far this year have reported 1934 salaries of more than \$50,000 to the Securities Commission.

The comparisons showed that few salaries have attained their 1929 proportions.

In the table published in an adjoining column the figures from 1928 to 1933 inclusive are from the Trade Commission report, and the 1934 figures are from corporation reports to the Securities Commission.

Another sign of how dead business is, are the messages from Chicago and New York found in this morning's Washington Post that I referred to, "Wheat hit a dollar on the exchange" and the statement from New York is one from Dun & Bradstreet, in which they see the sharpest boom in business in 25 years.

The Associated Press reports follow:

[From the Washington Post of Apr. 13, 1935]

CHICAGO, April 12.—Dollar wheat came home like the prodigal son today and the board of trade welcomed it with a sudden flare of bullish enthusiasm that added nearly \$11,000,000 to value of winter wheat still in the ground.

Traders wandered out of the pit to read a Dun & Bradstreet prophecy that the sharpest business advance in 25 years was on the horizon.

They came back to the pit for a speculator flurry of buying that lifted May and September wheat contracts above the dollar level for the first time since early January, added 2½ to 2⅓ cents a bushel to yesterday's closing prices and, on the basis of Wednesday's Government estimate of a 435,000,000-bushel harvest of winter wheat, enhanced that crop's value on the futures market by \$10,875,000.

NEW YORK, April 12.—The most pronounced business rise in 25 years was forecast for the immediate future in the weekly business review by Dun & Bradstreet today.

"More convincing proof has come forward that the passing of March left behind the lows for the year," the review says.

"During the week there was a complete transformation of sentiment, as the hopes for a rather far-removed improvement were replaced by a realization that the immediate future is to bring the sharpest rise that has been witnessed in business in the past quarter of a century.

"Industries in most parts of the country now are advancing at the most orderly pace in the last 2 months, as all of the strikes have been settled and threats of walk-outs have been dissipated."

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. FLETCHER].

Mr. FLETCHER. Mr. Chairman, I wish to discuss section 531 of this bill, which relates to vocational rehabilitation. Because I desire to include the results of some surveys, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. FLETCHER. Mr. Chairman, early in this session of Congress, January 7, I introduced a bill, H. R. 3050, providing for the continuation of the program of vocational rehabilitation of persons disabled in industry or otherwise and to aid them in returning to civil employment.

The President's Committee on Economic Security took cognizance of the results that have been achieved in the vocational rehabilitation of disabled persons during the past 14 years and put its stamp of approval on the program.

The bill I introduced providing for vocational rehabilitation was referred to the Committee on Education.

It was the original intention to ask for hearings before the Education Committee and request that committee to report the bill.

But since the purpose of the bill before the Education Committee coincides with the President's program on economic security, it was decided that to avoid duplication it would be more practical to include vocational-rehabilitation legislation in the Economic Security Act which is now before us.

As a result of my study of this program and its accomplishments in the States, I desire to bring to the attention of this House certain data regarding the problem of the disabled and the social and economic significance of the rehabilitation service.

Forty-five States and the District of Columbia are now engaged in vocationally rehabilitating their disabled citizens. The total cost of training a disabled person and placing him in remunerative employment for life averages less than \$300.

It costs from \$300 to \$500 per year to maintain such a person in idleness at public expense.

The average age of disabled persons rehabilitated by the State is 30 years, and their average work expectancy is at least 20 years. Frequently the increased earning capacity of a rehabilitated person in 1 year exceeds the total cost of his rehabilitation.

Through studies and investigations over a period of years, it is possible to state with reasonable accuracy that at any given time there are 6 disabled persons in each 1,000 of the general population. Of these, 3 are children and 3 are adults of employable age.

Applying the figure of 3 physically disabled adults in each 1,000 of population to the total population of the United States, there would be found at any given time 368,000 adult persons with some form of physical handicap.

Rehabilitation experience shows that there is 1 disabled person per 1,000 of the general population who is eligible for rehabilitation, in need of rehabilitation—not able to rehabilitate himself—and for whom it is feasible to attempt rehabilitation, a total of 122,700 at any one time.

While at any given time the ratio of the disabled population eligible and feasible for rehabilitation to the total population is 1 per 1,000, the ratio of the number of persons who annually become eligible and feasible for rehabilitation service to the total population is 1 per 5,000.

These last figures of annual increment are based on accident figures of the National Safety Council and experiences of State rehabilitation departments over a 12-year period.

Applying the rule that annually 1 physically handicapped adult out of each 5,000 of population becomes eligible and feasible for vocational rehabilitation, the rehabilitation load in the United States would be increased by 25,000 persons each year.

It is interesting to note to what extent the Federal-State rehabilitation service has been able to meet this problem to date. It goes without saying that with limited budgets and limited personnel, the problem has not been met anywhere near adequately. However, results have been gratifying.

In the fiscal year 1934 there were 8,062 persons reported rehabilitated, which is an increase of 25 percent over previous years, and within the same year there was a 20-percent increase in the number of persons being served.

At the close of the fiscal year there were 18,228 physically handicapped persons under advisement, 9,878 in training, and 4,729 awaiting employment after having received training or some other form of rehabilitation service.

In addition, there were 1,422 persons who had been placed in positions but not yet recorded as rehabilitated at the close of the year.

These figures show a gratifying performance of the program in spite of the adverse conditions under which the

rehabilitation personnel was obliged to work during the depression years.

The development of the national program of vocational rehabilitation has been constantly accelerating as its purposes and effectiveness have been better understood.

During the past 3 years the number of persons applying for the service has greatly increased.

In recognition of the difficulties facing the States, by reason of limited appropriations, during the past 18 months the Federal Emergency Relief Administration has been supplementing the Federal allotment of \$1,000,000 annually by an amount of \$840,000 per year.

Even then the States have not been in a position to rehabilitate all the applicants they have for the service.

There is an immediate and urgent need for increased funds in order to take care of the increased needs of the program.

By establishing the national service the Congress recognized the vocational rehabilitation of the physically disabled as a vital part of our national program of conservation of human as well as natural resources.

The depression has emphasized the wisdom of having established it. The wisdom and justice of participation by the Federal Government have likewise been emphasized.

Participation by the Federal Government is based upon four fundamental principles:

First. That since rehabilitation of the disabled is essential to the national welfare, it is the function of the Government to encourage the States to undertake it.

Second. That for the same reason, the Government should assist in bearing the financial burdens of the work.

Third. That since the Government is vitally interested in the success of the program, it should participate in promoting its efficiency.

Fourth. That the surest way of developing standards of efficiency in rehabilitation is through the establishment of a partnership with the States.

The provisions in behalf of vocational rehabilitation and other social legislation included in this bill (H. R. 7260) are certain to meet with the enthusiastic approval of thinking people throughout the Nation. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Colorado [Mr. MARTIN].

Mr. MARTIN of Colorado. Mr. Chairman, like the gentleman who preceded me, I want to depart from the usual customs and confine myself to the bill before the House.

Mr. Chairman, every living man and woman ought to be interested in the question of old-age security. The specter of a destitute old age shadows every life. The removal of this fear would be the supreme achievement of our civilization.

Realizing this I hailed the President's last message to the Seventy-third Congress, foreshadowing a program for social security to be presented to this Congress, as the greatest message which the President had thus far sent to Congress, and in a speech made on the floor on June 15, 1934, in support of the Railway Pension Act I predicted the passage by this Congress of a general old-age-pension bill. We have now arrived at the first consideration of that program.

In my campaign for reelection to Congress I stressed both unemployment insurance and old-age pensions and pledged myself to the most liberal plan the Government and industry could finance.

Plans have been presented to us for both old-age pensions and unemployment insurance which in my judgment are beyond our reach to finance at this time and under existing conditions, and I have told my people so and have taken much criticism for it.

On the other hand, I have not believed since I first read its provisions that the pending bill is all the burden that the National Government can reasonably bear in a program of old-age security, to which phase of the bill I shall confine my remarks, and I shall point out as specifically as possible my reasons for this conclusion.

I want to say, first, that the bill reported by the committee is a distinct improvement over the original bill, and I shall point out later how, in my judgment, it has been improved.

I want to say further that my analysis of title 1 of the bill is coupled with no reflection of the committee which reported it or the able men who make up its membership. I know they labored long and earnestly to bring out a program of social security which carries many valuable features besides old-age pensions, all of which I shall heartily support.

As I say, the bill has been materially improved by the committee, but in the matter of the allowance for straight old-age pensions it is not an improvement over the original bill, and in my judgment it is not nearly adequate. Both bills carry, in round numbers, \$50,000,000 for the first year of the plan. Now, the hearings at page 38 show that there are about 700,000 people over 65 years of age on Federal relief at a cost to the Government of \$45,000,000 per year. There can be no question about the eligibility of these people for the pension, so that this number alone would absorb three times the amount of this appropriation. In addition the hearings on the same page show an additional number in receipt of public charity, who should also be eligible for pensions, which swells the total of such dependent old people to more than a million. Dividing \$50,000,000 among 1,000,000 dependents would give them but little more than \$4 per month.

Mr. KNUTSON. Will the gentleman yield?

Mr. MARTIN of Colorado. If the gentleman will give me additional time, I will be glad to yield to him.

Mr. KNUTSON. Listening to the gentleman, I take it he is opposed to this bill for two reasons: One, it is inadequate in the amount that it carries; and, secondly, the gentleman objects to the delay in putting it into operation?

Mr. MARTIN of Colorado. Yes; and I want to discuss these very questions.

Mr. KNUTSON. I yield the gentleman 2 additional minutes.

Mr. MARTIN of Colorado. I thank the gentleman. I am going to point out specifically wherein this bill is wrong and suggest how it should be amended. I am not going to waste my time entertaining the House with political "hot air." We have been warned about giving the people stones when they ask for bread, but apparently some gentlemen I have heard here think that the people ought to be fed on political "hot air" instead of on pensions.

Mr. VINSON of Kentucky. Of course, the gentleman, I know, has made a study of the different bills and recognizes the fact that the \$50,000,000 for the first year is to take care of all pensioners who are eligible under State laws during the first year?

Mr. MARTIN of Colorado. I am coming to that feature and will discuss it in a very analytical way; then I will be glad to hear from the gentleman after that.

Mr. VINSON of Kentucky. After the first year, stronger language could not be used as to the amount to be appropriated, because this bill authorizes to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of the title.

Mr. MARTIN of Colorado. I may say to the gentleman I am afraid there are one or two provisions in this bill wherein you will not need anything for the first year. Those are the things I propose to point out.

Mr. KNUTSON. There are about 5,000,000 needy people up in their sixties, and we are going to give them \$50,000,000. That is \$10 apiece.

Mr. MARTIN of Colorado. I do not think the gentleman has overstated the amount.

Mr. KNUTSON. I believe in being liberal.

Mr. MARTIN of Colorado. There are 1,000,000 people over 65 years of age on Federal relief and public charity.

It may be claimed that considerable time will be consumed in the work of registering the eligibles and the building up of the pension list, but I take it that very little time will be required to list the 1,000,000 people on Federal relief and public charity, and I dare say the whole number could be registered within 90 days after the passage of the act.

But the millions now on Federal relief and public charity by no means make up the total of those in need of old-age

pensions. Still referring to the hearings, we find this statement on page 38:

At this time a conservative estimate is that at least one-half of the approximately 7,500,000 over 65 years of age now living are dependent.

Dependency, in my opinion, is an even better test than age of the need of a pension. But when we combine dependency with 65 years, it ought to be conclusive as to the need of a pension. Adhering strictly to the conservative figures in the report, one-half of the 7,500,000 people over 65 years of age who are said to be dependent would give us 3,750,000 people who meet the combined test of age and dependency. These people should all be registered during the first year and in much less time.

By way of contrast with the amount carried in the bill, the hearings show that last year some 180,000 old people received State pensions which averaged \$19.74 per month. This rate of pension to 1,000,000 people would cost \$200,000,000 per year. To show how pensions run into money, if these 3,750,000 old people were granted a pension of \$19.74 a month, it would cost \$900,000,000 a year.

Now, let me make one more comparison from figures furnished by the hearings, and still on page 38. We have in this country some trades union and industrial old-age pensions. Last year about 150,000 aged people received from these sources pensions exceeding \$100,000,000. Their pensions, therefore, averaged slightly in excess of \$55 per month. To pay that amount of pension to the 3,750,000 dependent people over 65 years of age would cost in round numbers \$2,475,000,000 per year.

And yet the whole story has not been told. I apprehend the number of people in this country over 65 years of age who need pensions will exceed 4,000,000. If you reduce the age limit to 60 years, it will probably go to 6,000,000, and at \$55 per month the annual cost would go to \$4,000,000,000. At \$200 per month the yearly cost would be \$16,000,000,000, which is just double the cost of all government in this country—national, State, and local.

I said to a man who was here in Washington advocating another plan, it is not a question of how big a pension I would give the people; my heart is as big as yours; it is a question of the amount of taxation I am able to stand up for to finance it; and I expressed the view that the people ought to be educated on the question of taxation, not merely on pensions, and that they ought to know before the bill was passed what it was going to cost and where the cost would fall.

Returning to the bill before the House, I shall now point out in what material respects I consider it improved:

First. The original bill virtually required a pauper condition. It furnished assistance which, when added to the income of the pensioner, but not exceeding \$15 a month, would provide a subsistence compatible with decency and health. The bill as reported by the committee and now before us has no income or property conditions attached.

Second. In the original bill only the husband was pensionable, as indicated by the requirement that the income of the spouse must be taken into consideration, and the income of both had to be inadequate for subsistence compatible with decency and health. In the bill now before us there is no reference to the income of the spouse. Both husband and wife, if they otherwise qualify, are entitled to the pension.

Third. In the original bill the pension was made a lien on the estate of the pensioner, and upon his death the State was required to reduce the estate to cash and turn the proceeds over to the Federal Government as a credit on the Government's contribution to the pension fund. In the bill before us it is merely provided that "if" the State collects from the estate of a pensioner, one-half of the amount shall be paid to the Government. It is left to the State whether it will do this, and this, in my judgment, is entirely proper.

Fourth. Under the original bill, when the pensioner, being a married man, died, then, under the compulsory-lien provision which it carried against the real estate of the pensioner, the real estate could be taken from the widow if she was

more than 15 years younger than the pensioner. That provision is omitted from the pending bill.

These are some of the changes made in title I of the bill striking my attention, and all of them, in my judgment, are changes for the better.

The two principal features of the bill as they affect straight old-age pensions are the limitation to \$15 per month per person and the requirement of State participation. I shall note the last requirement first—that of State participation—and I approach it in the knowledge that this feature of the act is not favored by the advocates of other pension plans.

I have been aware for some years of the very wide-spread view that the States can do nothing, but the National Government can do everything. The States are broke; the counties are broke, the cities are broke; the people are broke; but the National Government is a fountain of inexhaustible wealth. I do not think I overstate it. It is an unhealthy view, it is an unsound view, that a State cannot pay any old-age pensions but the Federal Government can pay one of \$200 a month. They both get their revenues from the same source. The taxes all come out of the same pocket. The National Government may divide the field of taxation, but this artificial division does not create two different sources of Government income.

Mr. MOTT. Will the gentleman yield?

Mr. MARTIN of Colorado. I yield to the gentleman from Oregon.

Mr. MOTT. The States raise the bulk of their revenue by the imposition of the ad valorem property tax. The Federal Government uses no such system. The State undertakes to raise the bulk of its revenue out of property, whether the property earns money or not. Does the gentleman say those systems are the same and that they are available to both agencies of the Government?

Mr. MARTIN of Colorado. The gentleman understands what I mean. It all comes out of the pockets of all the people, either directly or indirectly. You cannot divide it up into two artificial divisions and not charge one against the other. They all come from the same source.

Mr. MOTT. The point I make is that the States at the present time have not the revenue-raising machinery to finance an adequate State old-age-pension law.

Mr. MARTIN of Colorado. If the gentleman will give me some additional time I will give him my own ideas of this thing. I am coming to that.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. My time is running and I would prefer not to yield.

Mr. SAMUEL B. HILL. I will ask the Chairman to yield the gentleman a minute or two longer.

Mr. MARTIN of Colorado. I would like to have at least 5 minutes more because I have analyzed this legislation very closely.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 2 minutes.

Mr. SAMUEL B. HILL. I want to ask the gentleman if it is not entirely within the province of the States to provide income taxes as a source of revenue and many of them now levy excise taxes?

Mr. MARTIN of Colorado. Yes; and inheritance taxes.

Mr. SAMUEL B. HILL. They have the same source of taxation as the Federal Government.

Mr. MOTT. Mr. Chairman, will the gentleman yield to me long enough to suggest to the gentleman from Washington that it is not possible for the States to raise very much revenue by the imposition of a State income tax, because most of them do not contain populations wealthy enough to pay a large income tax. There are a few large States that can do this, but with respect to my State, or Oregon, for example, there are many individuals in the United States who pay a greater income tax than all the citizens of my State com-

bined. We cannot raise a great deal of revenue by an income tax and neither can the State of Colorado.

Mr. MARTIN of Colorado. I am clear in my view that it is for the health of the State as well as of the Nation and for the benefit of the people generally, as well as the Government, that the State should bear a just portion of the burden of old-age pensions and should administer the law.

The requirement that the State must contribute, else there will be no Federal contribution, presents a very different and very difficult question, and one rendered more difficult by the wide-spread hostility to any dependence on State aid. I have expressed myself as not favorable to such a condition.

I know from reading the hearings that the small appropriation carried in the bill for the first year is based in large part on the assumption that many States will get nothing the first year, because they either have no old-age-pension laws or are not able to pay all of the pension provided by their laws. This very consideration confirms my view that the Federal Government should make its contribution, at least for a definite period, regardless of State action. The backward States might be given a reasonable period of time in which to get their houses in order.

I shall offer an amendment, deferring for a reasonable period, say of 2 years, the time after which Federal contribution will be withheld from nonparticipating States. A future Congress can deal with the situation then prevailing.

Now I come to an even more important matter. Under section 2 as it now reads, perhaps three-fourths of the States would be disqualified for Federal aid for the next year or two, but there is another provision in the bill which, as I read it, would disqualify all of them, with possibly one exception, even those who would be able to match the Government dollar for dollar.

Section 2, subparagraph 2, page 4, of the bill carries a residence requirement of 5 years during the 9 years immediately preceding the filing of an application for pension and any residence requirement of a State law which excludes any resident of the State who has resided therein for 5 years of the 9-year period is disqualified and its plan will not be approved.

Mr. MOTT. If the gentleman will yield, I do not think he is correct in that statement.

Mr. MARTIN of Colorado. Let us see whether I am or not. I hope I am not.

Mr. MOTT. That 5 years is a limitation under the bill, and they must not provide any restriction that would deprive a person of the pension if he has lived there 5 years.

Mr. MARTIN of Colorado. Yes; but it is 5 years of the 9 years. Wait until I come to that in my remarks, and if I am wrong I will thank the gentleman for showing me that I am wrong.

Mr. KNUTSON. If the gentleman please, the bill is drawn so that it is susceptible of several interpretations.

Mr. SAMUEL B. HILL. If the gentleman please, it is susceptible of but one construction and the gentleman from Colorado has it correct.

Mr. MARTIN of Colorado. The following are the residence requirements of the 28 States having old-age-pension laws as I have been able to get them:

	Years
Arizona.....	35
California.....	15
Colorado.....	15
Delaware.....	5
Idaho.....	10
Indiana.....	15
Iowa.....	10
Kentucky.....	10
Maine.....	15
Maryland.....	10
Massachusetts.....	20
Michigan.....	10
Minnesota.....	15
Montana.....	15
Nebraska.....	15
Nevada.....	10
New Hampshire.....	15
New Jersey.....	15
New York.....	10
North Dakota.....	20
Ohio.....	15

	Years
Oregon.....	15
Pennsylvania.....	15
Utah.....	15
Washington.....	15
West Virginia.....	10
Wisconsin.....	15
Wyoming.....	15

This table shows that only the State of Delaware could comply. In this connection I want to call attention to the fact that in the bill as originally introduced, the residential period was 10 years, and the reduction of the period to 9 years in this bill disqualified the following States which have 10-year periods: Idaho, Iowa, Kentucky, Maryland, Michigan, Nevada, New York, and West Virginia.

In other words, the way I read the language of the bill, if a State law requires 10 years' residence, it is 1 year over the residence requirement in this law, and the State is disqualified because it does not furnish a plan that will comply with the Federal specifications.

Mr. VINSON of Kentucky. Knowing the heart of the gentleman from Colorado as I do, does he not favor the lesser period of residence rather than a longer period? One State, as I recall, has a residence requirement of 35 years.

Mr. MARTIN of Colorado. Yes; I do. This is what I am getting at, and I may be wrong about it. This table shows that the State of Delaware only has a lesser period of residence than that named in the bill.

In this connection, I may say to the gentleman from Kentucky that if I am on the wrong foot I am coming to one of the things that put me off. In the bill as originally introduced the residential period was 10 years.

Mr. VINSON of Kentucky. As I recall, it was a residence of 5 years out of the last 10 years.

Mr. MARTIN of Colorado. Five out of ten.

Mr. VINSON of Kentucky. The first draft, H. R. 4120, was 5 years' residence out of 10. This would have permitted a pensioner to qualify in two States. He could have 5 years' residence in one State and 5 years' residence in another. This was changed to 5 years out of the last 9, which would make it definite from which State he would secure the benefits. Certainly the gentleman does not want to have a longer period of residence, because that would decrease the number of the aged who would benefit under the law.

Mr. MARTIN of Colorado. No; I do not want a longer period of residence; but I do not want my State disqualified under this bill because it requires a longer period.

Mr. VINSON of Kentucky. No; they can come in and amend their law and permit hundreds and thousands of aged to qualify under the law that otherwise would be excluded.

Mr. MARTIN of Colorado. All right; that is just what I am getting at. You have not convinced me yet that I am wrong. In the original bill pending before the committee this language read 10 years instead of 9.

Mr. SAMUEL B. HILL. Ten years instead of nine.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 5 minutes.

Mr. VINSON of Kentucky. I know the gentleman wants to be correct. On page 4 of the original bill, H. R. 4120, the language is "has resided in the State for 5 years or more within the 10 years immediately preceding application for assistance."

In the present bill, H. R. 6120, it is 5 out of 9 years with 1 year's continuous residence immediately preceding application in State of application.

Mr. MARTIN of Colorado. Exactly.

Mr. VINSON of Kentucky. But in the original bill it was 5 years out of the last 10 years.

Mr. MARTIN of Colorado. Yes. I saw that it provided 10 years in the original bill and then I saw the 9 years in this bill, and I began investigating and speculating at once as to why such a change was made, and when I looked up the State requirements and found that 8 large States, including New York, had a 10-year period, it just occurred to

my mind that this change of 1 year would disqualify New York, because you had to live in New York 10 years and only 9 years under this bill. Now, the gentleman will admit that New York will have to change its requirement in that respect.

Mr. VINSON of Kentucky. If it is more than 5 years, it would have to change its law so as to require only 5 years' residence.

Mr. MARTIN of Colorado. Now, you have at last made it absolutely plain that this bill will disqualify every State in the Union except Delaware under its provisions. Every State in the Union except Delaware will have to call its legislature together. My legislature has adjourned until January 1937, and most of the legislatures of the other States have adjourned; and the upshot will be that, instead of \$50,000,000 being too little to finance this bill the first year, it will not take anything to finance it.

Mr. WOODRUFF. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I yield.

Mr. WOODRUFF. What is there in this bill that will in any way exclude any resident of the gentleman's State who has qualified under your State law, provided he has lived in your State for 5 out of the last preceding 9 years?

Mr. MARTIN of Colorado. Under the laws of my State, a person must have resided there for 15 years to be eligible for a State pension, therefore my State cannot qualify under a provision making people eligible for Federal pensions on 9 years' or 10 years' or 5 years' residence. It must be 15 years or we are out, and all the others are out except Delaware.

Mr. KNUTSON. I believe the State may prescribe the number of years a person shall live in it before he becomes eligible, and, if the law says 20 years, nobody will get any benefit for 20 years.

Mr. VINSON of Kentucky. You would have to change the law.

Mr. KNUTSON. You would have to change the law, but what assurance have you that the law will be changed?

Mr. MARTIN of Colorado. That is my judgment. The way the paragraph reads it will disqualify every State in the Union that is requiring longer than 9 years. The gentleman from Kentucky [Mr. VINSON] admits that. That means that there is only one State in the Union qualified under the bill, according to the residential requirements of the bill, that can draw a pension under the law. Three-quarters are already disqualified because they have no old-age-pension law or are not complying with the law.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. MARTIN of Colorado. I yield.

Mr. COOPER of Tennessee. Does the gentleman think for one moment that we can draft a bill that will conform to the law of every State in the Union, when they require all the way from 5 to 35 years' residence? How can we draft a law that will conform to the law of every State?

Mr. MARTIN of Colorado. I am going to offer an amendment that residential qualifications shall not deprive the State from receiving its quota until April 1, 1937. That will give the States time to get their houses in order.

Mr. WOODRUFF. Will the gentleman yield?

Mr. MARTIN of Colorado. I yield.

Mr. WOODRUFF. I recollect that the gentleman a moment ago stated that he would offer an amendment which would provide that the Federal Government should pay the State for a certain period of years whether or not they have any law. I hope the gentleman will introduce such an amendment. If he will, I will vote for it.

Mr. MARTIN of Colorado. I thank the gentleman; I will introduce it. There will be at least 1,000,000 people over 65 years of age who will get \$180,000,000 the first year. I will also introduce an amendment providing that any State failing to submit a plan which complies with section 2 or any requirements therein, shall not be thereby disqualified to receive its quota of old-age assistance until April 1, 1937, so as to cure this residential requirement.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. MARTIN of Colorado. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. If the gentleman's amendment is offered, it will be no guaranty that the legislatures will be called in session, because I think there are many reasons besides this why the legislatures in every State in the Union will have to be called into session, because there are so many regulations laid down.

Mr. VINSON of Kentucky. What we have endeavored to do is to liberalize the bill so that more aged people will get the benefits.

Mr. MARTIN of Colorado. If we Members of Congress pass a bill in which the people assume that they are going to get a Federal contribution, even if it is only \$15, and then we adjourn and go home and they find out afterward that they are not going to get any benefit, we better not have been here. I do not propose to take any chances on this proposition. [Laughter and applause.]

(The time of Mr. MARTIN of Colorado having expired he was given 2 minutes more.)

Mr. MARTIN of Colorado. I want it distinctly understood that I am not condemning this bill. I think it is a great step in American history.

Mr. Chairman, if the Members of this House want to help a million old people who will not get anything under this bill for the next year or two, and which condition will be prevailing when they make their campaign for reelection, with their States disqualified, they will adopt these two amendments. It would only cost \$180,000,000 to give these million old people the maximum rate carried in the bill. It would be a fine opportunity to show whether we are giving old people pensions or campaign speeches.

This brings me to the question of taxation, concerning which I have strong convictions. Pensions supported by a sales tax, and a transaction tax is a sales tax, a pyramided sales tax, meaning on the average six sales taxes going into a commodity from the stage of the raw material to the finished product handed over the counter to the customer. This burden, as I see it, would fall 0.9 upon the producing masses of the country. It is a tax on poverty; a tax on need to help the needy.

This burden should at least be equalized by the transfer of a greater share to income. If, as claimed, income from dividends has been maintained at \$6,000,000,000 per annum or more throughout the 5 years of the depression, it would indicate that wealth could bear a greater share of the burden of a reasonable system of old-age pensions than has been proposed to finance the Townsend plan or any other plan which has come to my attention.

I know this is a sore point, and for the reason that it is a sore point I want to bear down upon it. If the people are not willing to tax wealth according to what it could bear, then let us forget big old-age pensions. In my home State the legislature had before it two tax measures, one levying a sales tax of 2 percent and the other levying an income tax. The sales tax passed readily; the income tax fell by the wayside. That tells the story, both at home and in Washington.

It has been repeatedly pointed out in the debates on revenue legislation during this administration and in prior Congresses that income and inheritance taxes in England and France are severalfold heavier than in this country, yet those countries appear to be in measurably better economic condition than this country, with much less unemployment and relief in proportion to population, indicating that their much heavier income and inheritance taxes have not overwhelmed their economic systems.

I am not in favor of punitive taxes. I base my views wholly upon the potentialities and the necessities of the situation. The world's greatest fortunes are in this country. We have in this country now fortunes 20 times larger, maybe 50 times larger, than the greatest fortunes of a century ago. And we have in this country many times more destitute and dependent people in proportion to population than we had a century ago, and this condition is permanent. A growingly

mechanized economy fixes this. Millions will never return to employment. The machine not only permanently adds to the rolls of unemployment, but creates an artificial and premature old age. The Government itself will not employ men and women above middle age, and in many instances they must be well under middle age. Get them young is the rule in modern industry and government, and even when you get them young a new invention comes along and throws them into the discard.

Mr. Chairman, the maximum rate of the Federal contribution carried in this bill, \$15 per month, has come in for much bitter and hostile criticism. It has been denounced over the land as an insult to old age. It has given me concern. I have felt that it is inadequate; that it should at least be doubled. But there is another question that concerns me as much as the pension rate carried in the bill. It is the question as to the number who are to be provided for under the bill.

I have pointed out that the appropriation for the first year would pay only 1,000,000 people a trifle over \$4 per month. It would pay less than 300,000 people \$15 per month. Even if only the million-and-odd who are now admitted to be on Federal relief and public charity were given \$15 per month, it would require \$180,000,000 the first year. You can readily figure for yourself what it would take to pay that amount to the nearly 4,000,000 people who, according to the report, are now over 65 years of age and dependent. Conceding that these 4,000,000 could not all be placed on a pensionable status during the first year, it is obvious that the appropriation falls far short of providing for those who will be able to qualify for pensions during the first year of the operation of the law. Provision should be made for 1,000,000 at the very minimum the first year. If the provision is not exhausted it can be carried over.

If you are beginning to gasp at the thought of the expenditure involved in making immediate provision for the 1,000,000 or more aged people who are now on relief and charity, let me remind you that their support is already coming out of the pockets of the people. The administration of relief is expensive, the administration of public charity is expensive, the administration of poorhouses is expensive. Surely these 1,000,000 people are not now being cared for at an expense of less than \$20 per month, and more likely it is \$30. I know personally people in the poorhouse who could go down town and live for \$40 a month and would do so if they had the \$40. I think we are having too much of a split-penny attitude toward this proposition, too much of the feeling that a substantial appropriation would be a new net outgo. It would not. Probably half of it is going out anyhow and the additional half would do a good job of it and give us a million independent people in this country, secured for life against penury and want. I would rather a little overdo than underdo this job. If I had my way about it, one of the major items in the \$4,000,000,000 public-works bill would go toward the establishment of a decent old-age-pension system. It may be that many old people have been propagandized into a state of too much self-pity. Let us not go to the other extreme and hand out stones to those who are asking for bread under the fear that we will wreck the country. We are making a late start toward a system of social security, but we are able to start beyond the point where other countries have left off. That is the attitude I take toward this legislation.

Mr. Chairman, no discussion of old-age pensions is complete without consideration of the Townsend plan. We are all under obligations to the able Representative from Oregon [Mr. Morr] for a clear and concise statement of the changes made in the Townsend plan by the second McGroarty bill, H. R. 7154.

Before taking up that plan I want to say that when Dr. Townsend came to Washington I was one of a dozen Members who signed the necessary request for his use of the House caucus room, in which he made his first explanation of his plan in Washington, and I attended the meeting. I agree with all those who say that he is a kindly, humane, and sincere man, and that these were the qualities which

motivated his plan and not any idea of self-gain or self-aggrandizement. There is nothing in or about the man to suggest that he is moved by considerations other than the welfare of his countrymen.

I also signed the petition to have the first McGroarty bill placed on the calendar in order that it might be brought before the House and considered. I want to say here that the debate thus far on the bill before the House has given me a fresh idea of the value of consideration of a bill. Consideration is worth much to any new idea.

After making a study of the first McGroarty bill, I sent an open letter to every newspaper in my district, pointing out or rather raising questions about the practicability of that measure, and in answer I received hundreds of letters of criticism. The new Townsend-plan bill completely justifies my views of the original bill. I believe that a Member of Congress owes to the people some recognition of the responsibility which comes to him as their Representative. Whether I acted wisely or not from a political standpoint, I am sustained by the knowledge that I met that responsibility when I might have done as so many others have done and kept silent or dodged the issue.

Mr. Chairman, the new Townsend-plan bill is a great improvement over the original bill. It is clearly drafted. It is understandable. I do not see how a bill could be more clear and simple in its language. As pointed out by the gentleman from Oregon [Mr. Morr], it does not require the payment by the Government of a pension of \$200 per month to persons 60 years of age and over. It lays the taxes and provides that all qualified annuitants shall be paid from the funds accumulated an amount not exceeding \$200 per month. As pointed out by the gentleman from Oregon, according to the figures of Dr. Doane, a very able economist and statistician who appeared before the Ways and Means Committee for the Townsend plan, these taxes would approximate the sum of \$4,000,000,000 the first year, providing a pension of about \$50 per month, a reasonable figure, to the 8,000,000 people said to be qualified to participate. If the amount collected were less, the pension would be less; if more, the pension would be more.

Another beneficial change is that persons with an income of more than \$2,400 per year are barred from the pension and where there is an income of less than that amount, the amount is deducted from the pension, leaving a greater share of the fund for those who have no income. They are the people who need it.

There are other beneficial changes which I have not the time to go into. On the whole, this bill is well worth consideration. The Townsend movement is by no means love's labor lost. As a result of it, more old people are going to get better pensions. I have no apologies to make for voting against the rule under which this legislation is being considered, for fear it would deprive this bill of consideration or the opportunity to offer it or any of its provisions as an amendment to the pending bill. I am willing that any bill interesting so many people shall be brought before the House for consideration and action, whether I vote for it or not.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. Yes.

Mr. KNUTSON. It is the gentleman's thought that we should pass a bill that would take care of all of the needy in all parts of the country.

Mr. MARTIN of Colorado. Exactly.

Mr. KNUTSON. And this bill does not do that.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Arizona [Mrs. GREENWAY].

Mrs. GREENWAY. Mr. Chairman, I do not know how the rest of you feel, but ever since we were allowed all this freedom of discussion so graciously—and I am very sincere when I say that—I, for one, have had a great sense of relaxation and gratitude and comfort in knowing that I serve with colleagues who have authority and exercise it so wisely. I think the people of the country will appreciate that also. In 1932 as we, the Democratic Party, sought the power which we finally acquired, we stated our stand on old-age pensions.

In the Seventy-second Congress we were too engulfed with the emergency at hand to act. In the Seventy-third Congress we did not act. In this, the Seventy-fourth Congress, we are given an opportunity that will make this Congress famous through all the generations to come and I, for one, on account of the liberality and the extraordinary wisdom of the way in which this bill has come upon the floor of the House, am full of hope that within a week or 10 days or 2 weeks we will have passed legislation that we can be very proud of and that will be practical and effective at once in inaugurating an adequate pension system for the old people of our country. The gentleman from California [Mr. BURNHAM], the gentleman from Oregon [Mr. MORR], and the gentleman from Colorado [Mr. MARTIN] have said much that I subscribe to 100 percent, and, therefore, I can make my speech very short. Legislation that has to do with the last span of life should properly characterize the fulfillment of the American institution of government.

The harvest of life can be reaped but once, and this legislation has directly to do with that harvest. The conditions under which the old people of a country live is the answer to the success or failure of a nation. As we approach this bill we are faced with the problem of "self-reliance", and what has become of self-reliance? Self-reliance is the cornerstone upon which every nation must build, if it is to succeed. What do you feel self-reliance means? To my mind, self-reliance means the use of human capacity, coupled with natural resources, in such a manner as to insure the liberty of living for all people. If we were economically self-reliant, we would not be here today discussing ways and means to safeguard our old people from the anguish of helplessness in the face of want. The importance of this bill cannot be estimated.

I shall confine myself entirely to title I, with the exception of saying that I, for one, would feel safer in voting on the rest of the bill if the people who receive money through pay rolls in this country had had an opportunity to give us their opinion. I have had few indications by letter or otherwise as to how the people on pay rolls feel about this bill. There is one phase of what has gone on all these years that has not been touched on today, and I think it has great importance. I would like to defend the people who have agitated the matter of old-age pensions. I think we owe them a deep debt of gratitude. What have they done? They have set the people thinking, and the people are not only thinking but they are out to get results, and all power to them. They are focusing on the actual conditions in this country, and they are exposing them in no uncertain terms.

In addition to that, those agitating old-age pensions have focused the whole American Nation on the fact that we must have consumption to create employment. Since the discussion arose as to whether the people in the United States had been informed in full of the second McGroarty bill, I have learned that that bill was printed in the Townsend paper on April 8, with a full and sincere explanation of exactly what it means. It is so definitely a bill, saying what it means and giving its purposes and the way to accomplish them fairly, that I feel this House would do well to think profoundly on the merits of that bill when and if it is presented as an amendment to the present bill. The McGroarty bill, H. R. 7154, proposes a definite program to take effect at once—covers a means of raising the money (incidentally some would like to see the bare necessities of life exempted)—and then covers the expense of administration before dividing the revenue amongst the eligible pensioners, while this bill we are considering (H. R. 7154) appropriates \$49,000,000 to take care of the program through June 1936. If this sum were given to those actually on relief above the age of 65 at this time they would receive about \$4 a month. After that it proposes a contributing condition of 50-50 between State and Federal Government that would preclude adequate help in some of the less well off States.

Mr. KNOTSON. Mr. Chairman, I yield 1 additional minute to the lady from Arizona [Mrs. GREENWAY].

Mrs. GREENWAY. I do not think there is anything further to say except that there is no political issue in this bill. This is a bill for the people of the United States. I do not think there is a person who sits in Congress who does not desire to take fair, just, and progressive action at this time. With that spirit prevailing I believe we can do something we will all be proud of, that the people will be satisfied with, because it meets the needs of the aged of our country. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. KENNEY].

Mr. KENNEY. Mr. Chairman, by this social-security bill (1) we give aid to our elders—and deep down in his or her heart there is no Member of this House who has any real objection to that. We further (2) legislate for unemployment compensation. There is some difference of opinion as to how that should be worked out. There are those who oppose some of the provisions dealing with that feature. But job insurance of some kind is desirable. We also (3) strive to assure greater security for the needy children of this Nation; and (4) provide greater health protection. As to these, I have heard no objection at all during the course of the debate on the bill.

This measure does not come to the floor of the House as the product of the ingenuity of any legislator. It has come up from the people. It is true the way was paved for it by the message of President Roosevelt, but his humane message was prompted by the appeal of our people, to which he patriotically responded, quickly realizing the real necessity back of the voice of the country.

Now, it is our duty as Members of the Congress to do something for our aged; they need our action. When I am at home I keep open office, and there I meet the people of my district daily. It is saddening to see elderly men and women, 70 or 80 years of age, come in looking for employment. Many of them had means and were comfortably situated a few years ago, but after 5 years of depression their funds have become exhausted.

Some have contributed their last dollar to their friends, relatives, or to their immediate family with whom they lived. Others, formerly happily settled with sons and daughters, who provided them with the comforts of life and spending allowances, have found their children no longer able to furnish them with bare necessities. Their spending money has been cut off. They do not always think of themselves. They make their sacrifices submissively and nobly. Unfitted for the arduous work of the world, they seek it. Shall we, then, permit them to suffer in the evening of their lives without endeavoring to fulfill the obligation we owe to society?

Many eligible for a pension under this bill possessed sizable fortunes before the advent of the crash of all values. I know one in particular who was worth more than \$1,000,000, and now has left only a small piece of property, from which he has insufficient income to pay its levied taxes. A pension made more liberal by Federal contribution will be for these a double blessing.

In my view there is scarcely a man in this country, or woman either, who has not made his contribution to the upbuilding and success of the Nation. A man or a woman who has lived 65 years and is a good citizen, and who has engaged in the pursuits of the various States, whether in the mart or in the home, lending his or her support steadfastly to the principles that give us our heritage, has added his or her share in a material way to the welfare of the Nation. We must lift them up from their plight, or we shall all go down with them.

We have an old-age-pension law in my State of New Jersey. It gives aged men and old women about \$12 a month. I am hopeful that by this bill, New Jersey will be encouraged to match the limit \$15 afforded by this Federal law, so that our old people will get the full benefit of about \$30 a month. I wish it could be more. Perhaps later it will be feasible to increase the amount. I only hope so. But we have to be guided

by our minds as well as by our hearts. Best judgment would seem to dictate that we make an auspicious start. Let us not begin something we cannot keep up. We are not by any manner of means jumping from cold to hot. Many of the States now have old-age pensions. We are but helping to make them more liberal, as we should. And as the years go on, with returning prosperity—and prosperity will return and is even now on its way—the benefits for our elders will be increased to meet their full needs. The people of New Jersey will be happier for the establishment of the Federal old-age-pension law, even though New Jersey pays into the Federal Treasury in taxes more than \$96,000,000 a year and receives in return approximately \$52,000,000, including emergency-relief moneys.

Job insurance looms up, too, as being economically sound. Our people are an active, vigorous people. They have had reason to be an optimistic people. In this country of opportunity it appeared that a job would never be wanting. Some never looked to the future, expecting always to earn a livelihood. Others, more prudent, invested according to the guide posts put up by our bankers, our industrialists, and even by the Federal Government. Besides, most of us have not known how to save. Probably 95 percent of our people are not the real saving kind, not the kind like our bankers and great industrialists and others who know how to cling to their money. The average American is a liberal man. He has suffered privation or want, and he is most ready to contribute to the needs of others. And he went along at the call of those who sought his surplus funds for deposit in their banks and investment in their enterprises, or enterprises in which they were interested, and for what he was given to understand would result in the development of great American institutions.

Among others, along came the National City Bank and said, "Buy Pennsylvania Railroad common at \$117; it is a great investment", and that just before the crash. Then there was the Chase National Bank calling, "Buy Chase National Bank Stock", when the officers and directors of that bank were actually selling their stock. We had Raskob, leader of industry, who said to the average man of America, "If you have a dollar, go out and borrow another dollar and invest both of those dollars." The Secretary of the Treasury of the United States added, "This is a good time to buy bonds", when it was not a good time to buy bonds. Even the President of the United States gave encouragement by stating that the value of securities, including stocks, was not too high in this country. Banks and industries and even our Government were advising our people, and our people were taking that advice; and today many are without their deposits, their stocks and bonds and securities; and too many have their Raskobian debts and a keen sense of insecurity, anxiety, and worry. Worry is the worst disease known to mankind. It is worse than all the other diseases, no matter how malignant. The passage of this bill has for its purpose the lifting of worry and economic insecurity from the minds and backs of our people. Perchance the method employed by the bill is not the ideal way to accomplish our purpose. And to me there is a close constitutional question involved on the job-insurance provisions. But I shall vote for the bill as it is looking forward to the security of our employed, and that means the Nation.

Mr. BOYLAN. Will the gentleman yield?

Mr. KENNEY. I yield.

Mr. BOYLAN. The gentleman from New Jersey has said nothing yet about the application of this bill to his scheme for a national lottery. Does he not think it will apply here? [Laughter.]

Mr. KENNEY. My good friend knows with me that a great country, Norway, raises money for its old-age pensions by lottery. Of course, we could employ the lottery for our old-age pensions, and both of us know that in such case the aged would be sure of their pensions. Money is needed for many worthy purposes these days—money not available from ordinary sources—and lottery money would supply needed funds for pensions, veterans' payments, and other

demands. Surely my friend was not impressed when the gentleman from Massachusetts this afternoon cried out that the money for job insurance must come from their "dead industries"? They know, if they will look back to see what their forefathers did in times of money scarcity, that the lottery has been a life-saving device for their State and institutions. If they would do as their patriots of old did, they would be the first to advocate a lottery, and they would not have to talk about the money for job insurance as coming from their "dead industries." These selfsame gentlemen and their colleagues in conjunction with industry, who shrink from a lottery, carried on the policies of this country which are responsible today for their "dead industries." When the country was tottering, they jammed through the Smoot-Hawley tariff to a collapse of everything, including their industries. But they can yet make some contribution to this Government by following the example of Alexander Hamilton, proclaimed by them as the greatest Secretary of the Treasury this country ever had, and in which we all agree in large measure. When Hamilton proposed New Jersey as the center of all industry in America after the War of the Revolution as part of his plan to establish the economic independence of the new Nation, he made sure to provide for the conduct of a lottery to insure that the funds available for the industrial enterprises would not be depleted. Of course, the Federal Government by this bill will only provide moneys for old-age pensions in cases where the States contribute an equal amount. The pension for the old is not assured by this bill. The lottery would make the pension absolutely secure; and, knowing the gentleman from New York as I do, I am sure the gentleman does favor a national lottery. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that the Committee, having had under consideration the bill H. R. 7260, the social-security bill, had come to no resolution thereon.



**SOCIAL SECURITY BILL**

Mr. DUNN of Mississippi. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. DUNN of Mississippi. Mr. Speaker, in the security bill which is now before the Congress, and which is causing so much stir among my colleagues as to the method of creating an old-age-pension set-up, I wish to go on record now in voicing my positive disapproval of the method of paying an old-age pension such as this bill calls for.

The administration is wedded to the payment of a reasonable pension to our aged citizens because of the President's original promise to bring such a law about, but this bill is a "buck-passing bill" and attempts to offer a small amount to the aged conditioned upon this same amount being matched by the State. Anyone knowing the condition of the States of the Union knows that more than 65 percent of these States are more or less insolvent and can in no wise meet this condition precedent; and this being true, such an old-age-pension plan of alleviating the suffering of those who are walking toward the valley without a sufficient amount of money to make them comfortable is, in reality, nothing but a foolish gesture. I desire to go on record at this juncture of the debate on this bill to say that we ought to pass a reasonable old-age-pension bill free from the ties this bill contains or else pass no old-age-pension bill at all. I do not believe in telling those citizens of our country who happen to live in wealthy States that they will be fortunate enough to get their pension because their State is able to match the Government appropriation of \$15, while those who live in States not so wealthy, and these are by far the majority States, will not be able to get theirs because their State is not able to match the amount offered by the Government.

This bill should be amended so as to definitely assure our people who reach the age of 60 years and are in need that they will be comfortable and will not be compelled to depend upon local politics to give them that which is righteously theirs. The age should be 60 and not 65.

## SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7260, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield 25 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS of Ohio. Mr. Chairman, what I have to say shall be extemporaneous, and I hope to touch most of the numerous titles of the bill. Practically every Member who has spoken on this bill up to this time has prefaced his remarks with a statement to the effect that this is the most important measure that Congress has considered during his incumbency or has ever considered. I do not know that I want to go that far, but I think I can go this far with safety: I think this is the most far-reaching piece of legislation we have considered in the 10 or 11 years I have been here. I do not know that it is the most important, because that is a relative term; but when I say far-reaching, I mean it is far-reaching in the fact that it is going to be permanent.

We passed not long ago what we have since known to be the famous "N. R. A. or the N. I. R. A." law. This may have been a very important piece of legislation, and no doubt was important; but it is not necessarily permanent. According to Hugh Johnson, sometimes it is from earth to egg and sometimes it is from egg to earth; and according to other dignitaries, it is necessary while others prophesy its early repeal. The same thing is true of the big recovery relief act, which we passed a few days ago. This calls for \$5,000,000,000 to be turned over to the President, and it was very important, inasmuch as no legislation appropriating any such colossal amount has been enacted heretofore, and I hope we will never have a President who will even ask for that much money in the future, much less demand it. However, it is not permanent legislation and we are surely not going to appropriate that much every year.

This legislation when it is once enacted, if it is of any value at all, it is of value by reason of its permanency, or at least its promise of permanency.

We are launching on a program, several titles of which call for the cooperation of the States. If they cooperate this will be permanent. The title with respect to old-age pensions is to be put into effect in cooperation with the States; in fact, every individual title of the 10 or 11 titles of this measure is permanent, it is far-reaching, and is going to be with us in the next year and in the next Congress and in the next generation, unless sooner repealed.

This is why I say we ought to be careful about it. I think it is safe to say that the overwhelming sentiment of this Congress is in favor of doing something by way of economic security.

I think we Republicans, whether we have wanted to come to it or not, and for one I have for many years been willing and anxious to come to it, have been forced to the conclusion that the world moves on, that progress is the watchword and forward do we range. If this is the case I do not think there will be any trouble at all about passing in this session of Congress without any partisanship, a large percent of this legislation. Most of this legislation is just like immigration and various other great problems we have to contend with in the Congress. They are not factional, they are not partisan, neither are they sectional. They take into consideration the welfare of the entire Nation.

Insofar as this bill provides for the furtherance of public-health measures it is neither factional nor political. If we were to consider that phase of it and if we went back to its origin, I do not doubt we would find it was passed by this Congress under Republican administrations. Appropriations for public health is probably more clearly for the general welfare than any of these titles. In the same way, I feel sure, you could go back to the origin of the provision with respect to rehabilitation and I think you would find that the original rehabilitation act was passed under a Republican administration.

I cite these facts only to show you that we ought to approach this great problem in a nonpartisan way as far as possible, because we are going to launch this measure in this session of Congress and after 1936, no doubt, we will have a Republican President in the White House and therefore it means a lot to the Republicans as well as to the Democrats. We have got to legislate for the future and not for today only.

The Republican members of the Ways and Means Committee worked on this bill just as assiduously as did the Democratic members. Their contributions to the bill by way of discussion and suggestion were as beneficial as those of the Democrats. I wish to pay a tribute to the distinguished Chairman of the Ways and Means Committee. I may say that never in my experience in Congress have I seen a more fair-minded or a more courteous or a more gentlemanly chairman than our distinguished chairman. [Applause.] He did not break his rule in the handling of this measure, not in the least. He conducted the affairs of the committee in a most honest, upright, and fair manner; and in the consideration of this measure I want the Republicans especially to know this bill was considered just as assiduously by the Republican members of the committee, and we gave it just as consistent and persistent and religious attention as did anyone else.

Leaving myself out, many contributions were made by the Republican members of the Ways and Means Committee that found their way into the language of this bill. These Republican members, in summing up their ideas of the bill, have prepared a report designated as "minority views." This report does not bind any individual members, neither does it bind the Republicans as a group, but it sets out to you succinctly what the Republican members of the Ways and Means Committee think would be a fair general statement.

I agree with the first part of the report submitted by the Republican membership of the Ways and Means Committee.

I maintain that this bill separates itself into two general categories:

First. Those which spring from the desire of the Federal Government to provide economic assistance to those who need and deserve it.

Second. Those which are based upon the principle of compulsory insurance.

In the first group are—

Title I, granting aid to the States in meeting the cost of old-age pensions;

Title IV, granting aid to the States in caring for dependent children;

Title V, granting aid to the States in providing for maternal and child welfare; and

Title VI, granting aid to the States in providing for public health generally.

Many people in this country deserve assistance of the Government, both State and National, and they are not "charity" people. They deserve it because the iron hand of vicissitude has rested heavily upon them, on many occasions for which they are in no way responsible. There is truth in the statement that the Government, both State and National, owes something to some people. Naturally it does. The Government feels its obligation, and it feels it wants to pay this debt. What is one of them? One of those debts is to pay old-age pensions to those who approach the setting sun of life without sufficient means to provide themselves decently, and another one is to grant aid of the States for the care of dependent children. Let me go into that briefly. I will not discuss old-age pensions at length, because that subject has been discussed here by many Members. I have been in favor of old-age pensions for years. I helped procure for Ohio the law under which that great State now operates. Ohio has probably the most modern old-age-pension law of any of the States, and I have for years advanced State legislation for Ohio that would result in better care for widows whose husbands have been taken away leaving children who must either be separated from the mother or the mother must receive aid. I think every child is entitled to the care of its mother if she is at all worthy. Not many of those who have spoken have said much about title IV, which grants aid to States for the care of dependent children. Several States have laws dealing with this subject. They handle it in different ways—each State has its own plan. We should have some provisions like that in the Federal law. We should incorporate all these beneficent legislative proposals into one plan or group so that the Government could reach out its long arm to help all worthy groups. We are trying to stabilize this business of helping dependent children. We are trying to pass a law here that will be a model for the States, and we are asking for State contribution, we are asking that each State set up its own organization.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. Yes.

Mr. SAMUEL B. HILL. I understood the gentleman to say this is already in the law, that is, Federal participation in caring for dependent children. The gentleman does not mean that.

Mr. JENKINS of Ohio. No; I did not mean quite that, that we have the set-up made; but I mean it relates to the rehabilitation of children, and we have the germ of that on the statute books.

Mr. SAMUEL B. HILL. We have certain child-welfare provisions on the statutes, but they do not cover this particular phase at all.

Mr. JENKINS of Ohio. I did not intend to give the impression that we already have ample and sufficient legislation. I wanted to leave the impression that in this program of rehabilitation and child welfare, all of these correlated together, and the germ has been planted a long time. It has grown to fruition in the shape of legislation for rehabilitation, and in several of the States it has grown, but in no State has this thing developed systematically, it has

never developed as a tree would, well rounded. It has developed under hard circumstances. Take the great State of Ohio, that great commonwealth of which we are all proud. We have a law there that deals with the blind, but it is poorly administered. We have not any provision in this bill with reference to the blind, and I hope when we come to the amending of the bill that some such provision will be put into it, because it also springs from this same inclination to do something for those who need to have something done for them.

The Republican membership on the Ways and Means Committee have by their report favored the enactment of title I, the old-age-pension title, and title IV, the provision for the assistance and care of dependent children.

Title V grants aid for maternal and child welfare. The Republican membership has unqualifiedly endorsed this title and the Republican Party endorses it and we will not yield to anybody, regardless of partisanship, to lay his unhallowed hand on this proposal and claim this legislation is now his own, that it is original with him. It is not legislation that belongs to any party. This is legislation that has sprung up out of a desire of the people of this country to have the Federal Government participate and help out the States in this grand and wonderful work. The same is true of title VI, which deals with public health.

I hope that every provision that I have mentioned, which has been endorsed by the Republican group, finds its way into this legislation.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. Yes; I yield gladly to the distinguished gentleman from Georgia.

Mr. COX. The gentleman has referred to the minority views on this bill. Personally I was favorably impressed with the statements set forth, but somewhat disappointed to find in the report one phrase, which I will call to the gentleman's attention:

We favor such legislation as will encourage States already paying old-age pensions to provide for more adequate benefits, and will encourage all other States to adopt old-age-pension systems.

And I now read the sentence, to which I refer:

However, we believe the amount provided in the bill to be inadequate, and favor a substantial increase in the Federal contribution.

Does the gentleman believe, in view of what he knows about the whole question and the condition of the country, that the Government could stand a heavier burden than is imposed by the terms of this bill as drawn?

Mr. JENKINS of Ohio. I should say, in answer to the gentleman, that he realizes the word "substantial" is a far-reaching word. Being a good lawyer, the gentleman knows that the word "substantial", as used in the law, means "reasonable."

Mr. COX. Does the gentleman actually favor an increase of Federal contribution?

Mr. JENKINS of Ohio. If the gentleman desires my position, I can tell him. I think that at this time \$15 is a fair approximation, but there are some States and municipalities which pay much more than that amount. Suppose there is a municipality which wants to pay a maximum of \$30, then it will take the Federal contribution of \$15, which will make a total of \$45. That community pays in the ratio of 2 to 1, as compared to what the Government will pay. Some other community can barely match what the Federal Government contributes. Therefore, that makes an inconsistency and unfairness to some municipalities or States. However, I think the maximum of \$15 is a fair maximum now. After we have tried this law out for a year or two and we find that there are municipalities which would like to pay more, then it can be increased. I am perfectly willing to increase this to \$20, but why not start it within reach of the weaker States?

Mr. COX. Will the gentleman yield further?

Mr. JENKINS of Ohio. I yield.

Mr. COX. The gentleman would not favor a Federal grant to a State whose financial condition was bad, in one

amount, and then give a greater amount to a State that was prosperous, would he?

Mr. JENKINS of Ohio. I do not understand the gentleman.

Mr. COX. In other words, the gentleman favors uniformity in whatever is done on the part of the Federal Government, does he not?

Mr. JENKINS of Ohio. This bill up to the \$15 is only a voluntary maximum. A State can provide for \$5 a month, and the Government would only put up \$5 a month. So that the bill already provides a sliding scale. That is for the benefit of the weaker communities. I think that is a wise thing, because there is no use breaking the back of a weak individual in order to test the strength of a strong one.

Mr. COLDEN. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. COLDEN. With reference to the minority report, in which it is stated that the minority favors a substantial increase in the Federal contribution, is it not possible to find considerable revenue by increasing the inheritance taxes, which might be applied for this purpose?

Mr. JENKINS of Ohio. Oh, I think the gentleman knows the answer to that question without asking me.

Mr. THOM. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. THOM. Was the gentleman's attention called to a letter from an Ohio doctor with reference to the aid granted for crippled children, pointing out that in Ohio the money is distributed through counties, instead of through the State, and that possibly the language of this law, compelling the matching of funds by the State, might exclude relief in the State of Ohio?

Mr. JENKINS of Ohio. No. I do not recall having received such a letter. I may have done so. But I do not know how that would exclude relief in Ohio. As the gentleman knows, we need some changes in our Ohio laws. For instance, in a great State like Ohio we should provide some system whereby the various agencies set up for relief should be coordinated. I do not mean that our agencies are inefficient in their own line of work, but in a great Commonwealth like Ohio, where there are many large municipalities and much revenue, the small county should not be thrown out on its own responsibility. It ought to be taken care of. It ought to get some relief from some of the larger counties. This thing ought to be systematized. If I thought this bill would not help the State of Ohio to round out the assistance to her poor people better than it does today, I would not be for these provisions of the bill. The State of Ohio probably does more today than a great many other States, but it does not do as well as it can do. I hope that these different titles will be of great benefit to that great State.

Mr. THOM. But the question I was interested in was this: Is it a fact that in Ohio the money for the crippled children is provided by the counties instead of the State?

Mr. JENKINS of Ohio. I do not know the full details of how that is carried on. The best work done in Ohio, that I know of, is the rehabilitation done under the Federal rehabilitation law, in cooperation with the local authorities. They took charge of a great many crippled children that I know of, and the counties in that way are encouraged to extend themselves to the limit, as well as the county agencies. It is supervised generally by the organization in Columbus, which I think gets its organization from Washington.

Now, let me proceed. As I stated before, the Republican Membership, has by its reports, indicated how it stands on these different measures. I am not trying to say how any individual Member is going to vote or how I am going to vote, but I think it would have been wiser if this legislation had been divided into two categories. There are many Members, both Republicans and Democrats, who believe as I do on that proposition. If we had provided in one bill the relief that I have heretofore indicated, that would all have been consistent. It would all have been right along one line. But there has been added to this bill many other

matters. This bill really had its origin in nothing but the upwelling charity of the American people as it is demonstrated by the actions of representatives in Congress and by people generally. Everybody is human and reacts to human impulses, regardless of whether he is a Senator, or the President, or what not. So I say to you that all of these various titles except two had their origin from that inclination, and we ought to recognize that. If it had been carried out along those lines, then we would not be overwhelmed with trouble about a lot of questions that will come up with regard to these other titles. There are many Members of Congress, regardless of politics, who feel just exactly as I feel about this. If they had had their own way, if they had not been lashed into line, if they had not been under pressure, they would not have agreed to this. I am not criticizing them. I recognize that when you are part of a political group you have to go along to some extent; you have to be loyal; but there comes a time when that goes too far absolutely. When more than loyalty is demanded then tyranny begins. It is out of line with your common sense. It is going too far now. We should remember that we are legislating for posterity and not for the 1936 elections.

It is out of line with your own judgment; it is out of line with your own reason, and we ought to stop.

Mr. MARSHALL. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield to my friend and colleague from Ohio.

Mr. MARSHALL. Does not the gentleman also think it would have been wiser to have divided the bill still further and separated the old-age-pension titles from the compulsory insurance titles in this bill?

Mr. JENKINS of Ohio. The gentleman is exactly right in that.

The next paragraph of the report deals with the question of unemployment insurance. I shall proceed to a discussion of that at this time. I am not here to try to force my views on you as the views of the committee. I know there are members of the committee and other Members of the Republican branch of the House—for instance, the gentleman from Ohio [Mr. MARSHALL], who interrogated me a moment ago—who maintain that it would have been better to keep all these insurance matters by themselves. I favor the principle of unemployment insurance and have favored it ever since it has gotten to be a question of vital importance to the people. I do not want to refer to personal experiences too much in my remarks, but in Ohio we have a workmen's compensation law that is looked up to by all the States as a model. It is looked up to by those who administer that law in the United States as a model, and it was selected as a model upon which the Congress of the United States built its workmen's compensation law for the District of Columbia. I had a more or less prominent part in perfecting the Ohio law and in preparing the District of Columbia law. It is a fine thing in principle. Why should not industry carry its load? It should carry its load of injuries that come to its employees; and no State, where they have adopted this type of protection, would abandon it now—I think I am safe in saying that practically every State in the Union has a workmen's compensation law. It has long since passed the stage of experimentation—none of these States would give it up.

There is a relationship between unemployment insurance and workmen's compensation, but there is a very wide difference. Now, this very wide difference, no doubt, will be developed here by some of those who are opposed to this proposition. I am not opposed to it. I do not know whether it is wise to enact it now; I am not so sure about that, but if we are going to enact it, I hope it works itself out, but I think you will find it will not work itself out with quite the harmony with which the old-age-insurance provisions will work themselves out; it will not work itself out with the harmony with which these other titles will work themselves out. But be that as it may, if it is enacted we shall do the best we can by it, cure its mistakes and defects as they arise, and improve its good qualities as we see them

develop. I propose to vote for the bill with that proposition in it; I will accept it, as I said before, in the hope that good will result from it.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. SAMUEL B. HILL. I want to ask the gentleman a question. On last Friday when I addressed the House I said that we appreciated the fine cooperation which the Republican members of the committee gave to the study of this legislation, and especially do I want to mention, in this connection, my friend who is now addressing the House, and, as I understand from his discussion here the gentleman from Ohio is not opposed to the principle of any of the titles in this bill. Is that correct?

Mr. JENKINS of Ohio. Oh, yes; I am. I am opposed to the provisions of title II and title VIII, but I have not come to them yet.

Mr. SAMUEL B. HILL. The gentleman is opposed to the principles underlying the provision for old-age benefits?

Mr. JENKINS of Ohio. The gentleman, I think, is making his statement to suit himself. I am just opposed to that principle in this bill. I do not want it qualified.

Mr. SAMUEL B. HILL. Is the gentleman opposing it as a general proposition?

Mr. JENKINS of Ohio. I oppose it generally and specifically, if that will help the gentleman.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 additional minutes to the gentleman from Ohio.

Mr. SAMUEL B. HILL. If the gentleman will yield further I want to pursue my line of thought a little further, and ascertain from the gentleman from Ohio whether he is opposed to the principle underlying title II, which is old-age benefits, and title III, which deals with unemployment compensation.

Mr. JENKINS of Ohio. I cannot answer the gentleman "yes" or "no", because I maintain that title III is not identical with title II.

Mr. SAMUEL B. HILL. No; it is not.

Mr. JENKINS of Ohio. There are principles involved in title III which are not involved in title II.

Mr. SAMUEL B. HILL. I appreciate they are two distinct subjects, but I am asking the gentleman whether he is opposed in principle to either of these titles.

Mr. JENKINS of Ohio. Yes; I have stated definitely that I was opposed to title II and opposed to its accompanying title VIII; but I am not opposed to title III. I doubt, however, whether this is the proper time to enact it. I think it would be better if it were separated and put in a bill by itself away from these other provisions so it would have a fair chance and so it would operate on its own steam, so we could find out its weaknesses if it has any and improve its merits if it develops any.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield to my genial Democratic friend from the Kentucky mountains.

Mr. MAY. I think the gentleman from Ohio has expressed one thought that is almost universal in the House of Representatives, and that is the proposition that all these various subjects ought to have been separated in this legislation so that if a Member wanted to vote for old-age pensions, although opposed to some other title in the bill, he would have the opportunity to vote for it without having to vote for or against all the other titles in the bill.

Mr. JENKINS of Ohio. The gentleman has the right idea, and I think he has expressed the overwhelming sentiment of the House except that based on partisanship. It is unfortunate that this overwhelming sentiment is not permitted to crystallize into legislation without White House intervention. I congratulate my Kentucky friend for the attitude he is taking.

Mr. MAY. In the consideration of the unusually large appropriation bill we had a double-barreled proposition where we had to vote for both relief and public works. This matter should be presented to us in such a way that

we could vote against one proposition without voting against all of them.

Mr. JENKINS of Ohio. Yes; I agree most heartily with the gentleman.

Mr. MAY. I think that practice ought to stop and the Members should be given a chance to vote for the things that they want to vote for. [Applause.]

Mr. JENKINS of Ohio. I agree with the gentleman, and that has been the practice of this administration from the time of the enactment of the Economy Act down to the present time. I am glad that the Members applaud the statement of my Democratic friend, and I hope that those who applaud will vote that way when we move to separate these titles later. The policy of the administration has been to join unpopular measures with popular measures and to thereby compel the passage of unpopular measures on the strength of a popular measure. When are you on the Democratic side going to rise up and say that you are Democrats? When are you going to rise up and say that you have in your system some blood of John C. Calhoun and those other distinguished Democrats who stood up for State rights? Are you going to continue to allow State lines to be eradicated? Are you going to let the Chief Executive transcend the rights of the legislative branch? When are you, with your majority of 3 or 4 to 1, going to wake up? When are you going to strike off the yoke? I am glad that one Democrat from the mountain section has risen and given a reason for the faith that is within him. It is seldom that any Democrat stands up in this House and eulogizes Andrew Jackson. Democracy today is not what it used to be.

Mr. MAY. The gentleman will remember that I voted against the rule for the consideration of the large appropriation bill because I wanted these things separately considered.

Mr. JENKINS of Ohio. I thank the gentleman for his contribution.

Mr. ARNOLD. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield to the gentleman from Illinois.

Mr. ARNOLD. Under the rule under which this bill is being considered, have not the Members of the House the right to vote up or down every single proposition in the bill?

Mr. JENKINS of Ohio. Yes; they have.

Mr. ARNOLD. And they have that right with reference to every title separately?

Mr. JENKINS of Ohio. May I say that the gentleman is advancing that as a compliment to his party. The gentleman has no right, and the Democrats as a whole have no right, to claim any compliment for reporting out this bill under an open rule. Why? Because you did not dare report it out any other way. That is the reason. A canvass of your own Members showed that you did not dare vote out a closed rule. You were forced to bring this bill out under an open rule, and that is the kind of rule that should always be brought upon the floor of this House for the consideration of any important measure. If a gag rule had been offered, it would have met the opposition of a united Republican vote and of a large group of Democrats who occasionally venture far enough to yet say their life is their own.

Mr. ARNOLD. I understood the gentleman to say that the Members of this body had to take this bill as a whole with these several titles. I know the gentleman does not mean to make that statement when we have the right to vote out any section or title of this bill and we also have the right to consider and adopt any germane amendment.

Mr. JENKINS of Ohio. I do not think the gentleman heard all of my discussion, because I stated the ultimate result and the ultimate effect was due to partisanship. That is what I say now.

Mr. Chairman, I proceed to the last paragraph of the report, which deals with title II and VIII. I may say that those on the Democratic side will not take advice from me, and I do not want to inflict my advice on the Republican side, but it is my opinion titles II and VIII should come out of this bill. They have no business in there. They are being linked with these other popular titles and will be

forced to passage if possible. It is an encroachment upon a public sentiment that wells up from the finest impulses of the American heart.

It is purely a business transaction loaded upon charity, you may say, and has no real relation to these other bills. You Democrats ought to rise up in your might and strike out these sections, because future generations, if these titles are stricken, will rise up and call you blessed. I am a friend to this legislation, and I have no hesitancy in saying that the legislation would be much improved. When the people find that you have saddled upon old-age pensions and these poor mothers and these weak and crippled children these objectionable titles, they will demand to know the reason why. They will be entitled to know.

There was testimony before the committee to the effect that in one section of the country one-half of the births in that section were unattended by a physician, and who would refuse to continue a work now being done to relieve that situation. I have voted for this principle several times. Now, let us make it a part of our permanent national policy.

Why do you load on this bill an insurance matter? Titles II and VIII are strictly matters of insurance. Under these titles a wage earner is compelled to take this compulsory insurance whether he wants to take it or not. These two titles have been a thorn in the side of the administration, the "brain trust", and the Democratic Members. In the Ways and Means Committee they have done their best to remove their unconstitutional features, but they have failed. Verily a leopard cannot change his spots. Under these titles the Government is put into the insurance business on a tremendous scale. The following table illustrates that under this bill it is estimated that by 1970 the receipts into this insurance fund will reach over two thousand million annually and that the insurance fund will have a reserve of nearly thirty-three thousand million. This figure is so large that the human mind can hardly comprehend it. Why not wait until we can see our way clear before we venture on these untried courses?

TABLE IV.—Estimated appropriation, benefit payments, and reserves under title II  
[In millions of dollars]

Fiscal year ending June 30—	Appropriation	Interest on reserve	Benefit payments	Amount carried forward to reserve	Reserve
1937.....	255.5	0.0	1.8	263.6	253.6
1938.....	513.5	7.6	7.2	514.0	767.6
1939.....	518.5	23.0	14.4	526.9	1,294.5
1940.....	662.2	38.8	22.0	679.1	1,973.6
1941.....	807.2	59.2	28.7	836.7	2,810.3
1942.....	814.8	84.4	60.4	838.7	3,649.0
1943.....	970.0	109.5	114.2	965.3	4,614.3
1944.....	1,126.6	138.5	173.1	1,091.9	5,706.2
1945.....	1,137.0	171.2	231.4	1,076.4	6,782.6
1946.....	1,291.0	203.5	302.0	1,192.9	7,975.5
1947.....	1,447.1	239.3	381.2	1,305.2	9,280.7
1948.....	1,460.1	278.5	457.5	1,281.1	10,561.8
1949.....	1,621.0	316.8	535.8	1,402.1	11,963.9
1950.....	1,783.3	358.9	612.6	1,529.6	13,493.5
1955.....	1,861.3	579.3	1,076.0	1,364.5	20,672.6
1960.....	1,939.1	785.6	1,672.7	1,032.0	26,551.5
1965.....	2,016.9	896.0	2,235.1	677.8	30,543.8
1970.....	2,094.8	975.2	2,792.1	277.9	32,782.9

Mr. Chairman, ladies and gentlemen, the report filed by the majority members of the Ways and Means Committee says not a word about the constitutionality of these titles no. II and no. VIII. I presume this omission is a studied omission on their part. They seek thereby to keep from the Membership the fact that this question gave them more worry than all the rest of the bill put together. In many sessions of the committee, arguments were advanced to show that these titles are unconstitutional. Why has nothing been said about that matter on the floor of this House? Why did not the chairman of the committee address himself for a few minutes at least to the constitutionality question? I will tell you why. It is because he knows and the committee knows that when the Supreme Court comes to interpreting this measure, the Supreme Court may look as it generally does to the discussions had in

committee and to the committee reports as to what was said, and to what is said in the debates on the floor of the House. If I do not say anything else on the floor, I want to say that one Republican at least rose up in his weak way, and to the best of his ability, and protested against this procedure and wants the records here to show of these numerous protests as to the unconstitutionality of these titles. I want this to be positive in the Record. Let the Supreme Court know, if it does read the Record of Congress on this proposition, that one individual rose and said that he doubted the constitutionality of this bill, and that the facts are that great fear has been expressed by many members of the committee in this respect.

In support of my position, may I say that this bill first came to the Congress for consideration in the form of the Lewis bill. Later Mr. Douglass, the chairman of the committee, introduced an identical bill. Many changes have been made in the bill since then. When we first commenced hearings on it, the "brain trusters" and the administration spokesmen and even Miss or Mrs. Perkins thought it was in perfect form, but there have been more changes made and more legislative carpentry done upon it than any other bill that has gone through this Congress that I know anything about. They have changed it in many ways. These provisions covered by titles II and VIII that were once all together have been taken out and separated. This was done after weeks of hearings for no other reason than that they were afraid of the test as to its constitutionality.

Mr. Chairman, the constitutionality of these two titles is going to depend on this point: Are they related or are they separate? I would like to have those Members who are not lawyers remember that that is going to be the constitutional test, namely, are titles II and VIII related? If they are not related in any way, then this bill is probably constitutional. If they are related, then the question arises, what about the relationship and how does the relationship interfere with its constitutionality?

How did the committee or the group who wrote this bill interpret this proposition? Let me tell you how they interpreted it. They put the provisions of these two titles together. They put the tax provision and the appropriating provision together, and the Attorney General's Office no doubt passed upon it. They no doubt thought it was constitutional.

If you will look at the report you will find there are 500 or 1,000 names of distinguished people who appear to have collaborated in the preparation of this bill. The list includes dozens of prominent and near prominent persons, and many unheard-of persons. No doubt all were capable and unselfish. In this list were many professors.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. JENKINS of Ohio. As I was about to ask, how did the "brain trust" and the Attorney General interpret this measure? Here is the way they interpreted it. They connected them together and after we had been in session about 7 weeks and when we went to work to draw it up, what happened? We have a man here who works for us in the Congress who is not a Member of the Congress, a man who works as the head of the Legislative Reference Bureau. Do you know what he told us? He told us that a lot of this bill was unconstitutional, and do you know who is entitled to the credit for drawing up this last bill? It is not the Attorney General; it is none other than Mr. Beaman, and I here and now nominate Mr. Beaman for the Attorney Generalship of the United States. He ought to be down there, because he is the man who told them what to do. They have tried the best they could to separate these propositions so that title VIII could pass the test as a taxing title and so that title II could be acceptable as an appropriating title and would be free from constitutional objections.

Mr. Chairman, title II and title VIII are not separate in the new bill, and let me show you why. They may be physically separate but they are one in spirit. Under title II you will find what? You will find that all the exemptions under title

II are just exactly as under title VIII. See pages 14 and 46 of the new bill. And all the taxes levied under title VIII and all the designations and classifications under title II are carried in title VIII, word for word. See pages 46 and 14 of the new bill. There is not a line taken out. They are just exactly alike. Why are the majority Members so careful not to make the slightest reference to the connection between titles II and VIII. The beneficiaries under title II are the identical persons taxed under title VIII.

In a brief filed by the Attorney General they cite a lot of decisions, but this brief appears nowhere in the record of the proceedings of the committee; neither do the long speeches, consuming nearly 2 days by representatives from the Attorney General's office. I maintain that titles II and VIII should be stricken from the bill because they do not aid the more important provisions of the bill, but are a weight on the bill. I also maintain that these titles are unconstitutional because title VIII is not a tax-levying title but is in reality a part of the plan to put compulsory annuities into effect, and that title II depends absolutely upon title VIII for its premiums. I further maintain that title II invades the rights of the State and that there is no constitutional provision granting Congress the power to legislate in the manner sought in title II.

In the Attorney General's brief he seeks to establish the proposition that the courts in passing upon the validity of a statute which on its face purports to be a tax measure will not consider the question whether the motive of the legislative body was some other than that to raise revenue. He cites as proof of his contention the case of *Veazie Bank v. Fenno* (8 Wall. 533) and *McCray v. United States* (195 U. S. 27, 59).

Neither of these cases is exactly in point, for in both of these cases the statute in question bore every evidence on its face of being a taxing statute. The court in each of these cases held that it was not concerned with the motive of the legislative body provided the statute on its face recited its proposition clearly. In neither of these cases was there any accompanying sections that were dependent upon each other. In this bill that we are now considering, title II is absolutely of no consequence without title VIII. And title VIII is inserted in the bill for no other purpose than to furnish the premiums with which to operate title II. These two titles, taken together, put the Government into the insurance business. That is their purpose. Title VIII is not a revenue-raising section but it is the means by which premiums are forced from the wage earners of the country without their consent.

They cite the case of *United States v. Doremus* (249 U. S. 86) as a case proving the same point. That case is not in point with what is sought to be done in this bill, for in that case the law was attacked on the ground that the regulations seeking to enforce the revenue-collecting feature of the law were unconstitutional. The court held that the law in question was on its face and in fact a revenue-raising measure and that was its principal purpose. It further held that the regulations sought to be declared illegal were legal regulations in that they assisted the taxing authorities to enforce the taxing provisions of the statute.

They also cite the case of *Manano v. Hamilton* (292 U. S. 40). On page 46 the following language, which refutes their contention, appears in the opinion, which is a very short one:

The statute here under review is in form plainly a taxing act, with nothing in its terms to suggest that it was intended to be anything else. It must be construed, and the intent and meaning of the legislature ascertained, from the language of the act, and the words used therein are to be given their ordinary meaning unless the context shows that they are differently used.

In this brief the following language appears:

The conclusion is inescapable that the motive of the Congress in enacting a law which, on its face, purports to be a revenue measure, is immaterial and will not be considered by the courts in passing upon its validity.

This is not a correct proposition of law. There is an abundance of authority to prove that such a proposition is

entirely too narrow and restricted. In fact, it is not a fair conclusion for a partisan even to deduce from the cases cited.

There is an abundance of cases decided by the Supreme Court which holds that the Court is much concerned with the real purpose of any law the constitutionality of which is brought in question before the Court. In the Child Labor case as reported in Two Hundred and Fifty-ninth United States Reports, page 20, Chief Justice Taft, in holding the law unconstitutional, says:

In the light of these features of the act, a court must be blind not to see that the so-called "tax" is imposed to stop the employment of children within the age limits prescribed. Its prohibitory and regulatory effect and purpose are palpable. All others can see and understand this. How can we properly shut our minds to it?

It is the high duty and function of this Court in cases regularly brought to its bar to decline to recognize or enforce seeming laws of Congress, dealing with subjects not intrusted to Congress but left or committed by the supreme law of the land to the control of the States. We cannot avoid the duty even though it require us to refuse to give effect to legislation designed to promote the highest good. The good sought in unconstitutional legislation is an insidious feature because it leads citizens and legislators of good purpose to promote it without thought of the serious breach it will make in the ark of our covenant or the harm which will come from breaking down recognized standards. In the maintenance of local self-government, on the one hand, and the national power on the other, our country has been able to endure and prosper for near a century and a half.

Out of a proper respect for the acts of a coordinate branch of the Government, this Court has gone far to sustain taxing acts as such, even though there has been ground for suspecting from the weight of the tax it was intended to destroy its subject. But, in the act before us, the presumption of validity cannot prevail, because the proof of the contrary is found on the very face of its provisions. Grant the validity of this law, and all the Congress would need to do, hereafter, in seeking to take over to its control any one of the great number of subjects of public interest, jurisdiction of which the States have never parted with, and which are reserved to them by the tenth amendment, would be to enact a detailed measure of complete regulation of the subject and enforce it by a so-called "tax" upon departures from it. To give such magic to the word "tax" would be to break down all constitutional limitation of the powers of Congress and completely wipe out the sovereignty of the States.

Also in the case of *Hill v. Wallace* (259 U. S., 66), the following language appears in the opinion of the Court:

It is impossible to escape the conviction, from a full reading of this law, that it was enacted for the purpose of regulating the conduct of business of boards of trade through supervision of the Secretary of Agriculture and the use of an administrative tribunal consisting of that Secretary, the Secretary of Commerce, and the Attorney General. Indeed the title of the act recites that one of its purposes is the regulation of boards of trade.

The manifest purpose of the tax is to compel boards of trade to comply with regulations, many of which can have no relevancy to the collection of the tax at all.

The act is in essence and on its face a complete regulation of boards of trade, with a penalty of 20 cents a bushel on all "futures" to coerce boards of trade and their members into compliance. When this purpose is declared in the title to the bill, and is so clear from the effect of the provisions of the bill itself, it leaves no ground upon which the provisions we have been considering can be sustained as a valid exercise of the taxing power.

I should like to go further into the discussion of this feature of titles II and VIII of this bill, but I hope I have said enough to impress you with my sincerity and with the fact that this is a very important matter and that you should give it your best attention. I think it is as much the duty of the Attorney General to give both sides of these matters careful consideration as it is our duty to do so. I do not think he is justified in taking a partial position. I am glad that the people of the country yet have a right to look hopefully to the Supreme Court as one branch of the Government that will give consideration to both sides of any case. Title VIII is not a revenue title. This whole bill is not a revenue bill. It is an economic-security bill. Sometimes I think that Mr. CONNERY, of Massachusetts, is absolutely right when he insists that there is some question whether this bill should ever have been considered by the revenue-raising committee and that it might properly have been referred to the Labor Committee to consider it from the standpoint of its being an economic-security bill. I should like to ask the Democratic leaders who are members of the Rules Committee why they found it necessary to bring this

bill up for consideration under a special rule if the bill is rightfully a revenue bill? We all know that a revenue bill properly reported from the Ways and Means Committee is a privileged bill, and it is not necessary for a special rule to be ordered for the consideration of a privileged bill.

My friends, I repeat that title I and title VIII were one and the same in the minds of those who conceived this measure. They were one and the same in the original bill. They have been separated by letter and word, but they are one in spirit. Who is it that has not heard that great sentence, "The letter killeth but the spirit quickeneth and maketh alive"? When the Supreme Court comes to interpret this bill, if it becomes a law, I am thankful for the faith that the American people yet have in that high tribunal that it will give heed to the spirit of legislation as well as to the letter.

Under our theory of government the State is the real nucleus of power and authority. Some people have the mistaken idea that government is built up from the family community and the township to the county and from the county to the State and from the State to the Nation. This is not the case. Originally we had 13 States. These States passed their own laws providing for their lesser subdivisions of counties, townships, and municipalities. These 13 States also gave up a sufficient of their own sovereignty to establish a Federal Government. The States built down to the lowest unit and the States built up to the highest unit. The Congress of the United States can enact only such legislation as is permitted under the Constitution. Why harm and hinder these great programs of economic security, with which we all agree, by attaching to them provisions that load them down with uncertainty as to merit, as to justice, and as to constitutionality? I beseech of you that you give these far-reaching propositions the thought and consideration that true, patriotic citizens should give who have no other purpose in mind than the best interests of the Republic. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. CULLEN].

Mr. CULLEN. Mr. Chairman and ladies and gentlemen of the Committee, my distinguished friend from Ohio [Mr. JENKINS] has tried to lead the House to believe that this is not a tax bill, that it is not a revenue bill, and therefore the Ways and Means Committee did not have jurisdiction over it. The gentleman knows better than that. He sat with the committee for 8 weeks, and he knows that among the provisions of the bill is an imposition of a 5-percent tax, which brings it within the jurisdiction of the Committee on Ways and Means. His contention is so absurd that I am astonished.

Mr. JENKINS of Ohio. The gentleman does not contend that the spirit of the bill is a revenue bill?

Mr. CULLEN. The spirit of the law or the bill provides for a tax, and therefore the jurisdiction was rightly in the Committee on Ways and Means.

Now, in regard to his statement about the titles, no individual Member is denied the right to vote for any particular title, and therefore that argument falls to the ground. Of course, the bill has been changed. Whenever you have structural legislation, you must make changes to meet conditions. The main principles of the bill are preserved. The gentleman from Ohio participated in all the hearings. He loaned the committee his wisdom, ability, and experience to perfect the bill, and yet he comes here and says that we have to go down the line with our party. The gentleman would have to go down the line with his party if the shoe was on the other foot.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. CULLEN. Yes.

Mr. JENKINS of Ohio. The gentleman knows that there is not a line in it from the two distinguished gentlemen who prepared it; the gentleman knows that that was thrown out, and you had to send out and get another.

Mr. CULLEN. Thanks to the wisdom of the committee, some things were thrown out and it was built up again. The gentleman was one of the minority, and the committee had the benefit of his information, his experience, and his wis-



dom. The gentleman says that this security legislation is a party question. That is the most absurd thing I ever heard of.

Mr. McCORMACK. Will the gentleman yield?

Mr. CULLEN. I yield.

Mr. McCORMACK. There is nothing strange about that, for a committee in executive session to call in advice from those in the Government service.

Mr. CULLEN. Certainly, you are right, Mr. McCORMACK. They sat in and participated and suggested things about the construction of it. The minority said, "We will not vote against it", but they did cast a half a vote against it by voting "present."

Mr. McCORMACK. Has the gentleman found out yet when the minority members of the Ways and Means Committee made up their mind to vote against title II?

Mr. CULLEN. After they had several conferences in which I am led to believe they did not always agree. It would not be surprising if some of the minority would vote for the bill in its entirety, including title II.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. CULLEN. Yes.

Mr. JENKINS of Ohio. I do not want to let the facetious remarks of the gentleman from Massachusetts [Mr. McCORMACK] go unchallenged. There might have been some discord among the Republicans about title II and title VIII, but the gentleman knows that all through the discussion the members of the minority opposed that, and, furthermore, the gentleman knows that there are members on his side who opposed this proposition. The gentleman from Massachusetts was not always in unison with that measure.

Mr. McCORMACK. The views of the gentleman from Massachusetts were substantially incorporated when the so-called "voluntary annuity" was reserved by the committee for further study.

Mr. CULLEN. Mr. Chairman, in the statement that I am about to make in regard to this legislation, I respectfully ask not to be interrupted until the conclusion of the statement.

The economic-security bill which is now before us for final consideration is one of the most important pieces of legislation which have come before the House for many years. Nearly a year ago, on June 8, our great humanitarian President, Franklin Delano Roosevelt, transmitted a message to Congress advocating social-security legislation, and shortly thereafter he created by Executive order a committee whose purpose was to make a comprehensive study of the many complicated factors in industrial life which lead to dependency and destitution, and make proper recommendations for overcoming such causes of insecurity.

While we are now considering old-age and unemployment-insurance legislation it is nevertheless not entirely new to the country because it has been advocated by fraternal organizations, and particularly the Eagles.

Our great President himself advocated it when he was Governor of the State of New York, at which time he was already thinking of the masses of the people of our country.

Insofar as Congress is concerned, this is pioneer legislation of a humanitarian character, and the bill reported to the House by the Committee on Ways and Means is based upon the recommendations of the President in his message to both Houses of Congress on January 17 of this year.

The Ways and Means Committee, to whom the President's recommendations for security and unemployment-insurance legislation were referred, held extensive hearings on the bill and after 8 weeks of intensive work the committee reported a bill to the House which, in my opinion, is as near perfect as possible. The committee gave the most thorough study to every phase of this important subject of social-security and unemployment insurance.

The economic-security bill presents the most substantial evidence to date that our twin objectives of recovery and reform are found in an inseparable unity of purpose and action. While the horror of the depression is still fresh upon our memory, we are taking decisive steps to shake off its lingering aftermath, to prevent its recurrence, and to set

up safeguards for those who may suffer in the future from economic forces beyond the control of the individual.

Old age, unlike unemployment, is a natural consequence that descends upon mankind everywhere with unfailling regularity. Therefore the bill treats this problem primarily on a national basis. It sets up a Federal system of compulsory old-age insurance, which will provide at least the minimum requirements for health and decency to every worker who has reached 65 years of age. At the same time, the measure is careful to make special provisions for workers who are now so near the retirement age that they will have no chance to insure themselves by their own contributions.

Another important feature of this bill is the provision for unemployment insurance. There is no reason why the worker unemployed through no fault of his own should be more neglected than machinery that is idle during the slack season. There is no justification for giving the man who has grown old and tired in the performance of his life's work no consideration for his efforts. The day has passed when the wealthiest nation in the world can remain the most delinquent in its treatment of the most pressing of all social questions.

The proposed legislation is not confined to old-age pensions and unemployment insurance. Federal subsidies are provided to help the States in caring for dependent children, in promoting maternal and child welfare, in aiding the crippled, and in advancing public health. While most of this money is to be allocated among the States on a dollar-for-dollar matching basis, there is enough flexibility to safeguard the poorer localities which are unable to help themselves.

Of course, it must be realized that the bill does not represent the zenith of perfection in social-security legislation. But considering that we are venturing into a region that heretofore has been practically unexplored by the National Government in this country, the bill does embody a step forward that is almost unparalleled in its boldness and scope. We are breaking the ground for a structure in which economic wisdom and humanitarian impulses shall be blended in perfect proportion to protect millions of our citizens from undernourishment during their formative years, from privation in their prime of life, and from destitution in their old age.

The President emphasized his belief that the Economic Security Committee had evolved a program that would appeal to the sound sense of the American people.

It had not attempted the impossible—

He said—

nor has it failed to exercise sound caution and consideration of all the factors concerned; the national credit, the rights and responsibilities of the States, the capacity of industry to assume financial responsibilities, and the fundamental necessity for proceeding in a manner that will merit the enthusiastic support of citizens of all sorts.

Another principle, the President said, was that the actual management of the plan, except possibly in the case of old-age insurance, should be left to the States, subject to standards established by the Federal Government. He held, however, that the financial management of funds and reserves should be retained as a trusteeship by the United States Treasury.

Legislative proposals to carry out these principles were incorporated in the bill, which has been worked out in collaboration with the men and women who compiled the social-security report for the President as well as the Ways and Means Committee.

The President stressed the importance of State legislation, and to this end asked the speediest action by Congress.

In that connection I might say that Governor Lehman, of New York, which is also my State, advocated the adoption of social-security and unemployment legislation modeled on the bill now pending in Congress. I am happy to state that both the Assembly and Senate of the New York Legislature has approved such a measure, and it is now before the Governor for signature.

In view of New York's record as to the adoption of all social legislation, it is not surprising that this should be the fourth State in the Nation to adopt unemployment insurance. I believe that only Utah, Wisconsin, and Washington preceded New York.

There are other proposals pending in the Congress on this subject, yet in my opinion it is wise for us to proceed cautiously and carefully in this initial legislation. Therefore, I believe that the bill before us is a step forward in the direction of economic-security and unemployment insurance and the careful study that it has received in the hands of the Ways and Means Committee, led by that rugged and sincere personality, Chairman DOUGHTON, who guided us through this complex problem, I sincerely hope and trust when the debate is closed on this bill and when we proceed to the 5-minute rule, that the House in its wisdom will keep it intact in every particular and pass it just as it has come from the Ways and Means Committee and uphold the hands of our great President in the adoption of this humane legislation. [Applause.]

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. RANDOLPH. Mr. Chairman, will the gentleman yield?

Mr. CULLEN. I yield to the gentleman from West Virginia.

Mr. RANDOLPH. The gentleman is correct in saying that this legislation is not new in America, and he should also include foreign countries which adopted it and where it is working successfully.

Mr. CULLEN. Yes. I yield back the remainder of my time.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Maryland [Mr. LEWIS].

[From a speech by Charles W. Elliot, president of Harvard, Faneuil Hall, July 4, 1911]

A declaration of independence, if it were written now, would among other things set forth that every citizen in a free State has an inalienable right to that amount of employment which will yield for him and his family a decent living; that every worker has a right to be insured against the personal losses due to acute sickness, chronic invalidism, injuries through accident, and the inevitable disabilities of old age.

Mr. LEWIS of Maryland. Mr. Chairman, I enter this discussion with a full appreciation of the lack of time to explore fully the values of this bill, and that it is only possible to touch upon some of its ruling considerations. I ask my colleagues under such circumstances to excuse me from answering particular questions, which might be better deferred, I think, until we come to a minute consideration of the bill.

It was my privilege for the first time to visit the lands of our ancestors in 1931. The depression was already upon us. When I returned, friends were always asking, "Lewis, how did you find things in Europe?" My answer was that in Holland, Belgium, France, and Switzerland at that time conditions seemed to be about their normal, but that in Germany and Great Britain, notably, their conditions of unemployment resembled those within the United States, with this important difference: The agony was taken out of it for the working men of Germany and Great Britain by their social-insurance systems. Over there I found the Prime Minister did the worrying, and why should he not? Who, more than the Prime Minister, the government of a country, was responsible for the unemployment which prevailed?

Has it not been a matter of state policy for a century throughout western civilization for governments to encourage the scientists, encourage inventors by granting exclusive patent monopolies, and here in our own land even to organize large corporations, resembling a state in their characteristics rather than the individual, for the purpose of mass production? And all to what end? We all know—to advance the common welfare, as they saw it, by reducing the labor costs which govern the prices of products to the American people. And their policy has succeeded. Even in 1929, 2,000,000 persons willing and able to work were vainly crying for the privilege. Yes; these governmental policies have succeeded, and this success means that 8 men now can

do the work for which 10 men were required half a generation ago.

Now we have to thank the scientist, the inventor, and the engineer for their great achievements, and we do thank them. In the long run, doubtless, it is desirable that the work of the world should be accomplished with a minimum of labor. But allow me to affirm, with all the earnestness of my nature, it is only desirable provided certain fundamental conditions are not violated. One of those conditions is the right of a human being to earn his living in the sweat of his face. [Applause.] The world does not owe a man a living, I grant you, but as surely as a God rules the heavens, it does owe him a chance to make a living! [Applause.]

And when by adopting such policies the Government has deprived him of that chance, and when the Government's help is asked to save him from starvation—is that help to be regarded as compensation or sneeringly referred to as a dole? Do we take property from our people without compensation? Yet these rights of the worker have been taken away, and this measure is only a partial recognition of the right of the disemployed to compensation and equality before the law.

#### EQUALITY BEFORE THE LAW

What do we mean by equality before the law? We are very proud of the principle in this country. The fathers in one of your home towns find it necessary, we will say, to cut a new street across from one avenue to another, but the owner of the property objects. His father died there, he says, he was born there, he wishes to die there too.

However, the city fathers answer that the welfare and convenience of that community must prevail over his individual sentiment, and they evict him from the premises and tear the building down. But mark you, they do not evict him until they have given him just compensation for the rights of property taken away.

Ladies and gentlemen, other countries have long preceded us in granting these disemployed workers some compensation in the moment of their needs and their suffering. Shall we deny them here, in the country of Washington, like equality fore the law?

#### UNEMPLOYMENT CHRONIC

I fear the unemployment to which I have referred represents a chronic condition. I know it is more pleasant to think of it the other way.

There are two kinds of inventions, one that reduces the amount of employment and another which increases it. Unhappily, the emphasis is being placed on inventions and methods reducing employment. Let me give two concrete examples that will suffice. You have, for example, in the work-increasing field, the automobile, with the great road-building activities accompanying it. In the other field I refer to there is the ditch-digging machine that is said with two men to displace as many employees, perhaps, as a hundred. Now, if those inventions fell like rainfall, if they came equally, they would compensate each other. If, like the sexes, there was some power to say, "One little boy, one little girl; one little girl, one little boy", then in the throw of nature an equilibrium would result, and we perhaps might not be so seriously minded about our great problem.

But unhappily the emphasis, I say, is placed on the work-reducing inventions. In the shops and great factories of our country you will find a suggestion box where the worker, however humble, is invited to contribute his suggestion about plant improvement, reducing expenses here, simplifying processes there, all of them working to reduce the gross employment necessary. To what has it led? We had 2,000,000 unemployed when the depression came on in 1929. Later augmented by the break-down of business confidence, it reached the terrible proportion of 12,000,000. It is said now to be at 6,000,000. I say I regard this condition of unemployment as chronic. I fear if the laissez-faire policy is still to obtain, we will come out of the depression with at least 4,000,000 of willing, competent persons unable to secure an opportunity to earn their living by their own labors.

Indeed, ladies and gentlemen, we are developing a new class in the United States. It consists of the men and

women who, at 45 years of age, have reached the age limit of employability. I christen them "America's untouchables." Such is the competition between labor for an opportunity to labor, that gladiatorial qualifications now are required for the candidate who is seeking a job. But the American workshop is not a gladiatorial arena, even if it often does require as great courage and personal sacrifice equally tragic.

#### THE EMPLOYMENT ASSET

Have we not as thinkers and lawmakers come to the point in our path when we must look upon the employment asset as the most important asset in our lives, and as a great social responsibility? Of course, I know that the employer may not always regard it that way.

His thought has not been sufficiently directed to it. He is naturally disposed to look upon the employment attribute of his factory as he looks upon the physical property itself—like his own house—and as if he owned it wholly. But he does not own it wholly. The employment attribute belongs as well to the human beings who must exercise it in order to live. Our industrial order, like the industrial orders which have preceded, must accept its obligation to meet the primary needs of the human race dependent upon it. Previous systems have not denied such duties. Under the feudal system a place was found for the humblest villein. Even under slavery, the owner did not deny his obligation to feed and clothe and doctor the slaves, no matter what might happen to crops or to markets.

#### LEGAL SANCTIONS AND THE RIGHT TO WORK

Ladies and gentlemen of the House, there is an absent chapter in our treatment here today. The bill does not err by excess of provisions—it errs by a serious omission. Before we have done full justice in this subject and have acted in full wisdom toward it, legal sanctions must be provided for a man's right to work. The industrial order must give him his fair share of the employment available. It must abnegate the privilege of turning thumbs down on the father at 46. Each worker must be given his day in court with full legal remedies provided to effectuate this right to work, just as they are provided for all the forms of property. [Applause.]

How does it happen that this right to work that nobody has ever disputed in the history of the world—a moral right as fixed as the foundations of society—will not secure a single wageworker a loaf of bread tomorrow or save his family from eviction? How does it come that all kinds of property, property in cats, dogs, cows, or anything imaginable, is provided protection through the processes of the courts and nothing in the way of legal defense is provided this worker for his inalienable right to work?

I do not charge any conscious class discrimination against the lawmaker for the discrimination between property rights and this personal right to work. But I do fear the worker has been the victim of an unconscious class bias.

#### THE GENERAL WELFARE

I only have about 10 minutes remaining, and I shall go to the Constitution and our general welfare.

The general welfare—the aged grandma, and the aged grandpa long turned away from the mills, the disemployed workmen, now do they relate to this general welfare? My answer is that the causes of their deprivation, as well as unemployment, are general in character. They are not local or personal causes.

By "general welfare", I mean what the makers of the Constitution meant—interstate welfare. I mean that portion of the public welfare over which the State can exercise no competent legislative power. Wherever the causes and their effects are not both circumscribed within a single State so as to be reached by the processes of its courts or by the mandate of its lawmakers, they are interstate in character. Our unemployment conditions are certainly interstate and can be said to be often international in character. So I say to you that we have a general or interstate welfare problem before us in our subject today.

Now, how about the Constitution on the subject of such general welfare? I do not need to say to you, I am sure, that the general welfare is one of the trilogy of great

objectives mentioned in its preamble as the purpose of the Constitution. But it also received much more specific attention. I am glad to see Virginia faces here today, for I have now to refer to names and incidents that ought to arouse a feeling of pride in the Virginia breast.

When the Virginia delegation reached Philadelphia, somewhat ahead of the delegations from other States, they prepared a plan for a Constitution. General Washington headed that delegation. Governor Randolph, Mr. Madison, and, I think, also Mr. Mason were members. What did they propose with regard to this subject? I read now from the preamble of the Virginia plan:

*Resolved*, That the articles of confederation ought to be so corrected and enlarged as to accomplish the objects proposed by their institution; namely, common defense, security of liberty, and general welfare.

But how attain this general welfare? Well, the plan provided "that the Congress should enjoy the power to legislate in all cases to which the separate States are incompetent."

In other words, Mr. Chairman, when the subject matter transcended the powers of the State because of its geographical inability to reach both cause and effect, they recognized a general or interstate subject. In such cases the Federal Government should enjoy legislative power to act. Obviously these great makers of the Constitution, Mr. Chairman, were far from intending to leave a vacuum in the Constitution as to the field of legislative subject matter on which the State was geographically incompetent to act. They left no such vacuum in the judicial power to act where plaintiff and defendant reside in different States. The intention of the Convention was completely manifest: That the sum total of the powers of the State legislature plus the power of the National Legislature should equal the sum total of the powers of the colonial legislature and the House of Commons before their separation. Why not? The Virginia plan in this respect was voted on favorably a number of times in the Convention.

The CHAIRMAN. The Chair reminds the gentleman from Maryland that he has 5 minutes remaining.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 5 additional minutes to the gentleman from Maryland.

#### THE GENERAL WELFARE CLAUSE

Mr. LEWIS of Maryland. I thank the gentleman from Washington [Mr. HILL]. What did the Convention do? The Washington, or Virginia, plan with regard to this matter became the general welfare clause in the Constitution. And now, Mr. Chairman, I have to call your attention to a most important accident in the history of the Constitution. As you read the Washington Convention copy of the Constitution of September 12, just 3 days before final signature, you will find that the welfare clause was preceded by a semicolon at the end of the clause on taxation. That is, the taxation and welfare clauses were separated by a semicolon. I read:

The Congress shall have power to lay and collect taxes, duties, imposts, and excises—

Semicolon after excises—

to pay the debts, provide for the common defense and general welfare of the United States.

I am reading from the printed intra-Convention copy of George Washington, who was President of the Convention. The copy was turned over to a copyist to write out in hand on parchment for engrossment, and then a mistake occurred. A comma was substituted for the separating semicolon. I want to affirm here that the Journal evidence indicates that members of the Convention signing the final Constitution 3 days after were entirely unadvised of the displacement of the semicolon by a comma.

There was no Convention print of the copy they signed. The engrossed written document was read to them like documents are read to us here from the desk. Of the semicolon they were conscious. Printed copies were before the Members carrying the semicolon. They had no copies of the Constitution they signed.

And now, Mr. Chairman, may I continue the exposition by quoting from a dialog with Senator NORRIS and the late Senator Walsh in the Judiciary Committee of the Senate:

Senator WALSH of Montana. If I understand the question of the chairman right, the idea in his mind is that it is equally as well when you put a comma there, it is equally as well set apart from what goes before as though there was a semicolon there, and if the clause "to provide for the payment of debts and general welfare" is a modification of what precedes, you should not have either a comma or a semicolon.

Mr. LEWIS. Exactly so. The erroneous comma is meaningless as a modifier unless you interpolate some phrase like "in order." Of course, no interpolation whatever would have been admissible had the semicolon remained. If the comma be read to mean "and", as the history of the subject requires, then a distinct legislative power is carried.

The CHAIRMAN. The contention is this, as I understand it, that where you have a comma there it is the same as though it read like this:

"Congress shall have power to lay and collect taxes, duties, imposts and excises 'in order' to pay the debts."

Mr. LEWIS. Yes. That is the contention that is made by the contractionist.

The CHAIRMAN. "And provide for the common defense and general welfare."

If that were true, then the authority to pay debts, provide for the common defense and general welfare of the United States would be limited to the powers given in the first part of the sentence, to wit, to lay and collect taxes, duties, imposts and excises. Is that the contention?

Mr. LEWIS. That is the contention and the purpose of the interpolation of the contractionists who would destroy this clause as a power.

Senator WALSH of Montana. As I understand you, Mr. LEWIS, you contend it should be construed as though Congress had power to lay and collect taxes, imposts and excises; that Congress shall have the power to pay the debts of the United States; that Congress shall have the power to provide for the common defense and the general welfare of the United States?

The other contention is that Congress shall have the power to lay and collect taxes, imposts and excises "in order" to pay the debts and provide for—

The CHAIRMAN. It seems to me to get the last construction you would have to take the comma out. What is the use of the comma?

#### A NECESSARY POWER

Mr. Chairman, I think it is clear that with comma or semicolon the clause was intended as a power, and that Congress may "provide for the general welfare" not merely through the levying of a tax but by other logical and legitimate methods; for example, the prescription of justiciable rights and duties generally. It is true that such a power is applicable to but a limited part of the total field of legislative subject matter. But when applicable it possesses characteristics and properties like the postal clause, enabling the lawmaker to fully control the subject matter. The break-down of the principle of competition in farming and coal mining which calls for a limitation of the production of such products, the equal right of competent men to work and to a share of the Nation's employment, all subjects which the separate State is organically unable to encompass for geographical reasons are examples of interstate subjects, the evils of which may run into catastrophes if an equal interstate power to treat them be denied.

Ladies and gentlemen of the House, we are at the crossroads of history. The State is incompetent to act. Either the people have power to act through their general government or we fall in our generation. Once before we were at these crossroads. It was on the subject of slavery. The statesmen of that day found an adjustment in the Missouri Compromise Act. But the act was declared void; there was no authority under the flag, it was said, to deal with that problem, and a sword was placed in every man's hand. Ladies and gentlemen, if authority is now denied us, if it is declared that on our problems of the general welfare there is a like vacuum in the legislative authority, down into the vacuous chasm may fall the proud structure of our dual form of government, to arise—if arise we can—not as a Federal Republic but as some soviet or fascist power with all our honored State lines effaced forever.

Mr. Chairman, there are a half dozen industrial countries of the world like Germany, England, and the United States that are facing now—I shall not say the most ominous, but I will say the most difficult problem the human family has ever had to face. Shall this our American House of Commons enjoy the same privilege of dealing with those subjects enjoyed by the other parliaments of the world, or shall we, in a contractionist spirit toward our beloved Constitution, deny its healing hand to suffering humanity? Yes, indeed; we

face the cross roads. Do not give trust to a policy of drift and fortune. It may lead us further down into the swamps of human suffering and despair. We have examples of how neglect to act has brought indescribable misery to the human race. Look into the Empire of India with its submerged millions. Behold it as the possible future of your own children. And so warned, let us, my colleagues, take the path that leads forward to the uplands of justice and social security. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield one-half minute to the gentleman from West Virginia [Mr. RANDOLPH].

Mr. RANDOLPH. Mr. Chairman, I do not desire this time to ask the gentleman from Maryland a question, because I, as well as all other Members of the House, have listened with interest to the masterful manner in which the gentleman has presented this subject. I simply wish to say to the membership that my able colleague [Mr. LEWIS] went into the mines at the age of 9 years and knows the problems of the worker. He understands what it means to earn a livelihood by the sweat of his brow. I believe the Members of the House should know the fact. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 15 minutes to the gentleman from Ohio [Mr. TRUAX].

Mr. TRUAX. Mr. Chairman, I want to preface my remarks with the statement that, in my judgment, the amended Doughton bill, H. R. 7260, will pass the House of Representatives by a large number of votes. I say "amended" because I believe there will be worth-while amendments offered and adopted. I have amendments that I desire to offer and other Members have amendments which they desire to offer. I am sure that the Ways and Means Committee, which has given so freely of its time and used so much of its efforts and energies to report a bill to the House that might be practicable and workable, will view these meritorious amendments in the same spirit which they are offered.

Mr. Chairman, I unhesitatingly state that I am in somewhat hearty accord with the purposes of the 10 titles of this bill, under which its various provisions are fully covered. I think we are all in accord with the main objectives of the bill, namely, no. 1, old-age pensions; no. 2, compensation for the unemployed; no. 3, governmental aid to mothers and their dependent children; and no. 4, governmental aid and financial assistance for the protection, conservation, and maintenance of the public health. I think it is generally admitted by the sponsors of the bill that it is by no means perfect.

Mr. Chairman, I think that they generally admit, as we all do, that this bill does not in any manner or means adequately or satisfactorily solve the problems which we seek to solve. However, we all admit that this is a beginning. We admit that unless more effective provisions, such as increasing the amount of old-age pensions, finding additional sources of revenue, and increasing in the end unemployment compensation, this legislation will eventually fall by its own weight. But, having made a start and having struck the goal which we seek, I am sure that the Congress and those to follow in its path will think of progress and that they will go forward instead of backward. I think that we Democrats may say that the enactment of this legislation is not only a redemption of the pledges of our great President, Franklin D. Roosevelt, but that it is also a redemption of the pledges of the Democratic Party, and, further, we are giving a favorable answer to millions of distressed farmers, distressed wage workers, small business men, independent producers, and war veterans, all of whom will be benefited directly and indirectly by the passage of this humanitarian legislation.

I think that we all admit that the cost of this legislation will rapidly increase year by year, not only because of the natural and rapid increase in the number of persons 65 years of age and over, but because of the very fact that thousands and hundreds of thousands of individual incomes

have vanished and have been wiped out by this recent and prolonged depression, and by the further fact that the enormous concentration of wealth and money in this country has made it impossible for the sons and daughters to longer support their parents as was the custom in the past.

At this point, Mr. Chairman, I ask unanimous consent to introduce a table giving the figures on the number of aged people over 65 years.

Mr. KNUTSON. Mr. Chairman, reserving the right to object, will the gentleman yield to me for a brief time?

Mr. TRUAX. I will yield for a question.

Mr. KNUTSON. I withdraw the objection, Mr. Chairman. The CHAIRMAN (Mr. BURCH). Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. KNUTSON. The gentleman stated a moment ago that this legislation is a fulfillment of a pledge in the Democratic platform.

Mr. TRUAX. Yes.

Mr. KNUTSON. It reads as follows:

We advocate unemployment and old-age insurance under State laws.

Mr. TRUAX. That is what we are doing. We are cooperating with the States and furnishing half of the money. Mr. KNUTSON. You are detouring in doing it, though.

Mr. TRUAX. Well, we are bridging the gap that was created by the failure of the Republican Party to do anything at all. [Laughter.]

Mr. KNUTSON. May I suggest that we did not need any pensions when we were in power, because everybody had jobs.

Mr. TRUAX. I cannot yield further, Mr. Chairman, I am sorry.

Now, Mr. Chairman, there are other plans for old-age pensions that have received Nation-wide publicity and have been somewhat freely discussed by Members of this House. One of the plans which is nationally known, is the so-called "Townsend plan."

Under the old Townsend-plan bill, which was introduced, some twenty to twenty-four billion dollars per year was required to finance it. This bill was to be financed by a sales tax.

I have always been unalterably opposed to the imposition of any sales tax whatsoever, because all sales taxes are successful attempts to shift the tax burden from the rich to the backs of the poor.

George White, Governor of Ohio, 1931-35, was commonly known as "Sales Tax George." He was adamant and unyielding in his chosen role of special anointer to and for the rich. He called the Ohio State Legislature back repeatedly, browbeat them, wore their resistance down until in the end he obtained a 3-percent sales tax. Voters of Ohio exhibited their resentment and enmity by defeating Governor White for United States Senator in the August 1934 primaries. Former Gov. Vic Donahey, known as "Honest Vic", and a lifelong opponent of sales taxes, defeated Sales Tax George to the tune of 2 to 1.

Certain features of the Townsend plan are highly meritorious and worth the support of any Member of this Congress. The plan to retire men at the age of 60, remove them from active participation in industry, thus making room for unemployed men of younger ages is most commendable. The age limit of 65 fixed in the Doughton bill is undesirable and not entitled to favorable consideration by the real friends and supporters of equitable old-age pension legislation. I heartily favor reducing the age limit in the Doughton bill to 60 years.

The provisions in the Townsend plan which provide for an immediate spending of all pensions received within 30 days is admirable and one designed to place money immediately in circulation with its corresponding increase in the Nation's buying power. The pensions received by recipients under the Townsend plan would mean a considerable amelioration of the hardships and tragedies of unemployment. Idle men in the crafts, the carpenter, the painter, the steel

worker, common laborer, could be gainfully employed in useful work. The butcher, the baker, the hardware man, the garage proprietor, the automobile salesman, all would be benefited by payment of old accounts, new purchases, and services. The whole idea involved here is quite the antithesis of the practices and purposes of the greedy and selfish and idle rich whose sole aim, whose sole ambition in life is to amass more and more and more of filthy lucre.

We are now informed that under the provisions of the new bill which has been substituted by Representative McGROARRY for the original Townsend plan that the amount will be reduced to \$50 per month instead of \$200. In the event of enacting this plan into law the system would be pay as you go. No debts, or tax-exempt bonds would be needed. Recipients of pensions would receive the money only as it was collected from the taxing sources. This plan of financing certainly has much to commend, and in the event of failure to tax wealth and to tax incomes the way they should be taxed might well be considered. Certain it is that such a plan would restore a vigorous purchasing power among the very classes with whom purchasing power is nonexistent. The revolving-fund idea is not only new, it is unique. Instead of hoarding money it undertakes a real redistribution of money.

As a member of the Committee on Labor, I may say that I was one of seven who voted to report favorably the so-called "Lundeen workers' bill."

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield for a question?

Mr. TRUAX. For a question; yes.

Mr. SAMUEL B. HILL. What would that cost per year in taxes?

Mr. TRUAX. I have no idea, I may say to the gentleman from Washington, probably \$3,000,000,000 per year. [Laughter.]

I will state to the gentleman, however, that the best feature of the Lundeen bill is the provision to tax wealth and all incomes in excess of \$5,000 per year. Any gentleman who has an income of \$5,000 per year and who is unwilling to contribute his share to keep the unemployed and the old people who have no income or no property, is unworthy of the respect of clear-thinking men and women, and I am sure the gentleman from Washington does not belong to that class. [Applause.]

Mr. KENNEY. Mr. Chairman, will the gentleman yield for a question?

Mr. TRUAX. Not just now. Let me first complete my statement.

#### SOCIAL SECURITY

I repeat and summarize certain statements made earlier in my remarks:

The enactment into law of old-age pensions, unemployment compensation, protection for mothers and dependent children, and the preservation of public health will mark another milestone in the battle for human rights waged by President Franklin D. Roosevelt and the Seventy-fourth Congress.

It is admitted by the sponsors of the bill that it does not adequately meet the situation or solve the problem. It is a beginning, however. I would amend the bill so that recipients would receive \$30 to \$50 per month at the age of 60, \$75 at the age of 65, and \$100 at the age of 70, rather than the \$15 proposed. I would reduce the age limit from 65 to 60 years. Applicants for pensions should not be subjected to a property test or be blackjacked into signing a pauper's oath. Instead of taxing the public or issuing additional tax-exempt bonds to raise the extra funds as advocated here, they would be obtained by a capital tax levy on the millionaires, proper taxes on inheritances, gifts, and excessive incomes.

Unemployment is due not only to the depression but to tremendous concentration of wealth in the hands of a few, massed industry, and the mechanistic age. I heartily approve of unemployment compensation. The cost should be borne, however, by the large industrialists who profit by the

sweat and toil of wage workers. The exemption of agricultural workers in this bill is unjustifiable and indefensible. Farm workers are entitled to the same consideration as given industrial workers.

Certain features of the Townsend plan are highly meritorious and worth the support of all. The plan to retire men at the age of 60, removing them from active participation in industry, is most commendable. The revolving plan for spending all pensions within 30 days is admirable and one designed to place money immediately in circulation. Instead of hoarding money it undertakes a real redistribution of money. The whole idea involved here is quite the antithesis of the practices and purposes of the greedy and selfish idle rich; namely, the hoarding of more money and wealth.

As a member of the Committee on Labor I voted to report favorably the Lundeen unemployment, old-age, and social-insurance bill. Unemployment compensation provided for in this bill is \$10 per week for the head of a family and \$3 per week for each dependent child, certainly not an excessive nor extravagant amount. The Lundeen bill is self-financing in that it provides for the levying of sufficient taxes on all gifts, inheritances, and incomes over \$5,000 per year.

The contents of the bill are covered in 10 titles. In title I the Federal Government proposes to match an amount equal to that contributed by the States for old-age pensions. The annuity system, commonly known as "old-age benefits", is provided for in title II, becoming effective to people who have reached the age of 65, benefits beginning in 1942. The amount of the benefits is to be determined by the amount of wages formerly received by the annuitant, and does not take into consideration the actual need of the recipient. In title III we cover the administrative costs of State unemployment-compensation systems by grants in aid to the various States.

It is a well-known fact that dependent children are one of the big factors in forcing unemployed fathers to the bread lines and relief lists. In title IV we provide Federal assistance to the States so that they may properly give direct aid to these dependent children. The Federal Government furnishes one-third of the total amount used in the State for this humanitarian purpose.

In my State of Ohio we know something about so-called "mothers' pensions", which is really a misnomer. In title V we are making grants to States for assistance in the vocational rehabilitation of crippled and disabled children. The funds to be used are upon a 50-50 basis between the State and Federal Government. Serving as a member of the Ohio State Board for Vocational Rehabilitation for a period of 6 years, I am happy to endorse this feature of the social-security program in the highest possible terms. In title VI we provide for grants in aid to the States for developing their public-health services. In Ohio the department of health is under the personal direction of the Governor. The director of public health is a member of the Governor's cabinet. The Federal Government proposes to continue its Public Health Service, and particularly in its investigatory work, with every effort at its command.

The social-security board created under title VII is to be an independent agency within the Department of Labor. There is much difference of opinion here as to the merits of this plan or the advisability of having a wholly separate and independent agency in charge of the administration of this broad and far-reaching program.

Under title VIII we levy an income tax determined by a certain percentage of wages, starting with 1 percent in 1937 and increasing to 3 percent by 1949. Unfortunately and unwisely, in my judgment, the bill exempts domestic servants and agricultural laborers. I can find no justifiable reason for these exemptions, particularly as relating to farm workers. Certainly the farmer and the farm hand are entitled to every consideration and every protection that may be given to workers in manufacturing industry. Agriculture is the mast wheel of the world. Accelerate the motion of it

but the slightest and the smaller wheels will double their velocity.

By the provisions of title IX we levy an excise tax on employers of 10 or more individuals with the same exceptions as noted in title VIII; the amount of the tax to be levied will be determined by 1 percent of the wages payable for 1936 and increasing to 3 percent by 1938. The operative date of this levy will be January 1, 1936, and is payable 1 year later. For those employers who have already contributed to State unemployment funds under State unemployment compensation laws, credits against the tax will be allotted up to 90 percent of the amount contributed.

Title X merely outlines the general definitions of the bill and the various and sundry provisions applying thereto.

#### OBJECT OF THE BILL

The bill has four main objectives:

First. Old-age security, or "old-age rewards", as I choose to call them.

Second. Unemployment compensation.

Third. Protection for mothers and welfare of their dependent children.

Fourth. The protection, preservation, and betterment of public health.

I repeat, this country has approximately 7,500,000 men and women aged 65 and over. Of this number, practically 1,000,000 are dependent upon relatives, the public, or the Government for support and maintenance. The large majority of these unfortunates are on Government relief. The number of aged persons over 65 will increase in the future not only because of the rapid natural increase of persons of this age but also because of the fact that thousands of older workers now gainfully employed will never be steadily employed again, the wiping out of the life savings of thousands of worthy persons nearing old age and astonishing inability of sons and daughters to no longer support their parents. At this point I introduce a table from the United States censuses giving startling figures with respect to old-age dependency:

TABLE I.—Actual and estimated number of persons aged 65 and over compared to total population, 1860 to 2000

Year	Total population	Number aged 65 and over	Percent aged 65 and over
1860	31,443,000	849,000	2.7
1870	38,558,000	1,154,000	3.0
1880	50,156,000	1,723,000	3.4
1890	62,622,000	2,424,000	3.9
1900	75,995,000	3,089,000	4.1
1910	91,972,000	3,958,000	4.3
1920	105,711,000	4,940,000	4.7
1930	122,775,000	6,434,000	5.2
1940	132,000,000	8,311,000	6.3
1950	141,000,000	10,863,000	7.7
1960	146,000,000	13,590,000	9.3
1970	149,000,000	15,066,000	10.1
1980	150,000,000	17,001,000	11.3
1990	151,000,000	19,102,000	12.6
2000	151,000,000	19,338,000	12.7

Source: Data for years 1860 to 1930 from the United States censuses.

Twenty-six States have already adopted old-age-pension laws. The plan outlined in this bill is one not to tear down nor destroy these State plans already in existence but to grant them aid and assistance by matching the amount of compensation that has already been provided for in these States.

It is admitted by the sponsors and framers of this bill that the legislation contained in the bill does not in any manner or means adequately or satisfactorily solve the problem. It is nothing more than a beginning, and unless other and more effective provisions, such as increasing the amount of compensation monthly and seeking additional sources of revenue, the legislation may fall of its own weight. Certain it is that the cost of old-age pensions will increase by leaps and bounds and that the only source of new revenue is the tapping of predatory wealth, the taxing of swollen fortunes, and proper limitations on huge individual incomes. Let the rich of the country, the plutocrats of the Nation, the millionaires,

and the billionaires finance the cost of this vital and necessary legislation. If the plan proposed in this bill is enacted into law, by 1960 it would cost the State and Federal Governments \$2,000,000,000 a year. I introduce a table listing the States which have old-age-pension laws, together with statistics relating to same.

TABLE II.—Operation of old-age-pensions law of the United States, 1934

State	Type of law	Number of pensioners	Number of eligible age, 1930	Percentage of pensioners to number of eligible age	Average pension	Yearly cost
Alaska	Mandatory	446	3,437	11.1	\$20.82	\$95,705
Arizona	do	1,974	9,119	21.6	9.01	200,927
California	do	10,300	210,379	9.2	21.16	3,502,000
Colorado	do	8,705	61,787	14.1	8.59	172,481
Delaware	do	1,610	16,678	9.7	9.79	188,740
Hawaii	Optional	(1)	(1)	(1)	(1)	(1)
Idaho	Mandatory	1,275	22,310	5.7	8.85	114,521
Indiana	do	23,418	138,426	16.9	6.13	1,254,169
Iowa	do	3,000	184,239	1.6	13.50	475,500
Kentucky	Optional	(2)	(2)	(2)	(2)	(2)
Maine	Mandatory	(3)	(3)	(3)	(3)	(3)
Maryland	Optional	141	92,972	.2	29.90	50,217
Massachusetts	Mandatory	20,623	156,590	12.8	24.35	5,411,728
Michigan	do	2,660	148,853	1.8	9.59	306,093
Minnesota	Optional	2,655	94,401	2.8	13.20	420,535
Montana	do	1,781	14,377	12.4	7.28	155,528
Nebraska	Mandatory	(4)	(4)	(4)	(4)	(4)
Nevada	Optional	23	4,814	.5	15.00	3,323
New Hampshire	Mandatory	1,423	25,714	5.5	19.06	298,722
New Jersey	do	10,550	112,594	9.4	12.72	1,375,693
New York	do	51,228	373,878	13.7	22.16	13,592,080
North Dakota	do	(5)	(5)	(5)	(5)	(5)
Ohio	do	24,000	414,836	5.8	13.09	3,000,000
Oregon	do	(6)	(6)	(6)	(6)	(6)
Pennsylvania	do	(7)	(7)	(7)	(7)	(7)
Utah	do	930	22,665	4.1	8.56	95,599
Washington	do	2,239	101,503	2.2	(8)	(8)
West Virginia	Optional	(9)	(9)	(9)	(9)	(9)
Wisconsin	do	1,969	112,112	1.8	16.75	395,707
Wyoming	Mandatory	643	8,707	7.4	10.79	83,231
Total		180,003	2,330,390		10.48	31,192,492

1 No information available or not computed.  
 2 Not in operation.  
 3 Not yet in effect.  
 4 Not much being done due to lack of funds.  
 5 No pensions being paid now.  
 6 Administered by counties; no information available for State.  
 7 Law just being put into effect.

Source: Data collected by the Committee on Economic Security.

So that the cost of old-age security may not become too burdensome in the years to come, and so that the aged may look upon this endowment as a human right, and not as a governmental gratuity, we establish through the mechanics of this bill a system of old-age benefits or annuities. These annuities are to be paid out of the Federal Treasury, and all administrative details will be handled by the Federal Government. The benefits provided are in proportion to the wages earned. Adjustments are available which tend to favor the lower-paid employees and those approaching old age. Benefit payments start at \$10 and reach a maximum of \$85 per month. It will act as an automatic equalizer on the old-age-pension funds and in future years it is believed that the funds provided for old-age pensions by State and Federal Governments will be reduced by \$1,000,000,000 annually.

UNEMPLOYMENT COMPENSATION

During the World War there were practically no unemployed workers. From 1922 to 1929, 8 percent of industrial workers were unemployed. In 1930 to 1933 more than 25 percent of industrial workers were unemployed. Eighty percent of all the families now on Government relief are there because of unemployment. Unemployment is due to not only depressions and panics but also to the tremendous concentration of wealth, capital, and money, massed industry, and the mechanistic age. The steam shovel, the tractor, the road grader, the huge concrete mixer, the cigarette robot displace permanently thousands of workers. Here, unquestionably, shorter hours, less days per week, and at the same weekly wage level as was formerly received for the longer-hour day and week, must prevail in the end. To bridge the

gap now between wholesale and ruinous unemployment, workers' compensation must be established.

If unemployment compensation had been established 15 years ago at the cessation of the World War with a 3-percent rate on industry, probably \$3,000,000,000 would have been available for payment of benefits starting with the depression year 1929, when, on October 25 of that year, \$30,000,000,000 zoomed out of Wall Street.

Unemployment compensation is a tried and proven fixture in the older European countries. No doubt the impelling reason for its adoption years ago in these countries is the fact that those older European countries then reached the period through which we now pass—namely, that period which marked a centralization of wealth in the hands of the few. In other countries where compensation for the unemployed has been tried, it is always retained. I would recommend that the entire cost of this movement for human rights be borne by the large industrialists who profit by the sweat and toil of wage workers. At this point I submit unemployment statistics for recent years. Estimates on unemployed workers furnished by the American Federation of Labor.

Persons unemployed during years 1920-34, inclusive

1920	1,401,000
1921	4,270,000
1922	3,441,000
1923	1,532,000
1924	2,315,000
1925	1,775,000
1926	1,669,000
1927	2,055,000
1928	2,200,000
1929	1,800,000
1930	3,947,000
1931	7,431,000
1932	11,489,000
1933	11,904,000
1934	10,894,000

SECURITY FOR CHILDREN

Helpless and dependent children are the real casualties of hard times. The whole Nation was shocked quite recently by the tragic happening when the lives of 14 high-school youths were snuffed out. Yet daily 9,000,000 boys and girls in this country must depend on Government doles for bread and meat to eat, clothing to wear, and fuel to keep their bodies warm. The Federal work-relief program will not solve this problem in its entirety. Jobs will not be possible for all. Seven hundred thousand children under the age of 16 have no fathers to win bread for them. The most humane provision that Government can provide for in these sad cases is public aid in their own homes; hence the wisdom and justification for the third major step of this social security bill.

MATERNAL AND CHILD WELFARE

Everyone believes in the old truism, "The hand that rocks the cradle rules the world." This section of the bill takes into consideration the welfare of 300,000 dependent and neglected children, 200,000 distressed children who are classed by the juvenile courts as delinquents, and 70,000 illegitimate children born annually.

PUBLIC HEALTH SERVICE

We boast of our high standards of living, our excellent sanitation, the successful battles in many instances that we have waged on disease and pestilence, yet only 528 of 3,000 counties in the United States have full-time health officers. Health is wealth. Good health cannot be bought by the millionaires' gold or the plutocrats' wealth. This enlightened Nation owes to its citizenship every opportunity to enjoy good health.

LUNDEEN WORKERS' UNEMPLOYMENT, OLD-AGE, AND SOCIAL-INSURANCE BILL (H. R. 2827)

The vote by which the bill was reported favorably was 7 for and 6 against. So, to my constituents who are interested in this meritorious bill I am happy to state that my vote was the deciding factor that reported the bill favorable. The Lundeen bill provides for the payment of insurance for unemployment, old age, part-time unemployment, sickness, accident, and maternity in amounts equal to average local

wages, the average local wage to be determined by the Department of Labor at Washington. In the case of part-time employment, the difference between the part-time employed worker's earnings and the average local wage would be paid. The cost for this insurance is to be paid for by the United States Government; and if further taxation is necessary, such taxation shall be levied on gifts, inheritances, and incomes over \$5,000 per year. The insurance is to be administered by workers' and farmers' organizations under rules to be set up by the Secretary of Labor. It is specifically provided that insurance shall be paid to all workers and farmers unemployed through no fault of their own, including agricultural, domestic, professional, and office workers, as well as industrial laborers, who have reached the age of 18 years.

In unemployment compensation the Lundeen workers' bill provides for \$10 per week for the head of a family and \$3 per week for each dependent child; certainly not an excessive, exorbitant, or extravagant amount. With living costs soaring, and especially in the industrial centers where millions of wage workers live, the amount herein asked is not too much. This bill includes all workers, including unemployed farmers, domestic, professional, and office workers.

The failure of the administration bill to provide for these latter groups of toilers who form the basic structure of our Nation is regrettable and indefensible. Another highly commendable feature of the Lundeen bill is that it is self-financing in that it provides for the levying of sufficient taxes on all gifts, inheritances, and incomes over \$5,000 per year. Can it be that any individual fortunate enough to have an income of \$5,000 per year will be unwilling to help support his less fortunate brethren? If so, then he does not deserve the respect nor support of respecting men and women. My contention is that the finances to make it possible to place the bill in operation we are now considering, H. R. 7260, should be obtained from the superrich and from the swollen fortunes and huge incomes.

#### MY OWN POSITION

From 1910 to 1923 I was the proprietor of one of the larger purebred stock farms in the United States. During that period I made 26 public sales on my farm besides selling hundreds by mail and shipping my stock to every State in the Union and to Canada, South America, Australia, and Japan. As editor of the Swine World, published in Chicago, and field representative I attended dozens of sales for other breeders in many States of the Union.

For 6 years, 1923-29, I served as director of agriculture for the State of Ohio. In 1932 I was elected Congressman at large for the State of Ohio by the largest vote ever given a congressional candidate in my State. In 1934 I was re-elected by a vote of 1,061,857, being high man in the number of votes received in 82 of 88 counties. My constituents, I am pleased to classify as being composed largely of farmers, wage earners, salaried and professional workers, small business men, and independent producers and manufacturers. I am a pioneer in old-age-pension legislation in Ohio. In the fall of 1933 I cheerfully gave my time and my best efforts and spent my own money in making speeches in nearly every county of my State in that historic campaign for the adoption of old-age pensions by the people. The people responded and adopted this legislation by an overwhelming majority. I shall continue my efforts and keep the faith. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. MITCHELL].

Mr. MITCHELL of Illinois. Mr. Chairman, ladies and gentlemen of the Committee, I am glad, indeed, to have an opportunity to speak my word of approval for this great piece of humane legislation. I have sat here in the House for several days and listened with the greatest interest to the debate on this bill. I have heard the objections raised to it, and I have been wondering what can we say against this legislation that has any weight. I have been wondering if we can conscientiously object to an old-age pension such as is provided in this bill. Can we object to trying to insure the

wages of these men without jobs? Can we have any objection to providing for the welfare of children and mothers? Who objects to better health conditions?

It seems that there is a great deal of alarm here among the Members of that side of the House because of the tremendous burden that this humane legislation will place on industry. I do not share that alarm. It so happens that I come from a group of people who are used to bearing burdens. They have been bearing the burdens of this country since they were brought here almost four centuries ago. I am happy to represent such a group. I am glad to be one of those who have borne the burdens and helped to build up this country.

May I not remind you that at this very moment when we are expressing alarm at the burden this legislation will place upon industry, we have in our vaults in this city nearly half the gold of the world. We boast that our country has the greatest natural resources of any country in the world. What are we to do except to use this gold and these resources for the citizens of this country who are now handicapped because of age, or because of disease, or because of the fact they are unable to secure work? Is it not the custom of those representing our industry to cry aloud when industry is about to be called upon to do its part in carrying the burdens of the Government?

We complain of this bill's being written by experts of the administration. It is such a change from what we have been used to with another party in control of the Government. Then bills were written by people on Wall Street.

Only a few years ago this Government, under a former administration, turned over to a citizen of my city \$85,000,000 with which to try and keep a bank alive that was at the time insolvent.

In contrast to this, the present administration, in keeping with the customs and platform of the Democratic Party, went to the rescue of Sylvester Harris, a poor Negro farmer in the heart of Mississippi's Delta when he called the President, and informed him that he was about to lose his farm because he could not pay the mortgage and wanted the Government to come to his rescue.

It was a new day in politics when this Government went to the rescue of this poor Mississippi Negro farmer. It has long since been the custom of our Government, under another party, to go to the rescue of railroads, great industrial corporations, insurance companies, and so forth, where the benefits went direct to the privileged rich. It is a new day in politics when citizens of this Nation at the bottom of the ladder can call upon their Government and receive immediate relief. That was a new idea, and the President said to the man at the bottom of the ladder, "It is the purpose of this Government not only to help the rich but to help those who are overburdened and poor." [Applause.]

The only objection I could have to the bill is this: It seems to me that instead of helping these poor States that have no money, you are trying to forget them at least for the present, as the bill is drawn, and help those who in some measure can help themselves. I believe the bill ought to be so amended that there would not be a State in the Union, poor as it might be, whose citizens could not share immediately in the benefits of the bill. [Applause.] I do not think it means much for us to pass a law that will help Illinois, my State, because it might have resources to meet the requirements of the bill; and Massachusetts, that has already met them, and a number of other States, while the State of Alabama and the State of Mississippi and the State of Minnesota, and other poor States could not meet the requirements.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield the gentleman 3 minutes more.

Mr. MITCHELL of Illinois. Mr. Chairman, the people in these poor States are suffering just as much as the old people in these other States, and must they starve and continue to be a burden on their relatives who cannot administer to their wants, while others from more favored States benefit under this bill? I believe the bill ought to be so amended that the Federal Government would take the burden on itself to see



to it that there is not an old person in the country above the age of 65 who would be left in want.

I know the purpose of those who framed this legislation in this way. You are afraid that you will encourage some States to remain indifferent on that particular point, but I believe an amendment could be drawn so that you could give these States a certain length of time to qualify, and all the time that they are qualifying these old people in these poor States would be taken care of as in the other States. I believe the time has come when we ought to think of all the suffering people in the country. The President's message which was delivered to us on the 17th of January admitted that there were a great many States unable to carry this burden, but after all, are not those the people we should help? How will we feel in our hearts if we make it possible for those of the more fortunate States to enjoy the benefits of this legislation while those that are suffering most in these other States which are not able to take care of that burden must continue to suffer. It is like saying to a sick person, "You are sick and you need some help, but you cannot get medicine until you are able to walk to the drug store and get it."

Mr. Chairman, I am new in this body and I do not want to take the responsibility of coming forth with an amendment so important as that, but I do hope some of those who are versed in that sort of thing will see to it that that amendment is offered so that I shall have an opportunity to vote for what I consider a most perfect and humane bill. [Applause.]

Mr. KNUTSON. Mr. Chairman, I yield 15 minutes to the gentleman from Kentucky [Mr. ROBSION].

Mr. ROBSION of Kentucky. Mr. Chairman, ladies and gentlemen of the Committee, it was most interesting to me to note the gracious reception and generous applause accorded our colored Democratic colleague from Chicago by our good Democratic friends from the South. He made a splendid speech and is the Representative of one of the great American districts. It seems that the attitude of our Democratic friends from the South has changed tremendously since the time a colored man sat on the Republican side of the House.

I am happy to have an opportunity to address you today on the so-called "social-security bill" which purports to give relief to aged needy people and dependent children and provide for maternal, child, and public health. I am not a recent convert. I have been advocating Federal old-age pensions, pensions for poor widows and for minor children, the needy blind, and the needy cripples for many years. I stood on the floor of this House about 15 years ago and defended the constitutionality of and urged the passage of a measure to provide Federal aid to the States in the rehabilitation of persons crippled in industry. The chief opponent of that legislation was one of the finest and ablest men who ever served in this House. I refer to our distinguished former colleague and Jeffersonian Democrat, Mr. Tucker, of Virginia. He really believed that the legislation then being proposed by the Republicans was unconstitutional and violated States' rights.

During my service in Congress I helped to pass many measures looking to child welfare and the public health; so this social-security program did not have its birth with President Roosevelt or the Democratic Party.

The bill before us now is known as "President Roosevelt's bill", but if the provisions in this bill for the needy old people, dependent minor children, and crippled children is to be a true test of the President's interest in these humanitarian policies, we can well say that all the humanity in this country does not rest in the bosom of President Roosevelt or within the hearts of the Democrats, or that there is no interest in social security or humanity among Republicans or the Republican Party. I do not know of a Member on the Republican side of this House that is not heartily in favor of adequate relief in the way of Federal grants or pensions to the aged needy, to dependent and crippled children, and public health, and nearly all that I have heard express themselves have expressed opposition to the very meager

and inadequate provisions in this bill for these needy groups.

I have no purpose to criticize the Ways and Means Committee or its personnel. It is made up of a group of wonderful men, both Democrats and Republicans. There is no more splendid man in this House than the chairman, Mr. Doughton, of North Carolina, and knowing other Democratic members on that committee, I feel sure that this bill does not express what they really desired to be done; but it is the President's bill, as I understand, prepared for him by one of the lesser lights of the "brain trust", and the President is forcing many of our Democratic friends to jump through the hoop on this bill as he has on other measures. I wonder if the time will come when these able, experienced, outstanding Democrats will cease to be mere rubber stamps for the President and the "brain trusters." No member of the Ways and Means Committee of this House wrote this bill.

Mr. FLETCHER. Mr. Chairman, will the gentleman yield?

Mr. ROBSION of Kentucky. I have only a limited time.

Mr. FLETCHER. Just to ask the gentleman a question.

Mr. ROBSION of Kentucky. I cannot yield, much as I should desire, because I have but a short time to cover the subjects I have in mind.

Mr. FLETCHER. Did not Mr. BANKHEAD support that bill?

Mr. ROBSION of Kentucky. Some of the Democrats supported the vocational education and rehabilitation bill.

Yes; I am very deeply and earnestly interested in old-age pensions and for aid for dependent and needy crippled children. I am in favor of the public health, welfare, and health provisions for poor mothers and needy children, and I am in favor of aiding the workers of this country to lay by something for their old age; but let me say to my Democratic friends, you will wake up before many months roll around and find out that this is the most disappointing legislation ever offered in Congress, provided you pass the President's bill which we are now considering.

#### INADEQUATE AND DISAPPOINTING

Many people are under the impression that if we pass this bill that the aged needy people over 65 years of age will receive a pension of \$30 per month. Nothing could be further from the truth. It is also believed that the Federal Government under this measure is putting up \$15 for each needy person over 65 years of age. This is not true.

In the first place, no one, however needy or however old, even a hundred years old, can secure one dollar in pension until the several States pass laws prescribing the conditions under which a pension can be paid and levy and collect taxes and match the Government's money, dollar for dollar.

This bill provides that the States can fix the minimum age anywhere between 65 and 70 years, until 1940. After that, the minimum age must not be more than 65. Any State can define what is dependency, and can and must fix the amount that it will contribute per needy person.

About 27 States of the Union have some form of old-age pension. Kentucky is one of these States, but its old-age pension law means less than nothing. It is a mere delusion. It merely gives the fiscal court of each county the right to levy and collect a tax to provide old-age pensions. So far as I know, no county in Kentucky has ever put into operation that provision of the Kentucky law. Only a few of the rich States have anything like substantial old-age pension laws. Twenty-one have no old-age-pension laws of any kind.

Under this law, every State in the Union, with the possible exception of Delaware, will have to change their old-age pension laws, and those States which have none will have to pass an old-age-pension law. It is contended that Kentucky and some other States will have to change their constitutions, requiring a vote of the people.

The appropriation of \$49,750,000 is to be the Government's part for the year beginning July 1, 1935, and ending June 30, 1936. Perhaps in a few of the rich States they will be able to change their laws and provide means to match the Government's money and their old and needy will get some pensions, but I feel that I am perfectly safe in saying if

this bill is passed in its present form there will be no old-age pensions paid to anyone in Kentucky, however old or however needy, within the next year or 18 months, and perhaps not at all. Kentucky is deeply in debt, with a sales tax and other burdens on the back of the people of Kentucky, and the State is going deeper in debt every day. Kentucky may not be able to match the Government's money. We may have to change our constitution.

Therefore, I am against the provisions in the President's bill allowing the States to fix the age at 65 to 70 years. It should not be more than 60 years. I am against the provisions of the President's bill that makes it impossible for any old needy person to get a pension until and unless the State matches the Federal money. I think the limit of \$15 of Federal aid is not adequate. Under this measure, it will make it possible for the rich States to get more money and the poor States not to get any money. In other words, those who need aid most will receive the least, or none at all. The United States should treat all of its old and needy citizens alike. I shall favor an amendment to fix the age at not more than 60 and for the Federal Government to contribute at least \$20 or \$25 and this to be paid to all those who come within the provisions of the bill, without regard to the State contribution, and then in due course of time let the States make such additional contribution as they desire and are able to make.

These old people need help and they need it now. I want them to get this help and get it now.

SIXTEEN DOLLARS AND SIXTY CENTS A YEAR—FOUR AND A HALF CENTS A DAY

This bill provides only \$49,750,000 for old-age pensions for the year beginning July 1, 1935. In the committee's report filed with this bill it is declared there are over 7,500,000 people in the United States that are over 65 years of age. At least 6,000,000 of these are needy and dependent. Mr. DOUGHRON, the chairman of the committee, says there are about 4,000,000, but he is very much in error.

Let us hear in mind that the Government does not put up \$15 for each needy person. It only matches the State's contribution. If the State law fixes the State's contribution at \$2 a month, then the Government would only put up \$2 per month, making \$4 per month in all. If the State puts up \$5 per month for old and needy persons, the Government would put up only \$5, making \$10 per month in all. But let us suppose the State puts up \$15 per month for each needy old person. Then, in that event, the Government would put up \$15, making \$30 per month in all.

Now, as we have already said, the Government in this bill puts up \$49,750,000 for the year beginning July 1, 1935. Suppose all the States should come in and should match the Government's money with \$49,750,000 more. Then we would have for old-age pension \$99,500,000 for that year; but in order to get this sum all the States would have to come in and match the Government's money.

If we divide \$99,500,000 among 6,000,000 persons, it would give each person the magnificent sum of \$16.60 a year, about \$1.40 a month, or about 4½ cents a day.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?  
Mr. ROBSION of Kentucky. I have not the time. I cannot yield.

Mr. KNUTSON. I will grant the gentleman more time.  
Mr. ROBSION of Kentucky. I yield under those circumstances.

Mr. KNUTSON. If we keep on importing from Japan and destroying our textile and other industries under the Roosevelt policies, we will be able to live on \$16 per year.

Mr. ROBSION of Kentucky. We may be able to starve on policies and conditions like those, but we cannot live.

But now suppose we cut down the number to 3,000,000 and then what will each pensioner get under this bill, provided the States all come through? Thirty-three dollars and twenty cents a year, or about 9 cents a day. Suppose only 1,000,000 applied and were allowed pensions. That would be \$99.50, or eight and a fraction dollars a month, provided, of course, the State should come through with its part.

Mr. SAMUEL B. HILL. Will the gentleman yield?  
Mr. ROBSION of Kentucky. Sorry; I have only a few minutes.

Mr. COOPER of Tennessee. Will the gentleman yield?  
Mr. ROBSION of Kentucky. I only have a few minutes.  
Mr. COOPER of Tennessee. Will the gentleman yield if I give him an extra minute?

Mr. ROBSION of Kentucky. I will yield if I get more time.

Mr. COOPER of Tennessee. I yield the gentleman 1 additional minute. I should like to ask the gentleman where he got the figure that there are 6,000,000 people in this country today over 65 years of age who are in need?

Mr. ROBSION of Kentucky. That is a general and accepted report of fact. You can get that anywhere.

Mr. COOPER of Tennessee. Well, where? It was not presented to the Ways and Means Committee in more than a thousand pages of testimony.

Mr. ROBSION of Kentucky. I know, but all the knowledge does not reside with the very splendid and able members of the Ways and Means Committee.

Mr. COOPER of Tennessee. And it does not all reside with the gentleman when he does not know what he is talking about either.

Mr. ROBSION of Kentucky. No; I do not claim that I have all knowledge. If you pass this, the President's old-age pension law, inside of 12 months you will find out where the 6,000,000 are. The life-insurance companies and the United States Government's actuaries show, and these figures have been accepted by the United States Government for many years, that of all the persons in the United States on an average who reach the age of 65, only one of them is well off. Four are able to support themselves with reasonable comfort. Five are able to support themselves only partially. Fifty-four are totally dependent upon public or private charity or relatives. There you have it. Out of 64 persons who reach the age of 65 years, only five are able to support themselves. Another five are only able to support themselves partially. Fifty-four are wholly dependent. In other words, more than four-fifths of the people who reach the age of 65 are wholly dependent and would come under the provisions of any reasonable old-age-pension law. The Ways and Means Committee report says there are now 7,500,000 people in the United States who are over the age of 65 years. Less than one-tenth of these are able to support themselves. Another group of less than one-tenth are able to support themselves only partially, leaving more than four-fifths that are wholly dependent and cannot support themselves in any way or at all. This gives you more than 6,000,000 needy and dependent people over the age of 65.

Mr. COOPER of Tennessee. The proof showed they were 1,000,000 instead of 6,000,000. The gentleman missed it just 5,000,000.

Mr. ROBSION of Kentucky. The report of the Ways and Means Committee shows there were substantially a million people in the United States over 65 that were either on relief or were the objects of public charity. It omitted the other 5,000,000 who are either being cared for by relatives who are unable to do so or are dragging through life hungry and cold. The committee's report shows that the number reaching the age of 65 years is growing. It is estimated that the number over the age of 65 by 1940 would be 8,311,000, by 1980 it would be 17,001,000.

But I said if you only counted 1,000,000, this set-up for the year beginning July 1, 1935, would pay only \$8 per month—\$4 by the Government and \$4 by the State, provided, of course, the State came in. Many States will not be able for many years to match the Government's money, and I am afraid that is going to be the situation in Kentucky; and

for these and other good reasons, I shall strongly support and favor an amendment providing that the Federal Government shall pay a reasonable sum as an old-age pension to the old and needy of this country, without regard to State contributions, and do it now. They need it now. Under this bill, millions of them will die during the delay without getting anything.

Mr. FLETCHER. Will the gentleman yield?

Mr. ROBSON of Kentucky. I only have a short time remaining.

Mr. FLETCHER. Does Kentucky have an old-age-pension law?

Mr. ROBSON of Kentucky. Yes; it has one and it fools them not quite as badly as this one will fool them if you pass it in its present form.

**ABOUT \$2.75 PER YEAR OR ABOUT THREE-FOURTHS CENT PER DAY**

Our Democratic friends boast of the aid this will give to the dependent children of America. The Ways and Means report shows, and this was emphasized by the distinguished chairman, Mr. DOUGHTON, that there are 9,000,000 children in the United States under the age of 16 and now on Government relief. This bill appropriates \$24,750,000 for relief for these dependent, needy children for the year beginning July 1, 1935, and ending June 30, 1936. This is about \$2.75 per child per year, or about three-fourths of 1 cent per child per day, and no State can receive any of these pensions until such State shall pass such laws and provide funds to match the Federal Government's fund of \$1 to be put up by the Government and to be matched by \$2 to be put up by the State. In other words, the State must put up 2 to 1.

And for all of these matters—old-age pensions, aid to dependent children, maternal and child health, crippled children, child welfare, vocational rehabilitation, and public health—there is provided in this bill the sum of \$91,491,000. Of course, none of this is available to any State unless such State matches the Federal funds.

Yes; this small sum is to meet the problem of giving old-age pensions for an entire year to 6,000,000 or more needy people over the age of 65, more than 9,000,000 needy, dependent children, and no one knows how many crippled children or how many needy mothers will need aid in childbirth, or how many children will need health service and child-welfare care, or the hundreds of thousands of men and women who need vocational rehabilitation, or to cover the entire public-health service of the United States. It is grossly inadequate, and what a great disappointment it will be to the millions of needy old people, and to the millions of needy children; and even with this small sum, there is a string tied to it—the States must change their laws and constitutions where necessary and levy and collect the money before one dollar will be given by the Federal Government to these needy groups.

I am sorely disappointed with the inadequacy of the President's bill and when the bill is read for amendments I shall not lose an opportunity to help amend it so it will give adequate relief and give it when this bill is passed and becomes a law.

**THE BLIND AND CRIPPLES**

I never doubted but what the President's social-security bill would not only take care of in an adequate and substantial way the groups that are provided for in this measure but I most certainly thought it would include needy blind people and needy crippled people. Are there any groups in this country that need relief more than the poor blind and the poor permanently disabled cripples of whatever age they may be?

There is nothing in this bill for the blind and the cripples unless they live to be 65 or 70 years of age. I shall vote and work to have this bill amended to include the needy blind and the needy cripples and to give to them the same rate of pension as the needy old people.

**LITTLE RELIEF FOR NEEDY AND VETERANS**

This measure is grossly inadequate. Our Democratic friends last year urged support of the Democratic candidates for the House and Senate on the plea they were going to help the needy, unemployed, and pay the veterans cash on

their adjusted-service certificates. The administration now tries to avoid payment of the bonus and to give adequate relief to the needy on the ground that we do not have the money. I pointed out in my speech when the \$4,800,000,000 bill was up that a lot of our Democratic friends were voting for that bill and they would be unable to redeem their promises to the veterans and the needy people. My prediction is coming true. Under that measure the President proposes to increase the C. C. C. so that it will cost at least \$600,000,000 for the next year. Congress has passed measures providing more than a billion dollars for the Army and Navy. This is by far the largest amount appropriated for these in peace time. The other day the House passed a measure providing nearly \$170,000,000 for so-called "river and harbor improvement and the construction of canals" that, more than likely, will never be used much. We are spending hundreds of millions of dollars to burn pigs, to plow up cotton, and to pay people not to raise hogs, not to produce cotton, wheat, or corn. We are expending ten or more millions of dollars to maintain "hobo hotels." These encourage young men to leave home and spend their time in idleness. I could enumerate many other items running into the millions of dollars. Yes; we have plenty of money for all these, but nothing, or very little, for the defenders of our country and their dependents, or for the old and needy, for the blind and cripples, and for needy widows and their orphan children.

**UNEMPLOYMENT INSURANCE A MISNOMER**

I yield to no person my deep interest and sincere desire to help work out a plan to build up a fund that will help to take care of them after they may retire or be unable to follow gainful employment or unable to get work.

In the President's bill this is called "unemployment insurance." This is a misnomer. It has been improperly and incorrectly named. This bill does not provide anyone who is without work with a job. It does not provide one dollar of relief to the millions of unemployed in America unless they would be able to get in under the old-age pensions, but this so-called "unemployment insurance" deals solely and only with those who have jobs or may get jobs. It gives no relief whatever to the unemployed, either in jobs or in money.

Many of the outstanding leaders of labor groups tell us there are more than 11,000,000 workers unemployed in this country. I have heard a number of my Democratic colleagues on the floor of this House during the course of the debate on this bill say there are 15,000,000 unemployed. I am quite sure, if we would count the tenant and sharecroppers and the farm hands throughout the United States who were thrown out of work and taken off the farms because of the Cotton Control Act, the A. A. A., and other new-deal policies, we would find more than 20,000,000 people in this country unemployed. Secretary Ickes of the Interior Department, in a speech at Philadelphia on yesterday, declared that the expenditure of the nearly \$5,000,000,000 so-called "works bill" was justified, as there were somewhere between 20,000,000 and 30,000,000 people in distress in this country.

From all that the President and others have said we were led to believe that the President was going to bring forth some measure that would give some relief to the unemployed, and when this measure was talked of as being one providing for unemployment insurance, many people believed it would benefit in some way the unemployed of this country.

This measure does not and will not put a single man back to work. It does not give any unemployment insurance or unemployment money to any one of these unemployed. What this bill means by unemployment insurance is that a man or woman who has a job and who continues to work for 5 years, and during all of which period of time he or she will have their wages taxed a certain percentage and the employer will be required also to pay a certain percentage of tax on these wages, these taxes paid by the worker and the employer will create a fund so that after this has been done for 5 years and the worker quits work or dies or reaches the age of 65 such worker then will get an

annuity—not on anything that the Government is giving to the worker, but on what the worker and his employer have paid in taxes into this annuity fund.

The ordinary workman under this plan would get a very small monthly annuity if he quit work or died after 5 years. If he died or had to quit work before he had worked and paid into this fund for 5 years, then he would receive 3½ percent of the wages he had earned up to that time. In other words, the worker would be taxed 3 percent, and if he quit paying before the 5 years were up he would get back 3½ percent. He would get one-half of 1 percent interest on what he paid in; but we must not forget that the Government does not pay anything into this fund to provide this annuity or pension.

And this only applies to persons employed by individuals or concerns that employ 10 or more persons. If a worker is employed by any person or concern that employs less than 10 men, he would have no opportunity to participate in this so-called "unemployment insurance."

Furthermore, farmers, farm laborers, and servants could not participate in this. This so-called "unemployment section" of this bill does not mean anything to farmers, farm hands, domestic servants, or to those who work for persons or concerns employing less than 10 people.

Now, let us see what sort of pension a worker would get. I present a statement set out in the report of the Ways and Means Committee on this bill.

TABLE III.—Illustrative monthly Federal old-age benefits under title II

Average monthly salary	Years of employment								
	5	10	15	20	25	30	35	40	45
\$25	(1)	\$15.00	\$16.25	\$17.50	\$18.75	\$20.00	\$21.25	\$22.50	\$23.75
\$50	\$15.00	17.50	20.00	22.50	25.00	27.50	30.00	32.50	35.00
\$75	16.25	20.00	23.75	27.50	31.25	35.00	38.75	42.50	46.25
\$100	17.50	22.50	27.50	32.50	37.50	42.50	47.50	52.50	57.50
\$125	18.75	25.00	31.25	37.50	43.75	50.00	56.25	62.50	68.75
\$150	20.00	27.50	35.00	42.50	50.00	57.50	65.00	72.50	80.00
\$175	21.25	30.00	38.75	47.50	56.25	65.00	73.75	82.50	91.25
\$200	22.50	32.50	42.50	51.25	60.00	68.75	77.50	86.25	95.00
\$225	23.75	35.00	46.25	55.00	63.75	72.50	81.25	90.00	98.75
\$250	25.00	37.50	50.00	62.50	75.00	87.50	100.00	112.50	125.00

<sup>1</sup> Lump-sum payment of \$32.50.

For instance, if your wages average \$50 per month and you paid into this fund for 5 years and reached the age of 65 or were unable to go on further, you would draw an annuity of \$15 per month; and if you worked for 45 years, averaging \$50 per month and paid into the fund, and retired or were unable to continue work, you would draw \$35 per month for the balance of your life. We must bear in mind that a worker's expectancy of life is not very great after he has worked continuously for 45 years. He will not live much longer.

You will also observe that if he earned \$250 per month and paid 3 percent tax into the fund for a period of 5 years and then reached the age of 65 or was unable to continue work, he would draw \$25 per month, and if he continued to work for 45 years and made a salary of at least \$250 per month, at the end of 45 years he would only receive \$85 per month for the balance of his life.

The great bulk of Americans now and for some time to come will not receive wages which, under the terms of this bill, would give them a very big annuity after they had worked 30 years or 45 years.

In naming this "unemployment insurance" and getting the impression over the country that something was being done in some way to help the unemployed, this measure will be a great disappointment. Let me repeat, this provision concerns itself solely and only with those who now have jobs or who may get jobs and who pay a part of their wages into the fund and the employer pays a part, for a period of 5 years or longer. In that event, and only in that event, will they receive an annuity.

LABOR AND INDUSTRY OPPOSED

So far as I have been able to learn from the workers living in my own district and the representatives of organ-

ized labor, they are opposed to the so-called "unemployment insurance provisions" of this bill. Labor thinks it is unfair to them to levy this tax on their wages; and while industry is also required to pay a tax on the amount of each worker's wages and the taxes from both go into this so-called "unemployment insurance fund", the workers believe that they would not only be required to pay their part of the tax on their wages but that the tax paid by industry on their wages would reflect itself in reducing the wages of the workers; and, so far as I have been able to learn, the workers and the representatives of organized labor are opposed to this bill of the President because it is wholly inadequate. The amount provided for old-age pensions and other relief is entirely too small.

Congress last year passed a compulsory unemployment insurance or pension bill for all of the railroad workers of the country. This act is now before the Supreme Court of the United States. Under that bill the railroad workers are taxed 2 percent of their wages, and a like tax is paid by the railroads. There is no provision in this bill to repeal that law. If this bill is passed in its present form, there will be a double tax on the workers.

Many other industries and their workers carry group insurance, and so on. This bill makes no exception or provision for conditions like that.

I think this so-called "unemployment provision" of the President's bill should go out and it should go back to the committee and a more comprehensive and equitable measure should be brought out.

As I have heretofore pointed out, this deals solely and only with people who have jobs or who get jobs, because in order to create a fund of this kind, the workers must have a job and their wages must be taxed.

My deep concern is now to work out a plan, and I think this might be done with a more comprehensive bill, to give relief to the millions who are out of work and who appear to have very little chance to get work.

I cannot understand why this so-called "unemployment insurance proposition" is thrust into this bill. Labor is against it and industry is against it, and I am advised that many of the lawyers on the Ways and Means Committee and other lawyers are inclined to think it is unconstitutional as it is now before us. Of course, if there is doubt as to its constitutionality, somebody will hold up this measure until it can be tested out in the Supreme Court, and this would cause further delay in bringing relief to the needy old people, to the needy and crippled children, and to the other groups we are attempting to provide for in this measure; and therefore, if given an opportunity, I shall vote to strike this provision from the bill and have it re-referred to the proper committee for further study and preparation, so that we may have a better bill before us.

THE FORGOTTEN MEN AND WOMEN

We are told that there are more than 50,000,000 workers in America. Twenty-seven percent of these are more than 45 and less than 65 years of age—in other words, about 13,000,000 workers in America are over 45 and under 65, and nearly all of this great army of people are out of work and cannot get work. Under this bill they are not considered, because they are under 65 years of age and are unable to get a dollar of this old-age pension money however needy they may be. They cannot come under the unemployment-insurance provisions of this bill because they are unemployed. We have pointed out that persons to get any benefits from this unemployment insurance must have a job because the fund out of which this insurance or annuity is paid is raised by a tax levy on his wages and another tax levy on his wages paid by his employer and he and his employer must continue to pay taxes in for at least 5 years.

So you can readily see that these workers, out of work, and who cannot get work, are not benefited by any of the provisions of this act; yet millions of them have been led to believe that because we speak of "unemployment insurance" and they are unemployed, this measure would help them. What an awakening and what a bitter disappointment this bill will be to them. They are forgotten in this bill, but

more tragic, they are the forgotten men and women of this country.

I know of no big coal mine in this country that does not require a coal miner when he enters their employ to sign a statement that he is not over 45 years of age. This is true of nearly all of the great factories, mills, and shops, and this is true, as I understand it, with the railroads. I have also observed that the United States Government, in prescribing its requirements to take civil-service examinations for jobs under the Federal Government, most of them fix the age limit at 45 or less, and I know of no civil-service examination that permits persons to qualify who are over 50 years of age unless it is for professional or scientific work. This same feeling exists in boards and commissions which employ those in so-called "white-collar" professions or occupations. Nearly all, including our Uncle Sam, are discriminating against the men and women who are over 45.

Ladies and gentlemen of this House, I ask you what is to become of this great army of 13,000,000 workers of the United States who are more than 45 and less than 65? This bill gives them no hope of relief until they reach the age of 65, and unless this bill is greatly amended, it offers very little hope to many of them then.

I have been putting this question to statesmen, lawyers, doctors, teachers, farmers, merchants, welfare workers, and industrialists for a long time. Most of them say, as my friend of whom I inquired on the floor of the House, they do not know. I inquired of my good friend, who is on the Ways and Means Committee, what there was in this bill to help this group, and he said, "Nothing." He ventured, however, to say we had passed the so-called "works bill" of \$4,000,000,000. The most optimistic administration leaders do not expect the \$4,000,000,000 works bill to give work to more than 3,500,000 people. There still remains, according to some estimates, from eight to twelve million people unemployed. There are millions of young, vigorous men and women under 45 who are out of work, and I am quite sure they will get a large part of these so-called "Federal works jobs."

It is claimed by the administration that this four billion works' job money will be spent by July 1, 1936. If this is the only hope for these workers over 45, there is not much encouragement for them. What will become of them after July 1, 1936?

Of course, I do not believe that the administration will put 3,500,000 unemployed people to work. I do believe, however, they are going to give jobs to tens of thousands of Democrats.

Can this great group of people be put back to work? Most men at the age of 45 have a wife and children. Their financial needs then, as a general rule, are as great or greater than at any other time in their lives. They have more to feed and clothe, provide educational opportunities for, and so forth. I consider this the most serious and pressing problem before the American people.

#### CAN THE NATION FURNISH THE JOBS?

All of us who have made a study of this matter agree that a great transformation has taken place in our country in the last few years. Under the present set-up is there any way to put back to work any material number of these persons over 45 and under 65? I do not think there is. There are millions of young, stout, able-bodied men and women under 45 years of age who are out of work, and most employers will give preference in the future, as in the past, to these younger men and women, just the same as the Federal Government does when it employs workers in its various departments and activities.

Why can we not put these people back to work? Machinery and efficiency have greatly increased production, yet consumption along many lines has decreased.

I cannot go into all of them, but, for example, it has not been many years ago that the average coal miner in America produced 1½ tons of coal per man per day. With modern machinery and equipment and efficiency, the average coal miner in America today is producing 5 tons of coal per man per day, and in many mines this has reached the

high level of nearly 8 tons, yet last year America consumed over 100,000,000 tons of coal less than it did a few years ago in a single year. They now grind the coal and blow it into the furnace, and every little particle of coal gives up its energy. The use of oil and gas has been increased. I doubt if anyone would predict that for many years to come we are going to use as much coal per year as we did 10 years ago. Is it little wonder we have tens of thousands of coal miners out of work?

Take the railroads. I can remember years ago a railroad train would come along with 25 or 30 coal cars in a train, and most of them had 20 tons to the car, and it was considered a very big car if it carried 30 tons. There were many exclamations about "that long train." Now, in the coal regions of my district I sometimes see as many as 150 loaded cars in a single train and each car with 50 tons or more to the car, and it is not an uncommon thing to see trains with 85 to 100 loaded cars. The freight trains of these days are also going much faster—nearly twice as fast as the other train of years ago. Our present long, heavy train has one man less in the crew than the first train I mentioned. The trains now can and do carry from 6 to 10 times as much coal, and are making nearly twice as much speed, with one less man to the crew. This unit of transportation is one of the units of production. One man is doing as much as several men did 25 years ago. We find, also, automatic switches and automatic couplers. We again are not surprised that there are less than half the railroad men employed today than there were some years ago. These railroad men are out of work. How are we going to put them back to work?

In one of the great steel mills of my State I am advised by those who know about those things that a few years ago to do a certain unit of work required 121 men. With improved machinery and equipment 3 men now do what 121 men did.

I see great steam shovels making large excavations in a city block or on highways, with hundreds of idle men standing by watching the steamshovels.

I am informed that some years back it required one or more men to operate one loom in the textile mills. Now one person operates all the way from 40 to 170 looms. The big question in the textile strike last year was to do something about this stretch-out system.

We have the stretch-out system in the automobile factories, in the mills, shops, on the railroads, in the mines—yes, on the farm. When I was a lad on the farm we would put perhaps a thousand pounds of tobacco, corn, or wheat on a wagon and with a steady plodding old team it would require us about a day to go to town and deliver our load and return to our home. In the past year in Kentucky I observed some trucks with as much as 12,000 pounds of tobacco on a single truck, and this truck was going along at the rate of 45 or 50 miles per hour. This farmer could get his load of tobacco to town, unload it, and get back home almost before breakfast.

This stretch-out system entering into every activity of our complex American life has put millions of good Americans on the streets and highways looking for work. Yes; we have traveled far in the matter of economy and efficiency in mass production, but what about consumption?

As a general rule, well-to-do people and people who can afford it do not eat as much today on the average as they did 25 years ago. We do not wear any more shirts or dresses. It has been suggested that some wear quite a good deal less. In fact, one part of our population is greatly economizing in the use of silks and satins, cotton, and wool in their garments.

I realize that consumption could be greatly enlarged. There are countless millions in this country that are cold and hungry. They need food, clothing, and shelter, and other necessities. Does this condition threaten the welfare of our country and the perpetuity of our institutions?

#### THE GREAT AMERICAN MENACE

Many of our people are deeply concerned over what they claim is a growing sentiment in our country in favor of communism and sovietism. Others say it means nothing.

I have great faith in the patriotism and fine common sense of the average American. Communism and sovietism would mean very little in our country under normal conditions, but a great army of unemployed people in any country is a real menace.

Nearly all of these unemployed people are good Americans. Many of them fought gloriously on land and sea, in the air and under the sea, in defense of this Nation; others have lived splendid, industrious, sober lives. They are now caught between two great millstones. They are burdened with conditions for which they are not responsible for the making. They do not want charity. They merely want an opportunity to work and earn a support for themselves and their wives and children. They are only human. What must be the effect and what is the effect on their minds to seek work for weeks—yes, for months and into the years—that they might feed their hungry wives and children and provide shelter and clothing for them? What must be the suffering they undergo when they see their loved ones lacking the barest necessities of life and with no opportunities for education and advancement and with the cost of living mounting skyward, lacking meats, fats, and other elements of proper diet?

They are bound to be discouraged. It is an indictment of our Christianity and our twentieth-century civilization for their children to be brought up in these surroundings. The gloom, sorrow, and bitterness of the parents is bound to poison not only the minds and souls of the parents but of the children as well.

I really have been amazed at the fortitude and the splendid manner in which this great army of unemployed have deported themselves during these last 5 trying years. I know I have felt the sting of this depression, but not so deeply as millions of others. Being brought up as the son of a hillside tenant farmer, I know something of the problems of the poor, the meek, and the lowly. I do not see how these Americans, with their wives and children suffering with cold and hunger, could be otherwise than discontented and bitter, and added to this has been the policy of the Government of burning pigs, plowing up cotton, and destroying food.

This great problem must have the hearty cooperation in its solution of industry, agriculture, and commerce, of those who have jobs, and every good American. Humanity demands it, and the self-preservation of all of us and of our country requires it. It must be solved and solved right. It cannot wait forever for solution. After all, this is our country, and every honest, industrious man and woman is entitled to an opportunity to make a decent living for himself and his wife and children. He has a right to ask for that and we should strive to work out a plan whereby he may receive the answer.

Mr. KELLER. What is the gentleman's remedy?

Mr. ROBSION of Kentucky. There are but two things. We must work out a plan to create more work and provide more jobs, or divide the work and the jobs that now exist.

Mr. NICHOLS. You Republicans ought to do it. You put them out of work.

Mr. ROBSION of Kentucky. Cease making such futile, silly statements. The gentleman should suggest something more serious and illuminating. Nearly all thoughtful men and women now agree, not only here but in every country of the world, that the present plight of this country and every other country of the world was largely brought about by the World War. It was under your good Democrat, President Wilson, and other Democrats who urged the American people to elect him President on the promise he had kept us out of war and led the people to believe that he would continue to keep us out of war, when at that same time war was being planned by your Democratic administration.

All the records show that there are more people unemployed in America today than at any time in the Hoover administration. Taxes have been increased; the national debt has been increased to nearly \$35,000,000,000. As Sec-

retary Ickes declared the other day, there are from 20,000,000 to 30,000,000 people who need relief in this country. There were no such debts and no such number on the relief rolls when Mr. Hoover was President. Your party was elected on the pledge to reduce taxes, reduce the unemployment, and restore prosperity to the country. Your party has violated every pledge. Your party has had control now for over 2 years. Unemployment is on the increase, relief rolls continue to mount and climb, although during these 2 years Congress has placed in the hands of President Roosevelt more than \$25,000,000,000, with unlimited and dictatorial power.

Therefore, it is up to your party. You have the control, you have the majority, you have the money, you have everything—it is up to you rather than the Republican minority to put people back to work.

But you will never put people back to work in this country so long as the Government sticks its finger into everybody's eye and its nose into everybody's business, so long as it issues its billions of tax-exempt securities, burns pigs, plows up cotton, destroys wheat and corn, and taxes the poor people to pay other people not to produce. If it is fair and right to tax coal miners and railroad workers to plow up cotton in the South and pay others not to produce cotton and pay people not to produce wheat and corn and hogs in the West on the theory that we have too much cotton and too many hogs and too much wheat and corn, it would be equally just to tax them to pay our idle miners not to dig coal and our idle railroad boys not to run the trains.

Your Democratic administration has put more people out of work and put more people on the relief rolls and put more politicians and faithful Democrats on the backs of the American taxpayers than any administration since the days of George Washington. The Washington papers the other day pointed out the fact that on pay day here, the 15th of April, 1935, it was the biggest sum paid out to Government workers ever paid out in a single day in the history of this country. While people are being pushed out of work and millions of people are hungry and cold, faithful Democrats are being saddled as never before on the backs of American taxpayers. The cost of living is out of reach of the average worker of this country—fatback 25 cents and 30 cents a pound, steak 50 cents a pound. If this administration will quit regimenting labor, industry, and commerce and will give the American people a chance, they will put people back to work and we will work out of this depression; but my Democratic friends will find out that you cannot waste and squander this country into prosperity. It has never been done and it never will be done.

No Democratic administration ever put people back to work. History records that every Democratic administration from the days of Martin Van Buren down to now put them out of work. There must be a restoration of confidence in this country. The policies of the Democratic Party have destroyed confidence. I really believe that if agriculture, commerce, and industry were given a real chance unemployment would be greatly lessened and we would soon be on our way to recovery. But coming back to the original proposition—this country cannot go on with 12,000,000 to 15,000,000 workers out of employment. They need relief—not 1 year from now, nor 5 years from now—they need help now. [Applause.]

Mr. Chairman, I ask unanimous consent to extend my remarks and to include therein data showing what these people will receive as annuities and so on after they have worked for 5 years at a given salary.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. DUNN].

Mr. DUNN of Pennsylvania. Mr. Chairman, I do not expect to consume the 10 minutes' time which was given to me, because I was informed there are at least 30 other Members who desire to speak on the social-security bill.

Mr. Chairman, I desire to take advantage of this opportunity to commend the gentleman from Kentucky [Mr. ROBSON], who preceded me.

Speaking as a member of the Committee on Labor, I wish to state that last year we held public hearings on the 5-day 6-hour bill. Many witnesses appeared before the committee, and some of them were officials of large industries who protested against the Connery bill. I asked these gentlemen if they had an age limit in their industries. Many of them replied in the affirmative. I ask the Members of Congress What are we going to do for the men and women between the ages of 45 and 65 who cannot obtain employment?

One of the first bills I introduced this session of Congress was to provide \$100,000,000. This money was to be expended over a period of 10 years and was to be used for the purpose of eradicating slum districts, elimination of dangerous grade crossings, reforestation, drainage of swamps, flood control, soil erosion, the purification of rivers and streams, the construction of disposal plants, schools, and hospitals; for the development of surgical, medical, geological, biological, and other sciences and for every other purpose which will benefit mankind—in other words, to end poverty in the United States. According to my bill, \$10,000,000,000 was to be expended in the period of 1 year, which would provide employment for 10,000,000 people in the United States who are out of work.

Mr. Chairman, the President of the United States is to be commended for recommending a bill to Congress which is to provide old-age pensions, unemployment insurance, and so forth. This bill in its present form will do but very little to help the aged and the unemployed.

I favor an adequate old-age pension and adequate unemployment insurance. The bill which is now pending before Congress does not meet the situation. I hope that we will be successful in amending this bill so that the aged, unemployed, and every person who is physically incapacitated will be provided for adequately.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. HARLAN].

Mr. HARLAN. Mr. Chairman, I was very much interested in the remarks made by the gentleman from Kentucky [Mr. ROBSON], who has been in Congress, I am told, for something over 15 years. During a great deal of that time we were in just as great need as we are today of old-age pensions, old-age annuities, and unemployment compensation; but from that inspired source, or the party which he represents, nothing was produced. Now that an idea has been crystallized into legislation we are told by the party represented by the gentleman, on the one hand, that the remedies are wholly inadequate and, on the other, they cry crocodile tears to the taxpayers that its cost is going to be terrible. It reminds me a great deal of the policy—in fact, it is carrying out the policy of that party from 1920 to 1932—in 1920, to the internationalists, they favored an "association of powers"; to the nationalists they were against the League of Nations; to the high- and low-tariff advocates alike they said that the Republican Party was the party of salvation. With the same speech their leader held together those in favor of operating Muscle Shoals and those against; to the drys prohibition was "noble"; to the wets it was an "experiment." They have ever been on both sides of all questions, and all things to all people. And so today they come before us again, telling the taxpayers that this is going to bring them down to ruin; telling those in need of relief that the appropriations are wholly inadequate. To those who desire to help they hand out the old well-tried shell game; to those who cry for help they read the Constitution.

This brings me, Mr. Chairman, to the proposition raised in the minority report of the committee, in which they boldly challenge the constitutionality of the bill. In view of the fact that the majority report says little or nothing on this subject, I wonder if it might not be worth while to discuss it for a minute.

Mr. Chairman, the United States is about the only country of any consequence in the world where the determination of the constitutionality of an act of the legislative body is not

by the legislative body itself. For this reason we escape some responsibility, but not all, because as soon as we enact a bill instantly it is vested with a presumption, to be overcome only by facts beyond a reasonable doubt, that it is constitutional. We ourselves are acting under our oaths to support that Constitution. So we do owe an obligation to the people and to ourselves to examine into the constitutionality of this bill.

The Supreme Court, in describing this obligation, says in the case of *Knor v. Lee* (12 Wall. 457):

A decent respect for a coordinate branch of the Federal Government demands that the judiciary shall presume, until the contrary is clearly shown, that there has been no transgression of power by Congress, all Members of which act under oath or obligation to the Constitution.

The same Court, in *El Paso & Northeastern Ry. Co. v. Gutierrez* (215 U. S. 87), brings this long-established doctrine down to date when it says:

It is hardly necessary to repeat what this Court has often affirmed—that an act of Congress is not to be declared invalid except for reasons so clear and satisfactory as to leave no doubt as to its unconstitutionality.

Yet the minority report criticizes the brief of the Attorney General's office because of its "weak and apologetic language", wherein it argues for the constitutionality of this bill, in part, as follows:

There may also be taken into consideration the strong presumption which exists in favor of the constitutionality of an act of the Congress, in the light of which and of the foregoing discussion it is reasonably safe to assume that the social-security bill, if enacted into law, will probably be upheld as constitutional.

The gentlemen say that is "weak and apologetic." The only thing that is weak and apologetic about that proposition, Mr. Chairman, is the fact that it is not expressed in terms anything like as forcibly as the Supreme Court has used many, many times. It is a proposition that we must consider here and we are entirely at liberty to consider.

Wherein is the unconstitutionality of this bill? I am not going to enter into a protracted legal discussion at this time. But, briefly, there are two titles in question: One title—title II—provides for payment out of taxes and excise receipts old-age annuities; the other—title VIII—provides for these taxes and excise duties. The power to pay annuities is certainly not one of the Federal functions delegated by the Constitution.

The same is true of the power to acquire new territory, to charter banks, to operate postal savings, to extend State aid in maternity cases, and to create Federal land-bank and farm-loan associations. Yet all of these functions have been sustained by the courts, either because the power involved was one of proper implication, or because the person challenging the right had suffered no damage. Protected by these principles, we operate our Public Health Service, Bureau of Education, Geological Survey, Bureau of Mines, Smithsonian Institute, National Art Gallery, and many kindred activities.

The Supreme Court, in upholding the constitutionality of the act creating Federal land banks, says:

We, therefore, conclude that the creation of these banks and the grant of authority to them to act for the Government as depositories of public moneys and purchase of Government bonds brings them within the creative power of Congress, although they may be intended, in connection with other privileges and duties, to facilitate the making of loans upon farm securities at low rates of interest.

If the purchase of Government bonds is a proper basis for an implied Federal power, then the present law creating this annuity fund is certainly on solid rock. By 1970 it will have invested in United States bonds over \$32,000,000,000. We shall have to rebuild our tariff walls and create some more panics to owe that much by that time. That means a restoration of our Government to the reactionaries, which is beyond the purview of sane prophecy today.

Mr. Chairman, may I say that appearing on the brief filed in the Federal Land Bank case was the name of Charles Evans Hughes. The names of some of the greatest constitutional lawyers of the country also appeared thereon. Mr. (now Chief Justice) Hughes' brief contained the following:

Congress may create in its discretion as in this instance it has created, moneyed institutions to serve as fiscal agents of the Government, and also to provide a market, as stated in the act, for United States bonds.

I trust, however, that before final adoption of this bill, either by this House or in the Senate, title II will be amended so as to provide for the distribution of the old-age-annuity fund through State agencies similar to those provided for in the distribution of unemployment relief. In this way we will remove from the bill the appearance of a grant by the Federal Government to a particular class, and will give the bill the additional strength of providing merely for grants to the States. The administrative difficulty arising from people moving from one State to another is certainly no more insuperable in the execution of this chapter than in many of the other present activities of the Government.

Is there anything unconstitutional in the taxing provisions of title VIII? It provides an income tax under the almost limitless powers conferred by the sixteenth amendment to the Constitution. It also levies an excise tax on employers for the privilege of hiring labor. This law is framed to operate uniformly throughout the United States, and comes directly under the provisions of section 8 of article 1 of the Constitution. But it has been stated by the gentleman from Massachusetts [Mr. TREADWAY] that, since the granting of annuities is an unconstitutional Federal function and the tax provision is to provide funds for this purpose, therefore the tax is unconstitutional. The premise of this argument, the unconstitutionality of the appropriation, is rather unstable, in view of the decision of the Supreme Court in *Smith v. Kansas City Title & Trust Co.* (255 U. S. 180), the *Land Bank case*, and *Massachusetts v. Mellon* (262 U. S. 447), upholding the Shepherd-Towner Maternity Act. The latter decision specifically answers the argument advanced on the floor of this House that the allotment to the States provided in the Social Security Act is but a cudgel to drive States under Federal control. The Court says:

But what burden is imposed upon the States, equally or otherwise? Certainly there is none, unless it be the burden of taxation, and that falls upon their inhabitants, who are within the taxing power of Congress as well as that of the States where they reside. Nor does the statute require the States to do or to yield anything. If Congress enacted it with the ulterior purpose of tempting them to yield, that purpose may be effectively frustrated by the simple expedient of not yielding.

This House is not interested in listening to an exhaustive legal brief, nor in discussing questions of constitutionality, further than to protect our membership under their oaths, and for that reason I have carefully avoided tedious detail and have made no reference to numerous pertinent cases that are available.

However, to summarize these decisions, we may safely say that there is apparently no precedent under which the courts could declare title 2 unconstitutional. If this should occur, about half of our present Federal activities will be discontinued. Is it within the bounds of reason, then, that title 8, the tax-raising title, otherwise on unimpeachable grounds, will be declared unconstitutional, because these tax funds go to a purpose alleged to be unconstitutional in fact although immune from attack. What a futile act that would be! It would simply mean that Congress would be required to provide funds to carry out title 2 from our general coffers and later reenact title 8 as a separate bill with no physical connection with the Social Security Act. That might have happened during the first decade of this century but hardly now.

Those were the days when the Supreme Court had this Congress supine and helpless so far as any effective regulation of business was concerned. Those were the days when Theodore Roosevelt and the Progressive Party smarting under restricted Federal lawmaking powers expressed ideals and dreamed dreams that could not come to fruition until a second Roosevelt came into power. Theodore Roosevelt believed that when from the nature of things States could not administer a necessary regulation (as they cannot do with unemployment relief), and this function was neither expressly excluded from the regulating power of the Federal

Government nor expressly restricted to the States, then it was the duty of the Federal Government to assume control as being the only agency capable of protecting those rights which the Constitution reserved to the people. To reserve a right to the people generally and then furnish no Government to protect or enforce that right was to him unthinkable.

In a speech at Harrisburg, he said:

I cannot do better than base my theory of governmental action upon the words and deeds of one of Pennsylvania's greatest sons, Justice James Wilson. He developed, even before Marshall, the doctrine . . . that an inherent power rested in the Nation outside of the enumerated powers conferred upon it by the Constitution, in all cases where the object involved was beyond the power of the several States and was a power ordinarily exercised by sovereign nations. He laid down the proposition that . . . whenever the States cannot act because the need to be met is not one of a single locality, that the National Government, representing all the people should have power to act.

Our Supreme Court has never accepted this as a legal principal, but in the practical operation of government, since 1912, we have gone a long way toward carrying it into effect. There is no present indication of a retreat.

In 1908, Gov. Charles Evans Hughes, in an address at New York City said: "We are under a Constitution, but the Constitution is what the judges say it is." With that viewpoint now presiding over the Supreme Court and with an executive genius leading the minds of our people back into paths of political and economic health, we need have little fear of the constitutionality of the Social Security Act. [Applause.]

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Montana [Mr. MONAGHAN].

Mr. MONAGHAN. Mr. Chairman, I want to state at the outset, if there is anyone among you—any dear friend of the beloved Ways and Means Committee and its outstanding chairman [Mr. DOUGHERON], or of the President of the United States, Franklin D. Roosevelt, I may say that my love for that beloved committee, its chairman, and for the fearless and peerless President of the United States is no less than his, but my love of my fellowman and my love of principle and justice exceed my love for both of them. It is for that reason, and that reason alone, that I assign myself the task of attacking the measure under consideration.

I may state at the outset that I believe this bill is one of the greatest snares and delusions that could be perpetrated upon the people of America. For as I analyze its provisions, in all fairness and justice, I cannot see where the American public at the present moment will benefit one iota by its provisions—not until 6 years hence, and then it is doubtful whether they will benefit at all.

I have analyzed its language, and I harken back to the decision of that now deceased Supreme Court Justice whose memory is revered and will always be revered by the liberal-minded and patriotic citizens of America, Justice Holmes, who in one of his famous decisions reprimanded insurance companies for permitting salesmen to go across the length and breadth of America, sell policies to the people of the country, send out a policy which, on its face, had very glowing and rosy promises, and on the second and third pages in small and fine print take away almost everything and give only a very limited amount of the proffered protection.

This bill, in large measure, fits that description of Justice Holmes.

For the purpose of enabling each State to furnish financial assistance assuring, as far as practicable, under the conditions in such State, a reasonable subsistence compatible with decency and health to aged individuals without such subsistence.

I read the language of the bill.

Then reading further within the measure, on the back pages thereof, I find that it provides for one-half of 1 percent of the salary of an individual and the term "qualified" individual includes those who do not earn less than \$2,000.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?



Mr. MONAGHAN. With due respect to my beloved colleague from Kentucky whom I respect and admire as much as any Member of the House. I am not going to yield to anyone, because I have not been given the time I was promised. I was promised 15 minutes and if the gentleman will obtain that time for me I shall yield, otherwise, I will not.

One-half of one percent of \$2,000, or more is the basis if that \$2,000 is earned after the period of December 31, 1936. Under the average salary of the average individual of America they would have to wait 3 years approximately before they would be able to get a bare \$10 under this pauper's dole that is presented.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield in my own time?

Mr. MONAGHAN. If the gentleman will yield me the time, I yield.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield myself one-half minute.

Is the gentleman talking about title I in connection with the back pages of the bill which he has mentioned here?

Mr. MONAGHAN. I am talking about the old-age-pension feature.

Mr. SAMUEL B. HILL. There is no connection between those two parts of the bill and the gentleman ought to know it.

Mr. MONAGHAN. There is with respect to the term "qualified."

Mr. SAMUEL B. HILL. Absolutely no connection at all; and the gentleman is misleading the House and the country by that statement. The gentleman ought to learn what is in the bill before he comes here and proposes to enlighten the House and the country upon it.

Mr. MONAGHAN. The gentleman is wrong if he maintains that the Supreme Court or anyone else will not read this bill in its entirety and interpret it according to the language found therein.

Mr. SAMUEL B. HILL. I say that title I has no connection with what the gentleman is referring to in the last part of the bill—no connection whatever.

Mr. MONAGHAN. I am talking about the old-age-pension feature, and as I read the bill—

Mr. SAMUEL B. HILL. It is not affected by the \$10 or the \$2,000 provision or in any sense at all, by what the gentleman has referred to in the back part of the bill. There is no connection between them at all.

Mr. MONAGHAN. To avoid further argument, I will take the gentleman's word for it. However, under the provision of the bill whereby the amount of money is paid according to the salary, a person will not be qualified who does not have an accumulated salary of more than \$2,000. Therefore, the average citizen will not qualify under this law or be entitled to a pension until 3 or 4 years hence.

In addition to this, I may point out the fact that this bill fails because it is dependent for its success largely upon the States that have so miserably failed in the past to cope with this great problem of old-age pension and security. To its great credit, that outstanding member of that organization that has done such splendid work to promote this great cause, the Fraternal Order of Eagles, Lester Loble, of my State, was the author of the first old-age-pension law in America. The State of Montana, therefore, was the first State in the Union to pass an old-age-pension law. That old-age-pension law is one of the most liberal in the country; and yet when I drove around the State of Montana last summer, I was met time after time by aged couples who came to me with tears in their eyes—people who had built up industry, who had pioneered this country, who had gone out and developed the great West and had the courage to do it—telling me that the county commissioners of their particular county had conferred upon them a draft for a mere \$10 or \$6 or \$5 upon which they expected them to live, and if they could not find themselves able to live upon that sum, then they could return the \$6, the \$5, or the \$10, and the commissioners would see to it that they were taken to the poorhouse.

I say to you, my fellow citizens, that the poorhouse is no place for a proud American citizen who has given his lifetime to the upbuilding of America, its industry and commerce. [Applause.]

Lloyd George, speaking on this subject, said, "the laboring man who has given health, strength, vigor, and skill to the creation of the wealth from which tax revenues are to be derived, has himself already built up the fund from which the pension is to be paid." [Applause.]

When the sun of life begins to set upon the aged of our country, the benevolent and protective hand of the Government should extend to them a relief from the weary toils of the day and to bring relief, comfort, and security to them when the burdens of life are hardest to bear and when the darkening shadows of approaching night begin to fall across his path to make further toil impossible, to make further travel insecure, a just reward which their toil has merited; an adequate old-age pension, and not a pauper's dole.

I say if you pass this bill today without amending it, without improving it, without giving to the people something substantial, you will be doing a more vain thing than if you did not pass it at all.

Consider the wonderful possibilities of an adequate pension, if we should enact one.

During the last session of Congress, after endless effort, overcoming the opposition of veteran Members of the House and strong forces in the Senate, that outstanding leader from Ohio [Mr. Crosser], in poor health at the time, and myself battled against that opposition of House and Senate. I say Senate because we went over there, too, and worked, and were able to get on the statute books a retirement system, which, when put into operation in towns where railroading was the exclusive industry, ended unemployment for the railroad men. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. BOILEAU].

Mr. BOILEAU. Mr. Chairman, I voted for the rule making this bill in order because I felt, and still feel, that this is the time for adequate legislation for social security; and we finally have the opportunity of acknowledging this responsibility and giving social security to the people of the country. It will be a victory for those who have during the years been asking and demanding this type of legislation.

During the consideration of this bill we will have an opportunity to offer amendments to title I, which carries old-age pensions. And during the consideration of this title amendments will be offered which will have for their purpose the liberalizing of its provisions. When these amendments are offered, I shall be pleased to support such amendments as will increase the amounts paid our aged citizens in the form of old-age assistance.

During the past few months a good deal of propaganda has been disseminated throughout the country with reference to the so-called "Townsend revolving old-age pension plan." Those who advocated the Townsend plan have demanded that we as Members of Congress support that plan without amendment. You and I have all received hundreds and thousands of letters and other communications from constituents and from others throughout the country demanding that we adopt the original Townsend plan without any amendment whatsoever. From the beginning, I felt that the original Townsend plan was economically unsound, and have not hesitated to so state on the floor, as I have in newspaper releases in my district, and in reply to letters from my constituents. I am glad to see, however, that recently Mr. McGROARTY, the Member who introduced the original Townsend plan in the House, has seen fit to submit a modified Townsend plan, and, in my opinion, the modified plan does away with many of the objectionable features of the original plan.

Mr. COLDEN. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. In a few moments if I have the time. This modified plan, as I understand it, provides that pensions shall be paid in amounts not in excess of \$200 a month, but you and I, as Members of this House, and everyone else who

has gone into the provisions of that bill and made a study of it, know very well that there will not be a sufficient amount of money provided under the provisions of that bill to pay pensions in excess of \$50 a month. If that be true, as I believe even those who support the McGroarty bill admit, then why in the name of common sense do not the proponents of that legislation, and those who are speaking throughout the country in favor of the Townsend plan, say so, and stop the propaganda still coming to Congress, even at this late day, asking for the bill which our aged citizens are told will pay them \$200 a month? [Applause.]

I am for old-age pensions and I am willing to vote for a pension plan that would pay \$50 a month. That does not bother me. What is more, I am willing to reduce the age limit in this bill down to 60 years, as the Townsend men demand. I am willing to accept \$50 or even \$60 a month as necessary for a decent living for those of our aged citizens who are unable to provide for themselves. I am willing to reduce the age to 60 years, because I know that people over 60 years of age cannot find jobs in industry; but I as one Member of this House take this occasion to say that I cannot vote for the Townsend plan so long as it contains its present taxing provisions. I cannot vote for a transaction tax because it would "run out of business" every small industry in this country.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. I yield.

Mr. COOPER of Tennessee. I remind the gentleman that Dr. Townsend himself when he appeared before the Committee on Ways and Means on the original bill stated that he intended and desired that Henry Ford and John D. Rockefeller and Morgan and Mellon and men of that type should share under his plan.

Mr. BOILEAU. They sure will share, not only in the pension, but in the benefit they will derive by knocking every small industry out of business—and why do I say that? This transaction tax would be levied against each and every transaction, and let me give you a few illustrations. Take, for instance, the chain stores. They do not buy from the wholesaler, they buy direct from the manufacturer, and thereby eliminate that one transaction, which is 2 percent. They buy direct from the manufacturer and distribute it to their own stores themselves. They thereby get the advantage of 2 percent over the independent merchant.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. In a moment. Let us take the automobile industry. Take the large manufacturer. He owns his own mine, he does not have to buy the ore, and he owns his own smelters. He transports the ore from his own mine to his own smelter and he avoids paying a tax on that transaction. He takes the steel into his factory. He owns his own timber and he avoids paying a tax on the timber because he owns the timber himself. He takes it to his own sawmills and brings all those materials into his factory without paying a single transaction tax. He does not have to buy these materials, because he operates on a large scale and manufactures his own raw materials. He pays the tax only on the ultimate selling transaction. The independent, the small manufacturer, has to pay the tax on his steel, on his tin, on his wood, on his glass, and rubber, and tires, and all those things, so that he has to pay a pyramided sales tax that will amount in many instances from 12 to 15 percent. The large manufacturer would have that much advantage over the small industry which assembles these products, and the result will be that the small man is put out of business. I yield to the gentleman from Oregon.

Mr. MOTT. The objection the gentleman raises, which is valid in the opinion of everyone, has already been met by an amendment that will be proposed in case the modified McGroarty bill is offered.

Mr. BOILEAU. If the Townsend plan is to be amended as to age and benefits and they are going to accept 65 years and all these other provisions, why talk about the Town-

send plan, why not talk about our plan and get down to brass tacks? [Applause.]

Mr. DINGELL. Mr. Chairman, I call the attention of the gentleman to a statement of Dr. Townsend himself before the Ways and Means Committee. He said:

It has been very obvious to all of us that it would be quite impossible to start pensioning all of the old folks who have attained the age of 60 at one particular time, but it is also very obvious that it will take several years even to register them—a good many months. Now, if we were to start at the age of 75, we will say—

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman from Wisconsin 2 additional minutes.

Mr. DINGELL. It is obvious to the gentleman, then, according to the statement of Dr. Townsend, that they have abandoned the idea of the 60-year pensionable age and have gone to 75. In this bill we start at 65, which is a reasonable compromise.

Mr. BOILEAU. Now, I want to point out the various obstacles to the Townsend plan.

As far as the State of Wisconsin is concerned, we are largely a dairy State. I received a telegram this morning from one of the large weekly newspapers in my district. It is the largest paper in one of my largest counties. This telegram stated that 90 percent of the people of Wisconsin are in favor of the Townsend plan and that if I did not vote for it at this session I would not have a chance in the next Congress.

Now, I am perfectly willing to accept that challenge. I do not know whether the people of my State are 90 percent in favor of the Townsend plan or not. I presume the author of the telegram must have meant the Townsend plan as it was originally written, because he got in touch with me some time ago and wanted my support of the original plan. He apparently does not know it has been greatly modified. But in my humble judgment, I can go back to my people and explain to them the obnoxious provisions of the Townsend plan and I will rely upon their good judgment to at least not vote against me on that issue. They may vote against me and defeat me for other reasons.

Mr. RANDOLPH. Will the gentleman yield?

Mr. BOILEAU. My time is very limited, but I will yield.

Mr. RANDOLPH. I just want to say that handling it in that way will raise us all in the estimation of the country.

Mr. BOILEAU. Now, this transaction tax will simply mean that the small crossroad cheese factory will be kicked out, because they do not operate on a 2-percent profit. The Kraft concern, for instance, and other large processors and handlers, could operate cheese factories and process the cheese without paying that one transaction tax, which competition will knock every small cheese factory out of the State of Wisconsin. The same thing will happen to our creameries.

In Wisconsin and all over the dairy sections of the country the Atlantic & Pacific Tea Co. have their own condensories. They would avoid that one transaction tax. If they had a 2-percent differential, they could knock out every condensory in my section. They would have such an advantage over the small, independent milk plant that the independents and cooperatives would be forced out of business.

I submit to you that the provisions of the Townsend bill with this transaction tax would absolutely wipe out all small, independent business. It would tend toward further monopolies, mergers, and combines. It would be the death knell to the small business man of this country, and I for one cannot favor it. It would tend to create more and more chain stores.

The gentleman from Oregon [Mr. Morr] said they were going to offer an amendment to do away with it. How do they propose to raise the money? I would like the gentleman to reply briefly.

Mr. MOTT. The amendment that I suggested to the gentleman, and which will be offered in case the revised McGroarty bill is presented and held germane, would follow

section 2, after line 16, on page 6 of the printed bill, H. R. 7154, which is the section providing for the 2-percent transaction tax, and would read as follows:

*Provided, however,* That in the case of manufactured articles made by assembling together component parts thereof, such as automobiles, machinery, furniture, etc., the transaction tax herein provided shall be levied upon each of such component parts without regard as to whether the same were made by the manufacturer assembling said parts into such completed manufactured article or whether the same were purchased by said manufacturer from another; and in computing the transaction tax to be levied upon the gross dollar value of the completed assembled article there shall be added to such transaction tax a tax of 2 percent upon the gross dollar value of each component part thereof upon which a transaction tax has not been paid: *And provided further,* That in cases where the manufacturer of an article upon which a transaction tax is payable is also the producer or owner of the raw material from which said article is manufactured, then the transaction tax of 2 percent upon the raw material used in the manufacture of said article shall be added to the transaction tax to be levied upon such manufactured article and shall be paid by the manufacturer thereof.

In my opinion such an amendment would cure the objection the gentleman from Wisconsin was making when I interrupted him.

Mr. BOILEAU. I thank the gentleman very much. That is the multiple sales tax, nevertheless, is it not?

Now, I just want to say in conclusion that if we accept all these amendments—

Mr. MOTT. Perhaps I have not completely answered the whole of the gentleman's last question.

Mr. BOILEAU. I would like to conclude my remarks, as my time has nearly expired.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. BOILEAU. The modification referred to by the gentleman from Oregon does not prevent the chain stores, mail-order houses, and the large operators in the dairy industry, and so forth, from having such an advantage over the independent merchant and small handler of such products that will destroy such smaller industries. In conclusion, I wish to say that if we are going to change the amount from \$200 down to \$50, if we are going to change the age limit from 65 to 60 years, if we are going to change the method of raising the money with which to pay the pensions, if we are going to eliminate this multiple sales tax and so completely change the proposal, who in the name of common sense has the nerve to say that it is the Townsend plan and can give any credit to that organization for the approval of the old-age-pension plan? [Applause.]

I want to take this opportunity to say that, in my opinion, the one organization that has done more to advance the interest of old-age pensions in this country than all others combined is the Fraternal Order of Eagles, an organization that has been consistently fighting for a program of old-age pensions for many years. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. DICKSTEIN].

Mr. DICKSTEIN. Mr. Chairman, I do not suppose I have to discuss the Townsend plan very much after the gentleman from Wisconsin [Mr. BOILEAU] has left the floor. It was exactly my opinion that the Townsend plan, which will be offered as a substitute, should be voted down.

Since I have sat here and listened to the colloquy and the questions and answers by my colleagues, no one has discussed the other proposed plan which will be offered as a substitute, which is the Lundeen bill.

I want to discuss the Lundeen bill briefly, and what I said over the air about this bill on March 20, 1935, I will say again: That the Lundeen bill goes almost farther than one can imagine. It proposes to take all the money out of the Treasury; whatever is there is going to be taken out. It will require about \$14,000,000,000 to distribute \$10 a week to each unemployed person, with \$3 for each dependent. As though this were not enough, in addition everybody is to be assessed on all income he has over \$5,000. I could almost forgive him for that, but it goes still further: The workers then will take

the money—not the Government, not the Congress, not the President, but the workers—and distribute it in accordance with this plan. Now I see why all these Communists have been around my house for the last year, because I refused to subscribe to this particular plan.

Mr. Chairman, Congress is making history; it is doing something for the aged; and you and I know that when old age creeps upon one it does not affect the rich only or the poor only; it affects everybody, and God knows what a great thing it would be if the American Congress would pass an honest-to-goodness old-age-security plan and a general social-welfare plan. We must be careful what we do, however. There are some amendments that should be added to the present bill, but it seems to me the pending plan, offered by the administration, by the chairman of this committee, is very constructive, very firm, and has at least some background of policy upon which as time goes on we can construct a proper unemployment-insurance plan.

I say to you that all these so-called "plans" which spring up overnight ought to be discarded in one wastebasket. I venture the assertion that if somebody should propose a plan for \$300 a month we would get a tremendous number of letters favoring it. The people do not seem to realize that the money has got to come from somewhere; that we cannot go into the Public Treasury and take out \$14,000,000,000 and distribute it amongst a certain group of people, some of whom do not want to work.

Mr. GRANFIELD. Mr. Chairman, will the gentleman yield?

Mr. DICKSTEIN. I yield.

Mr. GRANFIELD. I understand the Lundeen unemployment plan would cost the Government \$14,000,000,000 a year.

Mr. DICKSTEIN. Yes.

Mr. GRANFIELD. And the original Townsend plan would cost the Government \$24,000,000,000.

Mr. DICKSTEIN. That is approximately correct.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. DICKSTEIN. I yield.

Mr. DUNN of Pennsylvania. Will the gentleman please state the source from which he gets the figures that the Lundeen bill will cost \$14,000,000,000 a year?

Mr. DICKSTEIN. Because it starts at age 18 and considers every able-bodied worker above the age of 18, the farmer, the butcher, the grocer, the errand boy, everybody is included in this plan; and the whole country would be working for the Government.

Mr. DUNN of Pennsylvania. One more statement, if the gentleman will permit. I think the gentleman is mistaken. If the gentleman will read the report he will find that a university professor of New York City maintained it would not cost more than \$6,000,000,000 at the outside.

Mr. DICKSTEIN. My opinion is just as good as the professor's opinion.

Mr. DUNN of Pennsylvania. The pension plan only calls for \$10 per week with an additional \$3 for dependents under a certain age.

Mr. DICKSTEIN. I have gone to the trouble of taking pencil and paper and figuring out how many aged people and how many young people there were, beginning at age 18, and I say to the gentleman from Pennsylvania that it will take more than \$14,000,000,000.

Mr. DUNN of Pennsylvania. The gentleman is mistaken in his figures, however.

Mr. MILLARD. Mr. Chairman, will the gentleman yield for a short question?

Mr. DICKSTEIN. I yield.

Mr. MILLARD. I understood the gentleman to say that the Communist Party endorses the Lundeen bill.

Mr. DUNN of Pennsylvania. It is a humanitarian measure. More power to the Communists for endorsing it.

Mr. DICKSTEIN. It is a fact they have endorsed it. I do not say that the gentleman from Minnesota [Mr. LUNDEN] introduced his bill for any ulterior purpose. He took his action in good faith, but I say to you that this proposed bill, in my opinion, is nothing but an out-and-out communistic

program—that is the Lundeen bill, which seeks to distribute the wealth of the country in one form or another. I say to you that now I can understand why these Communists have paraded around my home and my city with big placards, demanding that we support and vote for the Lundeen bill, because it is going to put everybody over the age of 18 years on Uncle Sam's pay roll.

Mr. DUNN of Pennsylvania. Mr. Chairman, I know the gentleman desires to be very fair; will he yield for a short question?

Mr. DICKSTEIN. I yield.

Mr. DUNN of Pennsylvania. What would the gentleman say should be done to take care of the aged and the unemployed today? How much money does the gentleman think would be needed to take care of them?

Mr. DICKSTEIN. I want the gentleman to know that I will support any social legislation that is reasonable. I will go as far as any man in this House. I believe that an old man or an old woman who has done something for his or her country should be taken care of properly.

Mr. DUNN of Pennsylvania. I agree with the gentleman.

Mr. DICKSTEIN. I say, however, that if we are going to have legislation let it be on a constructive basis. We do not want any communistic platform or principles in the American Government. [Applause.]

Mr. DUNN of Pennsylvania. Does the gentleman believe that the gentleman from Minnesota [Mr. LUNDEEN] had that in mind when he proposed his bill?

Mr. DICKSTEIN. I do not charge that to the gentleman from Minnesota. They sold him a bill of goods when they gave him that bill; and I am surprised, even though I have the highest respect for the Committee on Labor, that that committee should have reported that kind of bill to the House.

Mr. DUNN of Pennsylvania. It is because we are very progressive, very intelligent, and very humane that we reported that bill out.

Mr. DICKSTEIN. But the gentleman and his committee were too "progressive" when they voted out that bill.

Mr. DUNN of Pennsylvania. In connection with anything we do which is humanitarian we are accused of being Communists, but I am glad to be a Communist if it is going to provide adequate old-age pensions and adequate unemployment insurance.

Mr. DICKSTEIN. The gentleman does not have to be a Communist to support old-age pension and old-age security legislation. I am with the gentleman and compliment him for his attitude. He does not have to be a Communist to support such measures, but when he votes out a bill which provides that the workers will distribute the money and we have nothing to do with it and the President has nothing to do with it—the workers going to the Treasury and taking out \$14,000,000,000—I say it is not practical.

Mr. DUNN of Pennsylvania. The Labor Department is the Department which according to the Lundeen bill provides the money. That is in the Lundeen bill.

Mr. DICKSTEIN. I do not yield further.

Mr. Chairman, I will support any social-security bill which will definitely and positively care for the aged and the unemployed.

Not since the days of Woodrow Wilson and that history-making Sixty-third Congress, when so much important legislation was put on our statute books, has there been a Congress which did as much for the people of the United States as the present one. When hundreds of years hence, history of the United States will come to be written in terms of achievement we will have to hearken back to the debate of this floor which has now been conducted for several days to find such constructive and solid achievement of government. Our legislation today is record breaking and the statutes we are enacting today will forever lift the specter of want and depression from the shoulders of the American people. We are providing in short for social security, the security of every man and woman who is gainfully employed to see to it that they are not caught again in the throes of unemployment, and security provided for old age so that when

men and women have passed their prime and are no longer in a position to be gainfully employed, the community should step in and save old age from want. Such in brief are the purposes of the bill, and such in brief are the ideals which this administration wishes to enact into law by way of stabilizing and assuring our people of a fair and honorable living.

Now, as to the means, the bill before the House is particularly commendable because of the fact that it places the burden of providing for social security on the several States rather than the Nation. It will encourage the States in making every liberal provision for old age and unemployment insurance as its finances may allow, and at the same time gives the Federal Government the right to supervise the vestments of the funds to be used in connection with the several features of the new law. The Federal Government is also going to match all of the funds in old-age insurance so that for every dollar a State may contribute in that connection the Federal Government is likewise going to contribute a dollar, with the proviso, however, that at no time shall the Federal Government be obligated to pay more than \$15 per month for any one person. It, therefore, establishes a sort of standard of old-age insurance at the rate of \$30 a month, which, while it may not be sufficient to make an old man live in affluence, nevertheless, it would definitely remove an old man or woman from the rolls of public charity. Personally, I should favor the law to be amended so as to provide for a minimum of \$50 per month for the support of the aged.

The advance of science resulted in large numbers of men and women living to a ripe old age so that the number of people who would be dependent on old-age insurance is likely to grow with the years rather than diminish. It is estimated that in years to come there will be 15,000,000 old people in the United States over the age of 65, although at the present time there are only 7,500,000 men and women in this country who are over 65 years of age. Out of the 7,500,000 of old men and women approximately 1,000,000 are now dependent on public support, the great majority of them being on relief. In order to permit an individual to establish for himself old-age insurance, the Government is going to sell directly to everyone in the United States an annuity which will mature at the age of 65 years and which will enable anyone who wishes to carry his own insurance to do so at cost. The Government has not yet prepared any schedules to show in detail as to how this plan will work out, but undoubtedly this plan will become very popular, and there is no question but that large numbers of people will avail themselves of the opportunity of carrying their own insurance against the vicissitudes of old age. This will, of course, relieve the communities from the burden of caring for old men and women and will supplement to a very large extent the Government's program for social security.

Old-age security is not the only feature of the bill. Unemployment is even more of a curse of modern society than is dependent old age. Some plan of unemployment insurance had therefore to be devised if ours was to be a country where the individual was to live happily and enjoy the blessings of civilization. We must not permit a condition of affairs to arise where large numbers of men and women should find themselves an object of public charity because of their inability to secure employment. In this connection many plans have been proposed and many plans will be brought up on the floor of the House before the final vote is taken on the measure. There are plans which throw the entire burden of unemployment insurance on the State, others throw it upon the employer, and still other plans divide the burden between the employer and the employee. The bill as it stands seeks to impose this tax on the employer only, but each State is free to assess the cost not only on the employer but likewise on the employee, and as it appears from the report of the committee the State of Washington has already created this liability on employer and employee alike.

But no matter how unemployment insurance is to be handled, and irrespective of the method adopted, it should be

conducted on a sound actuarial basis free from any paternalistic form and free from any appeals to public prejudices.

I was always in the front ranks of those who believe that the "laborer is worthy of his hire"; who believe that labor should be adequately paid for its efforts. I believe that wages should be adequate to enable the worker to enjoy his life and to reap the benefit of his toil for himself and his family. I believe that the worker should be adequately compensated, adequately housed, adequately clothed, and adequately taken care of, but I do not believe that anyone should be supported by the Government or should become the ward of our Government.

If pernicious legislation of the type of the Lundeen bill is allowed to prevail, it will create a drain upon the Treasury which will eventually destroy this Government. We cannot live on bounties and we cannot create money out of nothing. This country has achieved its standing in the world through the labor of its masses, and only by labor can we expect to thrive and succeed.

I have always been a sponsor of the interest of the masses and the interest of labor. While a member of the State legislature and a Member of the American Congress, I always sponsored legislation to help, aid, and assist labor, and was always endorsed for election by labor as a legislator, who has the interests of labor at heart, and whose work benefits the toiling masses of our people. I belong to the same class to which my constituents belong, the class which works with brain or brawn, and which earns its living by the sweat of the brow.

I am therefore heartily in favor of this legislation, will support it in every way and feel that the interest of our country lies in the intelligent settlement of the great problem of old age and unemployment, which this bill so intelligently attempts to solve.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Vermont [Mr. PLUMLEY].

Mr. PLUMLEY. Mr. Chairman, I favor the enactment of titles I, IV, V, and VI of this act, covering as they do the provisions for old-age pensions, for maternal and child welfare, and for public health.

They seem to offer a hope of the solution of the problem of relief from that want and distress which eats out the very soul of many thousands, if not millions, of our fellow countrymen annually. In some small measure the provisions of this law should or ought to bring relief to and restore confidence in the body politic, without which there can be no recovery.

Old age, which comes to everyone who does not die prematurely, is a misfortune if no income has been provided with which to alleviate the burdens of the later years of life. It has taken us a long time to realize that there is a need for some safeguard against such misfortune, which no man can wholly eliminate in this world of ours.

While traditionally—and determinedly—opposed to the theory of paternalism in government and perhaps open to the charge of inconsistency, I have come thoroughly to believe that some such provisions as are contained in the titles to which I have above referred should be enacted into law.

I am constrained to admit that in the present emergency it is probably necessary that the Federal Government shall become cooperatively responsible for a contribution toward the payment of old-age pensions. I am still of the opinion that it is a matter of right should be handled by the States as such, though some of the 28 States now having old-age-pension laws, in the present emergency, are not able to carry out the provisions of the law.

My own State of Vermont, at the session of its legislature which adjourned last Friday night, passed an old-age-assistance act by the terms of which assistance is to be given to qualified persons having attained the age of 65 years. It being provided that there be a maximum of \$30 per month per single person, half of which is to be paid by the State and half by the Federal Government. A maximum of \$45 a month is provided for man and wife living together.

The portion of the expense of the act which is to be borne by the State is to be met by the imposition of a head tax of \$1 a year for the present year, and thereafter \$1.75 per year. Payment of this head tax, it is interesting to note, shall be necessary for qualification as a voter, for registration of an automobile, and makes a husband responsible for his wife's head tax.

I regret that the good and the bad, as I see it, are so inseparably joined in this measure. I read the provisions of title II and VIII and III and IX and view with apprehension the result of the enactment of the provisions therein contained. I do not know, and I cannot find anybody who does know, what may be the collateral effects of the proposed unemployment insurance upon the conduct of industry, upon the mobility of labor, upon the regularity of employment, upon wage negotiations and the level of wages, upon costs of production, and upon the element of competition in industry. I cannot find the answer in the hearings before the Committee on Ways and Means on this bill to alleviate the hazards of old age, unemployment, and so forth. However, the experience of the countries that have tried out a similar scheme to that which this measure in those titles would establish has been other than satisfactory or encouraging for us, if I can read and understand the English language. Their experience should give us pause.

Everybody knows that the real price of unemployment to every community is measured by the lost productive capacity of the unemployed. The direct cost of unemployment consists of the cost of maintaining the unemployed, but it is none the less a charge against the individual taxpayer, whether it is met out of Federal or State funds; out of local contributions or by private charity, or from any other source.

It may be that the time has come when unemployment benefits must be held to be a national charge, but the Committee on Economic Security, in making its report to the President, frankly admitted that its recommendations with respect to unemployment compensation are "frankly experimental." The plan suggested by the committee, which is before us in substance, is, according to their own admission, one that will secure the much-needed experience necessary for the development of a more nearly perfect system. They anticipate it will require numerous changes, nevertheless they urge haste and experimentation. Why the necessity for haste? I am opposed to haste and experimentation at the people's expense. I am in favor of taking more time for a more careful study of the situation, and the eventual submission of a more satisfactory plan, which admittedly might later be submitted, if we were not in such a needless hurry to act first only to be sorry afterward.

The only satisfactory cure for unemployment is work, and it is idle to expect that any system of unemployment insurance will operate well or smoothly or satisfactorily, while unemployment remains at such an abnormal level as it has reached in these United States today. Unemployment is an international as well as a national problem. It results from the industrial system under which we live, of which the workers are not the authors, but the victims.

After having studied so serious a problem as this for but a year or two, in this era of experimentation, we are ready once more to experiment at a cost so terrific as to be staggering, if we can but comprehend what the result may be if the plan does not work. Other countries, after scores of years of experimentation and study, have hesitated to do some of the very things it is suggested that we, following inexperienced, theoretical, impractical but enthusiastic economists should blindly do.

In my opinion these provisions do the very things which the President would wish to have us avoid, namely, they disregard the sound and necessary policy for Federal legislation for permanent economic security by attempting to apply it on too ambitious a scale before a more careful and prolonged study of the actual experience of other countries would provide proper guidance for such permanently safe direction of our efforts.

Because the cost may be what it may be and the benefits which are offered for our allurements are so meager, even at

best, I believe as trustees of those whose interests we are sent here to serve, and as representatives of the people we ought to have something to say about legislation, and both comprehend and apprehend the good or evil bound to result from the action we take. Titles II and VIII and III and IX are loaded with dynamite, and I shall vote for the bill containing these features, if I do, with many misgivings. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas [Mr. McCLELLAN].

Mr. McCLELLAN. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include therein a resolution adopted by the General Assembly of Arkansas.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. McCLELLAN. Mr. Chairman, the limited time allotted me does not afford an opportunity for a discussion of the various titles of the bill and the provisions therein contained. Therefore I choose to address my remarks and invite your attention to title I, "Grants to States for old-age assistance."

Before expressing my views on this chapter of the bill, I cannot refrain from voicing what I intend as, and trust is, constructive criticism of the measure as a whole. In doing so, I do not impugn the motives or sincerity of purpose of our beloved President, and the leader of my party, nor of the Ways and Means Committee, who, after extensive hearings, reported the bill in its present form.

In this bill we are attempting to legislate on at least six different subjects, either one of which is of such magnitude and importance as to merit and command independent thought, consideration, and action. In my humble judgment the wiser course and policy would be to bring in separate bills for each title and subject treated in this measure. This is an omnibus bill and contains many good features and seeks a worthy objective, but there are also many objectionable provisions that should be eliminated. And notwithstanding several amendments may be adopted, in the final analysis, we shall be compelled to take the bad in order to preserve the good, or defeat it. I regret exceedingly our President and the Ways and Means Committee have deemed it wise to have these various subjects considered in an omnibus bill of this fashion. I am hoping I can support it on final passage, but I shall do so reluctantly and only because I am convinced it is the best that can be done at this session of Congress, and with the hope that it lays the foundation on which we can later build a structure of social and economic security worthy of democracy, and which is so sorely needed in this time of our greatest social and economic distress.

I am greatly interested in the provisions of title I. It is gratifying that the national responsibility and obligation to provide assistance to those of our citizens who, by reason of the infirmities of old age, can no longer earn a living, is being recognized and given legislative sanction. But the indirect way in which it is proposed this recognition shall be given warrants severe criticism. By the terms of this bill we make the obligation of the Federal Government direct to the several States, and in the nature of Federal aid to the States. Whereas the obligation of the Government is direct to every American citizen who comes within the class to be benefited, irrespective of State citizenship. This bill attempts to discharge the national responsibility in an indirect way and this policy is wrong and will result in unjust and harmful discrimination against citizens of the poorer States and favor those of the wealthier States.

This means that some American citizens, 65 years of age and older, will receive \$15 per month out of the Federal Treasury, this by reason of their State citizenship. Whereas other American citizens of the same class and circumstances will be denied this aid because the States in which they happen to reside are unable to raise revenues to match Federal funds. This principle is wrong, inequitable, and is unfair and should be eliminated from this bill.

We may concede, without admitting, for the purpose of this discussion, that there is equal responsibility on the State governments and the Federal Government to provide this relief. If this is true, and the State is unable to meet its obligation in this respect, this does not justify the Federal Government in refusing to discharge its share of the obligation to the individual citizen.

Whether an old-age pension is treated as a gratuity, given solely in the nature of relief and charity, or as compensation merited by reason of loyal citizenship over a period of years, the principle involved is the same. If the Federal Government is going to make a gift to a class of its citizens, it should not give to some and withhold from others. Such gift should not be contingent upon the financial circumstances and ability of the State in which the citizen lives to match dollars for the same purpose with the Federal Government. If any State cannot carry its share of the burden this is all the more reason why the Government should discharge its share of the obligation rather than withhold it. State boundary lines should not be regarded. If it is a gift, the grant should be made, insofar as the Federal Government is concerned, to every citizen alike who qualifies as to age and financial circumstances. If it is considered a debt the Government owes, compensation, payment, or reward for services rendered, the same principle should apply.

My State is unable to meet the responsibility this law imposes, and I am persuaded there are other States that will be unable to raise sufficient revenues to match Federal funds, and thus the citizens of these States are going to be denied equal consideration by the Federal Government in this very worthy and commendable undertaking.

We must remember in this program we are dealing, not with property rights, but with human beings—with life itself, seeking to make it more secure. The purpose of this legislation is, or should be at least, to enable a class of our citizens to have and enjoy as they face the setting sun such comforts of life as humble necessities afford. These benefits should not be offered and made possible to some and withheld and denied others. If our Government is going to make a gift or payment for the benefit of her citizens of a certain age who have no means of support, or pay to them a merited compensation, it should be equitably distributed to this class regardless of their local residence. We must acknowledge that the Government has ascertained its ability and the propriety of paying \$15 per month to this class of her citizens; therefore, justice demands that this blessing be spread upon the table for all and denied to none within this designated class.

The amount of the appropriation, \$49,750,000, carried in this measure is inadequate. There are 7,500,000 persons in the United States 65 years of age and over. In my State there are 75,000 of this age. On this basis Arkansas would receive approximately \$1 out of each hundred of this appropriation, or approximately \$500,000. Of the 75,000 citizens in Arkansas 65 years of age and over, at least one-third, or 25,000—and this is very conservative—can and will qualify for these benefits. A very simple mathematical calculation shows that this \$500,000 would only provide \$20 per year, or \$1.67 per month for each citizen in Arkansas entitled to this aid. Assuming this sum is matched by the State, the State and Federal funds will only provide \$3.33 per month per person. This is wholly inadequate to provide any measure of substantial relief. It would be ample, possibly, to provide for a man and his wife the funds to buy a bottle of liniment for him and a box of headache tablets for her each month. If this be charity, my friends, it is small indeed. If it is compensation, it is too meager to mention.

If this bill is enacted in its present form it will prove a great disappointment to those whom it is designed to aid and assist. It will discriminate against citizens of the poorer States and favor those of the more wealthy. To that extent it is undemocratic, and we should amend this bill—and I trust it will be—so that the national responsibility, here recognized, to this class of our citizens shall be discharged

equitably and without discrimination against any American citizen regardless of his State citizenship.

I sincerely hope we will rise to the occasion and amend this law so that its benefits, although limited, will be denied to none whose age and circumstances qualify them for this assistance. [Applause.]

Mr. Chairman, the following is a copy of House Concurrent Memorial No. 8 of the General Assembly of the State of Arkansas:

**House Concurrent Memorial 8**

*To the Honorable Senate and House of Representatives of the United States of America in Congress assembled:*

We, your memorialists, the General Assembly of the State of Arkansas, respectfully represent that—

Whereas the Congress of the United States of America has now under consideration before the House Ways and Means Committee House Resolution 4120, by Mr. DOUGHTON, of North Carolina, which resolution provides for the payment of Federal pensions to needy and destitute citizens who have reached the age of 65 years; and

Whereas the provisions of this resolution require that the various States of the Union shall make an equal contribution to such pension fund before they, as such States, shall be entitled to the benefits of such old-age pensions; and

Whereas the State of Arkansas, with other States of this Union, are at this time in such financial distress that they are wholly unable to raise any appreciable funds for this great and pressing need, thereby depriving our citizens in sharing the benefits bestowed upon those of other and more favored States, possessed of much greater financial wealth and resources: Now, therefore, be it

*Resolved by the House of Representatives of the State of Arkansas (the senate jointly concurring therein),* That this assembly petition and memorialize the Congress of the United States of America, now in session at Washington, D. C., to take such action as to amend House Resolution 4120 that this most pressing need and worthy benefit may be received in some degree at least by those States which possess no resources at this time for this most worthy and humane purpose.

Approved March 21, 1935.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, may I request at the outset that I be not interrupted during my remarks. I will be glad to answer any questions when I get through with my main discourse. Let me state, Mr. Chairman, that insofar as the advocacy of old-age pensions and unemployment insurance is concerned, I yield to no man in this House as to a keener desire to serve the needy of this country. As far back as 1922 I have taken an active, energetic interest in the program sponsored by the Fraternal Order of Eagles and I have been of some help to that great organization.

Mr. Chairman, I want to point out at this time that the present administration under the leadership of President Roosevelt has undertaken to take care of the needy people of this country and he is particularly interested in the aged and infirm and underprivileged. He is interested in providing a method guaranteeing the future of those who today are able to purchase for themselves annuities which will be ample to provide for their declining days after they attained the age of 65.

Mr. Chairman, this bill has been under consideration by the Ways and Means Committee for over 10 weeks. We have had every conceivable kind of advice in connection with its possible operation and result and the fair-minded Member of the House will concede that the Ways and Means Committee is as generous toward the wishes of the membership and towards the needs and wishes of our people as is any other committee or any other Member of the House.

The Ways and Means Committee has taken into consideration the possibilities of this far-reaching measure and the ability of this Government at this tragic time to extend itself beyond reasonable limits. This administration has undertaken a broad, general program, adding this measure for social security, such a bill as has never been contemplated before; yet, in spite of that, we are faced today with a clamor for extreme radical legislation that has no basis for claim in this House at this time.

The members of this committee concede that while we would like from the very outset to create a bill that is perfect, it is humanly impossible to do so. We have examined and analyzed the practice and the experience of foreign

countries with respect to similar legislation. We have examined the laws and the practice and whatever experience the respective States may have had with similar legislation, and with all this the committee has whole-heartedly gone into the building up of a bill that will meet the test of time.

It is manifestly clear that under the Doughton bill (H. R. 7260), with the volume of taxes and moneys coming to the Government for ultimate distribution to the needy of this country, billions will have to be collected and disbursed, and we must proceed in a cautious, careful manner.

Let us analyze, for example, whether or not the pension provision, or title I, of this bill is generous or not, at least as a first step in the proper direction. The average monthly relief cost in my State, which is Michigan, amounts to \$30.22 for the average family with dependents, and the average relief cost in the United States of America is \$25.83. Under the terms of this bill, if a State meets the \$15 contribution of the Federal Government, an aged couple without dependents will receive the amount of \$60 monthly from the State and Federal Governments. Roughly speaking, this is twice as much as families with dependents are receiving in my State today, and better than twice and a half the amount of the average over the United States of America. If this is not a generous, a good start, then we cannot appeal to the fairness of the Membership of this House.

My predecessor on the floor stated that the bill is niggardly and that it provides for only \$50,000,000 on the part of the Federal Government, but he failed to take into consideration the fact that this amount is only for the first year. He failed to take into account the fact that the average State will have to enact laws to meet the minimum requirements of this bill, and this will take anywhere from 1 to 2 years, and in some instances, unless the Governor calls a special session of the legislature, it will take even longer, and therefore the entire 48 States will not be drawing upon the Federal Government for their pro rata allowance. However, the bill provides that for the second year and thereafter as much as is necessary to meet the demands of the respective States will be appropriated by the Federal Government.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield.

Mr. VINSON of Kentucky. May I suggest to the gentleman that \$125,000,000 was in the original draft, but in the final draft of the bill (H. R. 7260) the committee allowed a sum sufficient to meet all demands of the States.

Mr. DINGELL. That is correct.

Mr. VINSON of Kentucky. And may I further say that this \$50,000,000 for title I is on a 50-50 basis, which means \$100,000,000 for old-age pensions in the first year. This sum is three and a third times the amount of money now being expended for old-age pensions in the 48 States.

Mr. DINGELL. I thank the gentleman from Kentucky.

Mr. MARCANTONIO. Mr. Chairman, will the gentleman yield for a question in that connection?

Mr. DINGELL. I yield.

Mr. MARCANTONIO. Will the gentleman explain why the committee felt it was necessary to have a means test under title I? Does the gentleman think that is necessary?

Mr. VINSON of Kentucky. If the gentleman will permit, there is no Federal test. It is left wide open to the legislatures of the State to determine who is without subsistence and who needs pensions in order to have a suitable subsistence.

Mr. MARCANTONIO. So it is the opinion of the committee that this legislation by no means imposes on the States the necessity of requiring a means test?

Mr. VINSON of Kentucky. The legislature will set forth certain requirements, but there is no means test so far as the Congress is concerned. It is left open to the States to determine who should have the benefit of the measure.

Mr. DINGELL. That is correct.

Mr. KENNEY. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New Jersey.

Mr. KENNEY. The gentleman stated that the pension systems of foreign countries were considered by the Ways and Means Committee.

Mr. DINGELL. Yes.

Mr. KENNEY. Did the committee consider the system in vogue in the countries of Norway and Sweden?

Mr. DINGELL. I could not say as to the Norwegian and Swedish systems, but the experience of European governments, as a whole, has been rather unsatisfactory and did not give the committee any encouragement. In the final analysis, as a whole, the pension schemes and plans in the European countries have fallen down.

Mr. KENNEY. The gentleman does not mean to say that the Norwegian plan has fallen down?

Mr. DINGELL. I am speaking of European systems as a whole. I am not singling out the Norwegian system at all.

I may say to the gentleman that so far as the work of the committee in connection with this legislation is concerned, we are taking into consideration and covering more territory and undertaking to take care of more people in a more generous way than any other similar plan that was ever advanced, at less cost to the citizens of this country than in any similar instance in the world.

Mr. KENNEY. I realize that, but I do not think the committee has gone the whole way as it could and as it should.

Mr. DINGELL. It is entirely possible that the committee, in its humanly deficient way, would probably fall short in examining everything in the most detailed manner.

Mr. RANDOLPH. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield.

Mr. RANDOLPH. I agree with the gentleman from Michigan, who is a member of the committee, and compliment the committee on its splendid work, and I only wish to call the attention of the gentleman to the fact that the Denmark system of old-age pensions has worked successfully.

Mr. DINGELL. Has it met every test thus far?

Mr. VINSON of Kentucky. If the gentleman will permit, may I say in this connection, referring to the Denmark system, which the gentleman from West Virginia says has worked so satisfactorily, that it is on a noncontributory basis, and that for men the maximum monthly pension is \$9 to \$15.17; for women from \$8.42 to \$14.33; for married couples, both over the age of 65, from \$13.42 to \$22.50. This is the maximum monthly pension, with exchange at par, and I may say to the gentleman from West Virginia [Mr. RANDOLPH] that my friend from Michigan is correct in saying that the plan submitted to the House, which we are now considering, for old-age pensions, if enacted, will afford the greatest benefits of any country in the world.

Mr. RANDOLPH. Will the gentleman yield further?

Mr. DINGELL. I yield.

Mr. RANDOLPH. The reason that I spoke about the Denmark plan was because Ruth Bryan Owen, our Minister there, is familiar with it, and she has said that the plan is working well.

Mr. KENNEY. I wish to compliment the Ways and Means Committee on the job they have done in this bill, but I would like to ask the gentleman from Kentucky whether we cannot have a more liberal old-age pension than any other country anywhere in the world?

Mr. DINGELL. Mr. Chairman, I refuse to yield further. Mr. Chairman, I want to call the attention of Members to the fact that this clamoring for liberalizing the payments is something that you can take care of in your own respective States. If you want to pay \$50 per month you can do so, but it seems to me that the Federal Government is liberal enough when it starts the thing along with \$15. The individual State can pay \$35 additional if it chooses.

My personal opinion is that if the Federal Government agreed to meet the individual States in any amount that the State legislatures might determine to pay its worthy aged citizens it would be in perfect order, because there will be a natural ceiling that the legislature will fix, when the demand becomes unreasonable the taxpayer will see to that. The taxpayer and pensioner must both be considered. Therefore, even if the limitation imposed by the Federal

Government were entirely eliminated, a natural ceiling will be found in every State and will be established by the State legislature, governed by the sentiment of the people, particularly by those who are called upon to pay the tax.

My time does not permit further discussion of the provisions of this bill. The people are interested, however, in the various titles of the bill. The case of crippled children, dependent children, widows eligible for pensions, public-health services, and the unsolved question of unemployment insurance which is a recognized curse. We must master this problem regardless of the method employed, and we must do so at the earliest possible date. The specter of unemployment stalks the peace and contentment of our citizens and a solution is mandatory.

However deficient the bill might be, Mr. Chairman, and I allow it is not perfect, it is nevertheless a good start. Future sessions of Congress can in the light of experience correct and liberalize the law. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, in the consideration of this bill the first question which comes to me is, "Why has the United States been the last major country to give serious thought to the consideration of a comprehensive and adequate social-security program?" One must remember that we have gone along under a monetary and industrial system which has not only permitted, but one might say it has encouraged, great "washing outs" of savings, accumulated surplus, and both private and corporate capital structures. These "wash-outs" have occurred each and every time a great economic depression has taken hold of our economic structure, and they have come without the consent, without contributory negligence on the part of our people, and against their thrifty habits. The great mass of our people have been the victims of these great forces over which they had no direct control. I believe that all who think must agree that when the "social security" of a people passes away, they immediately begin to lose faith in the monetary and political structure under which they find themselves at the time. As we have clearly witnessed the last few years, and as we now witness, the people so afflicted revolt against the contemporary monetary, political, and administrative program.

Actual and estimated Federal expenditures for the 3 years 1934, 1935, and 1936 will, no doubt, approach \$24,000,000,000. A very large proportion of this is, of course, for direct and indirect relief. In other words, it will have been spent for momentary "social security"—relief in the form of fats, fabric, and fiber—for a vast number of our people who are direct victims of the most recent "wash-out." Based upon the figures presented on page 15 of the report, we find the estimated Federal income from taxes here proposed will, within the next 15 years, amount to \$15,000,000,000 under title VIII, sections 801 and 804, and under title IX about five and seven-tenths billions, or a total of \$21,033,700,000—just three billions less than our total appropriations estimated for 1934, 1935, and 1936.

Under a plan such as that set forth in this bill there will be some system and pegging down and control and balance of the raising of the funds, the making of the appropriations, and the administration of the expenditures that must necessarily follow. This daily thought of having to provide the funds for the purpose of creating reserves through appropriations, to meet such expenditures hereafter, will be a constant reminder of the suffering that comes through these "wash-outs." It will, in my opinion, have a great tendency to cause us to figure the cost as we go along and thereby bring about a "national spirit", operating as a great force against those other forces which have occurred so often and which have been so ruthless in their attack and in their destruction through the "wash-out" methods too long applied to and against the great mass of our people. These "wash-outs" that have come so consistently and with increasing havoc will surely come again unless we set in motion forces that will prevent them. Our constant thought dwelling on the payment of the taxes here proposed, the



plans whereby the necessary appropriations will be made, and the administration of the funds flowing from those appropriations will, without question, have a wholesome influence on all of our people and thus help us to comprehend more fully the necessity of maintaining "social security" for the masses.

With regret I must acknowledge this bill does not, at the moment, give aid to those who are now in such dire need. This need must be cared for otherwise. It is also evident several years must come and go before the reserve funds, provided out of taxes to be paid, can show their strength in giving relief. As it is necessary to produce before there can be great distribution of wealth to the masses and thereby raising the level of individual possessions, just so is it necessary to give time in which to accumulate reserves out of which distributions may be made. We must not overlook the fact, however, that many of the benefits called for by this bill—such as those to dependent children and for the maternal and child-health services and service for crippled children and child welfare—can begin to operate without delay and on the completion and approval of the plans required to be set into operation by the respective States. The great tragedy which has come to those in our rural communities particularly and in areas specifically affected by the great economic distress of the past 4 years, calls for prompt action and cannot await the creation of reserves through the accumulation of a slowly working tax-collecting system. It is now mandatory on the part of Government to give this service without further delay or else we shall have to pay for it tenfold in the years to come. The great social harm now taking place through the destruction of the physical forces of those people who are the victims and who have not sufficient nourishment and mental and spiritual food that flows to them when life is full and complete, must be arrested.

This bill recognizes the institution of national relief as a permanent one. It recognizes the unemployment problem as one that will never pass away and old-age benefits as no longer in the main attainable by the individual.

One might make the observation that this is a "sorry day" in the life of a nation when opportunity for individual effort and accumulation and preservation of the labors of one's life work is no longer to be had. However, I for one am of the opinion that our method of mass production, specialization, classification, and failure to recognize sound methods of distributing as between worker and capital, the buying power of that which is produced, has brought us to this period in our national life. Certainly that class which we call our "agricultural workers" has not had its share of what was produced. As proof of this statement I only refer to the great agonies which the several Congresses since 1920 have passed through in their attempt to provide some sort of national legislation as would more equitably deal with the farm population. May I also refer to the "Garden of Gethsemane", through which this Congress shall have to pass in further dealing with this very problem. Just so long as these great inequalities exist, just so long will there be a growing need for legislation of the nature here proposed, and so much greater will be the need. I wish to express the hope that in our saner hours and when the pressure of distress is less exacting of our time and energy, we may set about providing means of production, distribution, and exchange which will make a great amount of the Federal relief here proposed entirely unnecessary. This by reason of the fact that the individual may be in position to again return to self-preservation and reliance and dependence in old age as well as in early and middle life. At one time this great country boasted of the existence of that very position. Wherein and how did we lose it? To me that question is very fundamental. Shall we now admit there is no longer such a chance for our people? Have those organic opportunities gone forever? Have we "slipped" in our political, monetary, and legislative performance? Is it now too late to make correction of our bad national habits? Shall we now admit that America no longer offers the oppor-

tunities of the past to the present and those coming generations?

Every Member of this House knows very well our people expect this Congress to enact adequate and fair social legislation, especially insofar as the old people who are now without income are concerned. Personally, I do not believe we should stop with providing only for "old-age benefits." I feel we should take a step toward providing for this unemployment problem. I believe our economic and industrial conditions are such as to make it practical and wise to provide adequate old-age benefits. I think our social, industrial, political, and spiritual situation is such as to demand that we, in this session of Congress, shall do this very thing. Insofar as legislation can make it possible, I am of the opinion we dare not evade this responsibility any longer. Speaking politically, it is my firm belief it will be a sorry day for the present administration and for the one that follows—let it be Democratic or Republican—if this matter of "old-age relief" is not provided for.

There are now too many men in this country between the ages of 55 and 65 who have, through no fault of their own, had taken from them all income and all accumulated surplus of the frugality of prior years. You know the facts as well as I. These people I refer to are not visiting Washington. They are not sending telegrams nor writing their Representatives what to do. They are quietly thinking, debating, praying, and considering in private homes, on the streets of our villages, at our church meetings and in conference with pastor, priest, and physician, these great economic disasters which visit our people too often, leaving them without income, without jobs, homes without a market value and all bringing about the loss of their savings as represented by homes, stocks and bonds, deposits in bank checking and savings accounts, and a situation wherein their children of 25 to 35 years of age cannot secure a job. These men, now dependent, have been expert workmen in factory; have served long arduous hours in the fields. Many of them are skilled in the arts and sciences of commerce, transportation, banking, and the professions. All their lives they have been good, honest, thrifty citizens making up the backbone of our Nation. Now, they will not be content to be discarded and thrown into the scrap heap like an old tin can out of which the food has been taken. They deserve and expect decent treatment. Again their demand will be exercised in the form of the ballot as it was in 1932. There is a rising tide of discontent gathering momentum throughout this Nation. It is growing more bitter every day. The signal flares are breaking out from the most unexpected sources. Our people have been believing, patiently waiting, and expecting the "light", but hope is waning now because of so many promises that have been unfulfilled so long. This Congress dare not scrap social security. It is my opinion our people back home will not take any excuse we may have to offer them next summer and fall when we face them. Why should they? This should not be a partisan question. While engaged in industry and before giving time to matters political, I saw the need of legislation along this line. Today I see a greater need for such legislation and I am in favor of passing it this session of Congress.

Mr. Chairman, H. R. 7260 is filled with good and bad. I think it will be a tragedy if this bill is not in some way made more acceptable and beneficial to our people in whose name it is being passed. In its present form it is my opinion it will bring great disappointment to our people. I am afraid it will impose great hardships on many. I see in it great discrimination.

Title II, creating the old-age reserve account through appropriations derived from taxes to be paid under title VIII, will prove to be one of the most far-reaching portions of the bill, both from the standpoint of taxes assessed and the effects the reserve-fund operations will have. This reserve fund will, in my opinion, play a most significant part in our entire financial and monetary structure, not only that of the Federal Government but of private industry in its mass-production form. I think our banking practices will be vitally

influenced by the operation of this fund. Table IV, page 6 of the report, indicates this reserve will grow to a minimum of say six and three-fourths billions of dollars within the first 10 years. Within 15 years this fund will probably be around \$15,000,000,000, or, say, equivalent to about 70 percent of our national debt at that time. Here I am referring only to the old-age reserve account, and we have yet to deal with the unemployment trust fund.

Now, there is no question but what these open-market operations of the Secretary of the Treasury in the investment of these two funds will play a great part in the banking and monetary policies of this Nation. We are here setting into motion great forces. I might illustrate further by saying that at the present time our banks and large corporations have invested about \$16,000,000,000 in Government securities, or, say, roughly 60 percent of our present outstanding Government bonded indebtedness, including direct and contingent obligations. It has heretofore been the custom for banks and large corporate institutions to largely carry in their portfolios bonds issued by the Government. Of course, in this manner the private individuals, who had money deposited in banks and who held equities in corporate entities through ownership of debentures, bonds, stocks, and insurance reserves, collectively held or rather owned these Government obligations. In that manner the holdings of the individuals on a collective basis were very materially woven into our financial operations and investment structure.

In this bill it is proposed that these bonds be taken from the portfolios of the banks, insurance companies, and large industrial concerns and be concentrated as reserve funds, still belonging, in a way, directly and indirectly, to the millions of our people. Will not this call for a reconstruction of the investment portfolios of first, the banks in a most material manner; secondly, those of large corporations having their idle funds invested in liquid bonds of the Government, and thirdly, the insurance companies? If the banks, deprived of their privilege to engage in the instant purchase and sale of Government bonds (by reason of a greater proportion of the outstanding bonds being absorbed through the investment of the reserve funds), must enter the general bond market it appears to me there will develop great competition as between banks, insurance companies, and large corporations (all seeking a somewhat liquid investment for their inactive deposits, premium reserves, and idle surplus) for the high class or triple A bonds of industrials and other units of government. It is also interesting to study the forces that are likely to develop as between the open-market operation of banks, large corporations, and insurance companies on the one hand versus the operations of the Secretary of the Treasury dealing in the purchase and sale of Federal obligations and the open-market operations of the Federal Reserve Board and System along the lines set forth in the proposed Steagall bank bill. Briefly, any plan which calls for removing from the open market the obligations of the Federal Government is so far reaching as to command our keenest thoughts in an attempted analysis of its consequences.

Mr. SAMUEL B. HILL. Mr. Chairman, does the gentleman yield?

Mr. CRAWFORD. Yes.

Mr. SAMUEL B. HILL. Does the gentleman object to the policy of gradually withdrawing these Government bonds from private holdings and placing them in this reserve so that to that extent the tax exempts will be withdrawn from these private holdings?

Mr. CRAWFORD. I am not equipped to say that I object to that withdrawal. The thing I point out is the staggering influence the operation of this reserve fund will have upon our interior monetary and financial structure as it has been developed in this Nation.

Mr. SAMUEL B. HILL. But it is a gradual operation, the gentleman understands.

Mr. CRAWFORD. Yes.

Mr. SAMUEL B. HILL. It did not happen over night.

Mr. CRAWFORD. Understand that.

Mr. VINSON of Georgia. And the effect of it is to take the interest now paid upon the governmental securities and

put that in the reserve account to be compounded and compounded for the increment of the reserve account.

Mr. CRAWFORD. I understand that; but the influence and effect is there just the same. We have built a bank structure today where every so-called "liquid bank" in the United States has placed the deposits which the gentleman and I and the other people have in those banks in Government bonds, and now we propose a situation which pulls those out of the investment structure of the Nation and concentrates them in the hands of the Secretary of the Treasury.

If I read title II correctly, there will have to be maintained an individual "case history" with each and every employee who contributes and who may be a recipient of the benefits of the old-age-benefit payments that are to be accumulated and distributed. Thus we can visualize millions and tens of millions of "cases" and a bureau personneled for the carrying out of the details involved. Title VIII, providing for the taxing of employees on full salary up to \$3,000, while those drawing more than this amount are taxed on \$3,000, only will appear to many as discrimination and unfair. It may be agreed the class which receives under \$3,000 are more likely to need aid to tide over than those in a higher income class, except in times of great economic disaster—then I would assume they are about equal in actual need. The employer deposits 3 percent on same class and amount of wages as the employee pays his 3 percent on. The worker may, theoretically, receive back 3½ percent of the total taxed wages, or the wages on which tax was paid, or it may be paid to his estate if he is deceased. It appears possible for one to receive benefits who never paid a tax. Who knows what the Supreme Court may say about this?

Titles IV, V, and VI are all so much needed today that no voice of protest should be raised against any of them. The grants to States for dependent children is to be commended. Many years ago some of our fraternal orders recognized this great need and have gone out and given relief, without any preference to race, creed, or color. This problem has now grown so large it is one which commands the most serious attention of the Federal Government.

In rural areas and in those areas suffering from severe economic distress, the women are today without hospitalization. Throughout the farming areas particularly those hard-working and constructive fine mothers are in such great need of that provision set forth in title V for maternal and child-health service. I only hope that if the amount herein provided proves insufficient Congress in the future will take the necessary steps to meet this problem squarely as it should be met. We have now too long delayed this very necessary assistance.

Services for crippled and underprivileged children justifies itself without any comment. How this matter has been so long overlooked and uncared for is a question which should make us glad of the opportunity to take the necessary steps at this time. One only needs to come in contact with a home which is unable to provide any means of relief for a little child who has been stricken with paralysis to appreciate what this will mean to those homes so darkened with the suffering that follows such a catastrophe.

The ravages against our people as a direct consequence of the most recent great "wash-out" of their savings, income, and employment has brought squarely before us the great need for a national health service. Throughout the land we have millions of underfed, malnourished children growing up without that medical care so very necessary in childhood and youth if we are to have strong bodies when we mature into manhood and womanhood. The tragedy is before us. This is one way to meet the issue at this moment. This service should be made available by the States and the Federal Government quickly. We have, as a matter of fact, too long delayed this provision.

Section 602 (c) gives great power into the hands of the Surgeon General. I only hope that in the preparation of his rules and regulations and the administration thereof, great care will be taken that none of the agencies of medical relief and certain professions which are of great benefit and

entirely acceptable to our people will be discriminated against.

In the light of all the available information, it might be well to ask, Are we not now in normal times?

What proof is there we shall soon return to the high productivity of the 1923-29 period? Under world conditions as we know them today, what is normal? If we will give up our philosophy and practice of "the economy of scarcity" perhaps this question will answer itself.

I do believe that in some cases small operators will reduce the number of people in their employ to the end they may come under the "10 or more" employees on the pay roll. That will be a natural evasion, or rather avoidance, of the tax herein imposed. Regardless of whatever tax law may be designed, we find both evasions and avoidance of the tax. To this extent, unemployment will be increased. I think we all must admit this. Furthermore, where a small operator doing a similar business alongside another, and who is employing only 9 helpers while his competitor has a staff of, say, 11 or 12 helpers, will have somewhat of an advantage insofar as the incidence of the tax in section 901 is concerned. If the tax is to be a graduated one insofar as the number of employees are concerned, a situation of this kind cannot be helped. Any tax law that may be designed will have inequalities therein.

The situation in this respect is not, however, nearly so serious to me as that wherein the tax becomes assessed against an operation which runs, say, 80-percent direct labor cost versus one which runs only 20-percent direct-labor cost. I believe it can be generally stated that a product carrying direct costs of 80-percent labor and 20-percent material generally sells on a much lower margin of profit mark-up than one which consists of 20-percent direct labor and 80-percent material. If this observation be true, it appears the first processor will be paying a 3-percent (more or less, depending upon the terms of the State law) pay-roll tax on 80 percent of his cost with a much lower margin of profit than does the operator who pays a 3-percent tax on only 20 percent of his cost with a higher margin of profit to work on. (Rough steel or iron castings might be used to illustrate the former, and machine tools or precision tools the latter.)

There is one phase of this proposed legislation which I cannot refrain from commenting on, and it is that wherein the farmer is exempt from paying an excise tax on his labor pay roll. He now has no way to control either his production or the price at which it sells. His costs are almost entirely that of labor. To tax him on this bill would add to his already impossible burden. For 15 years he has valiantly fought against the combination of forces working against him. His overhead burden is too great for him to carry and by the thousands he stands before his home watching the auctioneer and the sheriff "close him out", and in this manner the great "washing-out process", which started years ago, continues on its rampage. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 7 minutes to the gentleman from New York [Mr. PFELFER].

Mr. PFELFER. Mr. Chairman and members of the Committee, the President, seeing the growth of discouragement and unemployment among the people, the dole having proved a failure, suggested legislation on social security which was read by the Clerk of this House at the beginning of this session. The object of this legislation was to provide ways and means for the welfare of the unemployed, old age, direct relief of the indigent sick, hospitalization, crippled children, maternity, and so forth.

Let us turn back to the year 1918, when the United States entered the World War. Do you not recall the active part the hospitals played in relieving the burden of the Government and Government hospitals? It was then a case of the Government appealing to the hospitals, now it is a case of the hospitals appealing to the Government.

In view of this, I would like to appeal to all Members of the House in reference to this legislation insofar as it concerns hospitals and the part which they are now being forced to play in this period of national reconstruction due to the depression. Permit me at this time, too, to call your

attention to title IV of the bill referring to the social-insurance board.

The primary factor in working out a plan which would benefit hospitals throughout the country would be the securing of facts as to the financial status of the majority of hospitals which serve their respective communities.

The leading medical societies of the country and the American Medical Association, embracing in its membership some 100,000 of the physicians of the United States, have as their primary considerations the welfare of the people, the preservation of their health and their care in sickness, the advancement of medical science, the improvement of medical care, and the provision of adequate medical service to all the people. These physicians are the only body in the United States qualified by experience and training to guide and suitably control plans for the provision of medical care. I deplore and protest those sections of the bill which place in the Children's Bureau of the Department of Labor the responsibility for the administration of funds for these purposes. I also condemn that section of the bill which creates a social-insurance board without specification of the character of its personnel to administer functions essentially medical in character and demanding technical knowledge not available to those without medical training. The doctors, therefore, should not only have a voice in the making of such a plan but also a voice in carrying out the said plan.

This subject is worthy of your intelligent and sympathetic consideration, as it affects so many of our people today. Due to the decrease in employment and the increased number of those on relief, who, when sick, seek free services in our hospitals, in many instances treatment being not only of an emergency type but sometimes of many weeks' duration. All of which adds greatly to the burden which the charitable hospitals scattered throughout these United States are now being forced to bear without any aid whatsoever from the Federal Government.

Hospitals found their pay patients disappearing and their charity patients increasing at a rate that threatens financial destruction.

This Government has appropriated and spent billions of dollars for home and work relief for the unemployed, but it as yet has not taken into consideration the sick men, women, and children who are in need of hospital care. The Government forgets all about them, and these unfortunates must look to private charity for mercy.

The charitable hospitals, in good times, find it impossible to balance their budgets, even after resorting to drastic economic measures, and never at the expense of the comfort and welfare of the patient. None of our institutions which depend upon public generosity for their maintenance are feeling the depression so much as the charitable hospitals. The majority of hospitals which have been ever ready to render aid and comfort to the indigent sick will be forced, due to lack of financial aid, to either curtail their services or close their doors if the Government does not step forward and provide some means in this bill to take care of this serious situation.

A majority of the people of this country believe that the charitable institutions are money-making plants and earnestly believe that the doctors working therein receive enormous salaries; but the truth is, as this great body knows, that these hospitals are charitable institutions and the doctors working therein receive no salaries and the help less than those on relief. Most of us fail to realize that these hospitals have to pay the same rate for gas, electricity, telephone, and so forth, as any other commercial or manufacturing business who can charge the cost to overhead; but not so with the hospital. Why, of course, they pay the butcher, the baker, the coal man, and every other man, plus the harsh injustice which is being done them by the collection of the process tax under the A. A. A. legislation, which has been estimated, imposes an additional burden upon the hospitals of millions of dollars per year. I do not think it was the intent of the legislature to do this; nevertheless, it is so interpreted by the Bureau of Internal Revenue. Thus, to my

way of thinking, they are taking advantage of taxing these charitable hospitals which are taking care of the needy sick in order that they may take care of the unemployed or needy well.

These charitable institutions have their backs up against the wall. Endowment funds disappearing, contributions few in number and amounts, private patients rapidly dwindling, free patients increasing in number both in the hospitals and out-patient departments, causing deficits which in one hospital in my State amounted to \$215,000 in 1933. This situation which exists in my State exists in many others as well.

Mr. Chairman, permit me to read to this House clippings from newspapers in reference to this situation:

[From the Washington Times, Dec. 22, 1934]

The need for more hospitals has long been urged by health authorities. Whole sections in the South and sparsely settled Northwest and Southwest lack hospitals of the most meager sort. It is said that between 300 and 500 communities are without hospitals. The suggested \$10,000,000 building fund would add at least 20,000 beds to the total in the Nation's hospitals.

[From the Washington Times, Feb. 14, 1935]

Increase in the number of applications for hospitals and dispensary care in January over December was reported today by Dr. R. F. Tobin, permit officer of the Board of Public Welfare.

There were 1,552 applications for hospital care last month, compared with 1,305 in December; 983 applications for dispensary care, compared with 655 in December; 41 applications for transportation of indigent persons, as against 34; 441 ambulance calls, as against 377; and 1,160 visits by physicians to the unemployed, as against 976 in December. Dr. Tobin reported that admissions to practically all of the hospitals supervised by the Board of Public Welfare increased.

[From the American College of Surgeons; letter from E. W. Williamson, M. D., assistant director of hospital activities, Mar. 13, 1935]

There are approximately 6,500 hospitals in the United States, of which 1,776 are operated by the Government; i. e., Federal, State, county, city, and city and county. The American College of Surgeons surveyed 3,538 hospitals in 1934, of which 2,480 were approved. The capacity of the approximate 6,500 hospitals in the United States is given as 1,027,046, of which 694,473 are in Government hospitals.

Demands on the general hospitals for the care of charity cases is generally conceded to be increased from 10 to 50 percent. The total cost of maintaining voluntary hospitals in 1934 is estimated to be \$475,000,000, while the revenue from patients was \$215,000,000, and the income from philanthropy, including endowments, community chests, and public contributions, was \$195,000,000. This leaves a deficit of \$65,000,000 in voluntary hospitals for the year 1934.

As to out-patient service, the last hospital report of the American Medical Association states that in 1927, 13,804,566 patients were admitted to out-patient departments, while in 1933, 32,822,077 patients were admitted, an increase of 19,017,511.

[From the Washington Evening Star, Apr. 5, 1935, by the Associated Press, Cleveland]

One out of every 17 persons in the United States will go to a hospital in 1935, and many of the hospitals are worried where to find the funds to care for them adequately.

This was brought out at the opening session of a sectional meeting of the American College of Surgeons here yesterday. The 1935 estimate is based on the 1934 actual count, just finished. This shows 7,147,418 patients, 1,079,510 beds, and an average hospital stay of 14 days.

Half the beds, college authorities stated, are in tax-supported hospitals, but two-thirds of the hospitals are "voluntary", and to these latter go seven times as many patients as to the Government-supported institutions.

It is these "voluntary" hospitals, nonprofit making, where the bulk of the patients go, that face the financial dilemma. About 400 of them have closed in the past 5 years, against about a dozen new ones opening.

The patients who pay for services have decreased. Those asking charity treatment have increased. Dividends from endowments have dropped.

Voluntary hospitals have been unable to get Federal relief funds to aid in caring for persons who are on relief and who enter hospitals as charity cases, it was stated.

[From the Saturday Evening Post, Mar. 16, 1935]

None of our public institutions which look to the generosity of the public for their maintenance are feeling the pinch of depression more sharply than our hospitals. Many of them are compelled to operate upon a skeleton basis at a time when the demand for their services is most insistent. Many of them find it impos-

sible to balance their budgets, even after enforcing these most drastic economies.

The reasons for present conditions are not far to seek. Income from endowment funds has been sharply cut. Gifts from regular contributions have fallen off. The number of private-room patients has steadily dwindled. While income has thus been reduced, outgo has often been unavoidably increased. As the number of pay patients has fallen off, the proportion of free patients has steadily mounted.

The public is always quick and bitter in its denunciation of institutions which turn away suffering and penniless patients; but hospitals are like their critics, in that they have to pay butcher, grocer, and coal dealer, whether they are breaking even or not. Well-managed institutions do not like to close their doors in the face of suffering humanity, but they are confronted by the same stern necessities with which the rest of us have to cope.

Persons unfamiliar with hospital management often expect more from these institutions than they can possibly render. So great is the free service they contribute to their communities, and so widely has it become expanded in recent years, that the public, for the most part, takes it for granted as a vested right, without asking or even wondering how it is financed or by whom the costs are ultimately paid.

Most of our hospitals deserve well of the public they have so long and so zealously served. The same public should stand behind them in the emergency, which no possible foresight or good management could have averted, and see to it that they are enabled to carry on. This is a serious matter of public safety.

[From the New York Times, Baltimore, Apr. 11, 1935]

For the first time since its founding 46 years ago, the Johns Hopkins Hospital will open an independent appeal for funds on April 24, seeking \$200,000.

Decreases in net income, which had already caused the closing of 100 beds at the institution, made the campaign for funds necessary. Henry D. Harlan, president of the board of trustees, said today there were only two choices open to the board.

"We could either curtail services still further to prevent continuing deficits", he explained, "or we could appeal to the people of Baltimore, for whom Johns Hopkins founded the hospital, and in whose service the present financial need arises."

"Because further curtailments can be made only at the expense of the sick poor, whose needs today are greater than ever, the second alternative could be our only choice."

There are other clippings, but time does not permit me to quote them.

As a fellow Member of this great body, I have laid the facts before you. As a surgeon, I beg of you to provide some means in this social-security bill which will alleviate the plight of the hospitals. If this is not done, you can rest assured we will be faced with conditions which will be much harder to remedy. [Applause.]

Under the permission granted me to extend my remarks, I submit herewith the following letter:

JANUARY 31, 1935.

HON. JOSEPH L. PFEIFER,

House of Representatives, Washington, D. C.

MY DEAR MR. PFEIFER: Mr. Hopkins has requested me to reply to your letters of January 28 and 29, 1935, transmitting communications received from the superintendents of the Wyckoff Heights Hospital, Brooklyn, N. Y., of St. Catherine's Hospital, Brooklyn, N. Y., and of the Bronx Hospital, Bronx, N. Y., inviting attention to the need of hospitals for Federal aid.

The attention of this office has been called to the fact that many of the hospitals throughout the country are confronted with a difficult situation as a result of existing economic conditions. The problem of saving and maintaining these hospitals is, of course, of serious concern to all of us who are interested in preserving existing facilities for medical care as far as possible in an effort to provide for protection of health, especially in the present emergency. However, much as this administration is in sympathy with those who are seeking aid for these local institutions, it is believed that so far as the administration of funds appropriated for individual relief is concerned, the approach to the solution of the medical-care problem should be made with the needs of the individual primarily in mind, rather than from the standpoint of aiding the hospitals.

The working out of a solution of this whole medical-care problem has been a difficult task because of the relatively expensive character of the service required and the need for preserving a sound relationship between the amount expended for medical care and the total cost of all relief. To undertake to furnish hospital care to individuals on relief throughout the country would entail the expenditure of a sum of money greatly in excess of the amount now allocated to medical relief.

However, serious consideration is being given this problem, and it may be that a plan can be worked out whereby some hospitalization can be provided through the pooling of Federal, State, and local resources, at a cost that will not be prohibitive. What the future medical-relief program will be is problematical in view of the legislation now pending before the Congress. Until the

future scope and character of the medical-relief program are definitely determined, it is considered advisable to conform to the present program for medical care to persons on relief rolls.

Very truly yours,

C. E. WALLER, M. D.,  
Medical Director.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the lady from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. Mr. Chairman, I know the House realizes the vital importance of keeping industry operating, if the employer is to contribute something to his employees in case of unemployment and if those employees are to receive anything.

I want to read just a paragraph from a letter which I received from a friend of mine, Mr. R. D. Redfern, who is connected with the chamber of commerce in his city in Maine and who has made a very wide study of industrial conditions. He states in part:

You know, of course, that the great Pepperell Mill plant at Biddeford, normally working 4,000 people, is now down to 1,800; with the York Manufacturing Co., in Saco, normally working 3,000, now operating with 800; and that the Saco-Lowell Shops, makers of cotton-mill machinery, are down very much below their normal working force; while the relief rolls of both cities have been increased 50 percent.

The cotton-textile situation and the plight of the cotton mills, both in the North and South, is most tragic. I do not need to tell the Members from the South. They realize the seriousness of the situation just as I do. It is not necessary to tell the cotton-growing farmers and the workers who pick the raw cotton what it means to those 9,000,000 people who gain their livelihood from raw cotton. It is not necessary, Mr. Chairman, to draw to the attention of this House the fact that Soviet Russia intends to export 1,000,000 bales more of cotton than ever before. The Soviet Government is paying her people a bounty, not to decrease production, but to increase it. She is allowing her farmers to sell their cotton at a lower cost abroad. You know what that will do to our cotton market in foreign countries. You know what it will do to your cotton farmers in the South, if the market for raw cotton in this country is killed.

I speak not from my heart alone. It is not a question of the heart, but it is a question of the mind of intelligence. I know you will help me in every respect to keep our market at home and to protect your cotton growers of the South and your textile mills of the South, just as we want to protect our northern mills. It is not a party matter. It is not a sectional question. It is a Nation-wide question. I am as sure as I can possibly be that the President will act to save the greatest basic industry in this country. He cannot do otherwise. [Applause.]

I yield back the balance of my time, Mr. Chairman.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from West Virginia [Mr. RANDOLPH].

Mr. RANDOLPH. Mr. Chairman, I want to take this opportunity to offer my sincere personal congratulations to the Chairman of the Ways and Means Committee and the members thereof for the painstaking and laborious work they have done in behalf of the measure which if considered in its present form as it is being denounced by those who have spoken today, would have been declared radical a few years ago. You gentlemen are to be congratulated because of the grasp of the legislation as you bring it here before us today to act upon.

Personally I want to say that before the Seventy-fourth Congress convened I gave a statement to newspapers in my district, composed of 15 counties, so that my people would know exactly where I stood in regard to the so-called "fantastic and unworkable Townsend old-age-pension plan."

In doing so I believe I saved myself a great deal of embarrassment a little later, in the avalanche of mail which has come to Members of Congress who did not take a stand when they had an opportunity to do so. If permitted I would like to read a few lines from that statement.

I want no one to be misled as to my exact position on this matter. There is a vital need today for pension legislation to care for the indigent aged, but I am strongly opposed to the plan set

forth by Dr. Townsend, and have so expressed myself in a letter several days ago. I feel that the people of my district and State know of my efforts in behalf of such progressive and needed legislation, and I look forward to joining my colleagues this coming session in waging an unceasing fight for old-age-pension laws that are right and just.

I believe the Ways and Means Committee has brought a piece of legislation to the membership of this House that is right and just and meets many of the requirements of the aged in our country.

I do not believe the aged people in my district approve of any of the plans, in which sentiment runs away with reason, which have been mentioned on the floor of this House in the discussion of the measure as brought forward by the administration and the Ways and Means Committee.

I would like to read just a part of a letter which I received recently from Mrs. Sarah J. Kennedy, a woman about 70 years of age, living at Salem, the town in which I was born. She says this:

I am sure you realize how hard it is for us ordinary folks to accumulate enough money to take care of our declining years. If we could be sure we would have an income it would take away the dread of becoming a burden to our loved ones. I am positive people would live much happier and longer lives.

That is what they are doing in Denmark and these other countries having old-age pensions, and the tables of pay to these persons, I understand, a member of the Ways and Means Committee will place in the Record, where they have at present helpful benefits to those who are aged.

I have another letter which, if I have time, I would like to read in its entirety. It is written by Mr. J. E. Means. He is 85 years of age. His wife joins him in the letter, and she is 80.

I want to quote this language:

I know that you are interested in old-age pensions, but we are interested especially in enactment of old-age pensions at this session of Congress. There are many of us it will not benefit if it is not passed now on account of our old age. My wife and I are 80 and 85 years old, respectively, and both of us are seriously afflicted. If we derive any benefit from the pension it would have to come soon.

He then goes on to give the reasons why we should have, not an unworkable old-age-pension scheme, but something that can actually be enacted into law at this session of Congress, as the President of the United State has asked us to do.

The State of West Virginia, I may say, is ready as one Commonwealth to come along and provide an adequate pension to match that of the Federal Government.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. RANDOLPH. Mr. Chairman, I shall read just a paragraph or two from a member of the State Senate of West Virginia, Mr. J. P. Beacon, who wrote me a letter a day or two ago, in which he said:

If Congress does nothing about this matter before it adjourns, the members of the West Virginia Legislature who are interested in the old-age pension in West Virginia will find it hard to convince our old friends that the Democrats have given them a new deal.

You can, I believe, count on this State's cooperation in working out some plan to provide funds to meet Federal demands. I for one pledge my whole-hearted support in a program for State's compliance in the West Virginia Senate, which will provide an adequate old-age pension in this State.

Ladies and gentlemen of the Congress, let us not forget our obligation to those poor old persons who fear the poor-house more than the average persons feared the business depression. We have passed through the worst, and we now have it behind us; but there are millions of worthy old men and women in this country who now and in the future will face a real cause of fear a hundred times greater than the fear of depressed business.

Ingratitude is among the more reprehensible of human qualities!

Let us not be ungrateful for our delivery from the fear of poverty, and let us demonstrate our gratitude for this great blessing by helping to provide protection to those who are not in position to provide it for themselves.

There is plenty in this world for all of us. We cannot take anything with us when we cross the Great Divide. Moreover, the riches which most people accumulate come as the result of some form of cooperation from others. It is a great blessing to possess riches, but it is a greater blessing to possess, also, a heart that is willing to use riches in behalf of those who are helpless. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Massachusetts [Mr. GRANFIELD].

Mr. GRANFIELD. Mr. Chairman, by reason of the breakdown a few years ago in our economic system, it became greatly evident that legislation was necessary in order to protect our people from the ravages of unemployment and its devastating consequences. The Democratic Party, in its efforts to provide relief, under the leadership of President Roosevelt, formulated a program of social security which is being considered by the House today.

The social-security bill, which is before us, provides for the general welfare of our people by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment-compensation laws, to establish a social-security board, and for other purposes.

I am inclined to the belief expressed by the minority of the Committee on Ways and Means that this bill does not go far enough in making provision for those classes of our people affected by the legislation. I favor a system of old-age assistance which will furnish a more adequate security, and one that will encourage all the States of our Union to adopt an old-age pension system.

Under the terms of the bill now under consideration the Federal Government makes a monthly contribution of only \$15 to those persons who meet certain legal requirements and who have reached the age of 65 years. The Federal contribution of \$15 a month is positively insufficient. It provides a grudging and niggardly security against the trials and tribulations of old age. A Federal contribution of \$15, matched with a State contribution of \$15, falls absolutely to provide a proper subsistence. It is hardly necessary for me to go into the daily items of expense necessary to maintain a proper standard of living on the part of any individual, whether old or young. When one considers the items of food, of clothing, and of rent, and of fuel, it is impossible for the aged in our country to subsist in a decent manner on \$30 a month. I hold the opinion that it is the duty and responsibility of our Government to provide not only a bare subsistence for this class of our people but that it is an obligation of our Government to furnish them with those little comforts which will make life worth living. I am persuaded to the conviction, after studying this problem for many years, that the contribution on the part of the Federal Government should be \$30 a month, and that this contribution should be matched by each State which accepts the provisions of this bill, so that the old people of our country over 60 years of age, instead of 65 years of age, will be the recipients of \$60 per month. On this sum, and only on this sum, can the aged in our country live with the peace and contentment that we hope to give them by the enactment of this legislation.

Massachusetts, always a leader in civilization's progress in America, has been foremost among the States of our Union in legislation for the social and economic advancement of our people. Under the present pension system in my Commonwealth, the average monthly pension paid is \$24.35. This assistance at present is so bound up with red tape, and legal restrictions that many times the purpose of the law is defeated.

I can never be unmindful of the generosity of the people who for years resided in the most humble section of my district, known as "the ward" in Springfield, Mass., who early in my public career honored me with the right to represent them in the general court of Massachusetts. They, like many others, were the real builders of this Nation. They

were the men and women who left their homes early in the morning to go into the factories and shops, returning home late at night, after a hard day's work. Although these people, with millions of others in America, worked hard and steadily for many years, they are today, through no fault of their own, dependent upon public charity. They are entitled to a better reward for honest and faithful toil. I realized then, as I do now, the necessity of legislation of the character of that which we are considering today.

I am no new convert to the movement of social security. As a member of the State legislature in 1917, with other of my Democratic colleagues, I urged and voted for the enactment of a system of old-age pension. Very few votes were cast for this legislation at that time. When the time-worn arguments were advanced against such a legislative innovation, some of us who sponsored this old-age-pension system for Massachusetts were characterized as Socialists. We were told that to provide such a system of security meant the disappearance of the virtues of thrift and independence, and that our Commonwealth would be taking a step backward instead of forward. However, the contest for social and economic advancement continued, and finally, several years ago, Massachusetts adopted a system of old-age security.

We know now, after years of suffering and hardship resulting from unemployment, that the time to have provided security for the aged was years ago. I do not intend, with the knowledge and experience that I have gained over the past 20 years, to subscribe to legislation that fails to meet adequately and properly the responsibility of the Government toward its aged.

I cannot forego the opportunity of paying my respects to the various plans which have been submitted to the Congress for consideration. Panaceas of every description have been urged upon the Membership of this House by many well-meaning citizens throughout the country. In my district, as in many districts, advocates of the Townsend plan have attempted to force that system of old-age security upon the Government. We have been ridiculed because of our attitude honestly expressed, as to the feasibility of the Townsend plan.

Several months ago, through the medium of the newspapers in Springfield, Mass., I bespoke, very plainly, my attitude on the original Townsend plan. From that day until this moment certain leaders in the movement have attempted to cajole and force me into an advocacy of this plan. Apparently some of them do not know me. I have been criticized and misrepresented before and I have seen leaders come and go. I have always been a firm believer that unless the article for sale is the best, it cannot be sold to Americans in America. Threats of defeat on election day do not scare me. I have been threatened many times by leaders of groups interested in their own selfish advancement, but I have always done my duty as I saw it. Abuse does not alter my course. I have been abused many times for doing my duty, and I can assure certain agitators of the Townsend plan that I will still do my duty to my country and my district as I see it.

The original Townsend plan has already departed to the realm where repose many other wild schemes of recovery. If the original Townsend plan was feasible and practical, it would have had no greater advocate in the Congress than myself. The original plan was abandoned by its promoters because of its unsoundness. It was not offered to the people of this country as a plan of old-age assistance. It was offered as a panacea for the depression. I have read the hearings which were held before the Committee on Ways and Means, and I have read the testimony of Dr. Townsend. I am satisfied, thoroughly so, that he failed absolutely to make out a case for his original plan. His plan of pay, \$200 a month to those that qualified, over 60 years of age, would have caused our Government to spend annually a sum approximating \$20,000,000,000. It would have raised the cost of living so that very few of our people could eat, let alone pay the taxes to support the plan. His original plan if adopted would have forced our great Government into bankruptcy. He contended that this sum of \$20,000,000,000 could

be raised by a transaction tax. It was his theory that by taxing our people the Government could raise the money, and that the forced spending of it would revive industry to such an extent that the people of our Nation would enjoy the greatest prosperity that they had ever known. If his theory could have been put into practice, the way out of the depression would have been as simple as the recitation of the a-b-c's. His philosophy of more taxes and more spending, he contended, was the way out of the depression. His was a new economic philosophy, one that had few advocates, but apparently had many followers. If economic recovery could be attained by having six or seven million people spend \$200 a month, why not have 20,000,000 people spend the same amount in order to accelerate recovery; it simply could not be done. It is regretted that any group, any place in our enlightened America, would attempt to delude and mislead the aged of this Nation. Our old people are not interested in \$200 per month. Their only interest in this life is a safe and comfortable convoy during those years, which are few in number, before they pass to the Great Beyond.

Dr. Townsend, in the abandonment of his original plan, vindicates my statement to the press of Springfield, Mass., several months ago that it was "fantastic" and "absurd." He has sponsored a second plan, and now a third plan, which provides monthly payments ranging from nothing to \$200, based upon a 2-percent transaction tax which he hopes will provide sufficient revenue to pay those over 60 years of age a monthly pension. This plan has his approval and is known as the "revised Townsend plan." I understand it will be considered by the Congress when efforts will be made to substitute the McGroarty bill when this legislation is read under the 5-minute rule. I understand further that certain Townsend agitators in my district and elsewhere continue in their attempts to fool our elderly people into the belief that Dr. Townsend still advocates a \$200 a month pension for those over 60 years of age. This attitude of fooling the aged is indeed cruel and unpardonable.

Under this revised Townsend plan a maximum monthly payment to citizens over 60 years of age will be \$50, and it is generally agreed now that a 2-percent transaction tax, at its best, could only provide \$4,000,000,000 in revenue.

I am one Member of the Congress who is interested in the welfare of our elderly citizens, and I am hopeful that this Congress will make adequate provision for them, giving them the customary comforts of life so that the remaining years of their existence on this earth will be years of contentment.

The other provisions of this bill, relating to child welfare, public health, and unemployment insurance are worthy considerations.

While the provisions with reference to unemployment insurance fail to meet adequately my ideas they are a step in the right direction, and as we move into the years that are ahead, I am confident that by amendment and reform, the provisions relating to this subject will provide more substantial relief for our people.

I have endeavored to clearly state my position on that part of the bill which relates to old-age security. I trust that amendments will be offered when the bill is considered under the 5-minute rule, so that the amount of the Federal contribution will be increased from \$15 a month to \$30 a month, with the proviso that it shall be the duty of each State to provide for its citizens over 60 years of age, an additional \$30 a month. This total of \$60 a month, I believe, can be financed by the Federal and State Governments, and then ample provision will be made for the aged in our country.

I do believe, however, that all the purposes of this bill are praiseworthy, and that our National Government, by this legislation, will provide social relief for millions of our deserving citizens.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now arise.

The motion was agreed to.

Accordingly, the Speaker having resumed the chair, the Committee rose, and Mr. McRynolds, Chairman of the Committee of the Whole House on the state of the Union,

reported that that Committee, having had under consideration the bill H. R. 7260, the social-security bill, had come to no resolution thereon.

#### SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that the general debate on the social-security bill be extended 3 hours, to be equally divided and controlled by the gentleman from Massachusetts [Mr. TREADWAY] and myself, and that in the reading of the bill for amendment the bill shall be read by titles instead of by sections.

Mr. TREADWAY. Mr. Speaker, reserving the right to object—and I do not intend to object—I would like a thorough understanding on the point of reading the bill by titles. I understand that this in no way will interfere with the offering of amendments under any title, that each title is to be read separately, and while under consideration amendments germane can be offered on any section in the individual title. Am I correct in this assumption?

The SPEAKER. The gentleman is entirely correct.

Mr. BOILEAU. Mr. Speaker, reserving the right to object, I appreciate the fact that this will not prevent Members from offering amendments, but, of course, with this modification—it would permit the distinguished Chairman of the Ways and Means Committee to move to close debate on any title and unless there is a very liberal allowance made for Members to offer amendments and have time to explain them the House could cut off Members from the opportunity of offering amendments to each of the sections of the bill.

Mr. TREADWAY. Mr. Speaker, as I understand the matter, it would simply necessitate any Member desiring to offer an amendment having his amendment ready. There are several pages in each one of these titles. Having considered this bill for a part of 2 weeks, it does seem to me as though Members could have their amendments ready when we come to the particular title in which they are interested. It is only a question of expedition at the request of the majority. Personally I have no particular interest in whether it is done or not, but I do think that every reservation of protection to the Members is being made under the program as mapped out.

It simply means that the gentleman and others similarly situated to him will have their amendments ready when a title is read. We recognize the fairness of the chairman of the committee and his associates. No one is going to lose any rights by this unanimous-consent request.

Mr. COOPER of Tennessee. I think the gentleman from Wisconsin will agree that the only effect that this will have is to probably limit pro forma amendments to some extent.

Mr. BOILEAU. I would not have any objection if all pro forma amendments were eliminated. As I read this bill, there are 70 sections, and there will be opportunity for 10 minutes debate on each of those amendments. Members will have an opportunity in that way to express their views as we go along.

Mr. DOUGHTON. I may say that there is no disposition at all to interfere with the presentation of amendments or to prevent any Member from offering amendments.

Mr. BOILEAU. If the gentleman will give his assurance that Members who have bona fide amendments to offer will have an opportunity to offer them, I have no disposition to object. I realize that is asking a great deal of the gentleman, and he may want to change his mind in this respect; but, as I said, I have no disposition to object if every Member who has a bona fide amendment to offer may have 5 minutes in which to explain his amendment.

Mr. DOUGHTON. He will have the same time and opportunity that he would have had under the rule as it is

now drawn. There might be so many amendments offered here that if 5 minutes were allowed to each Member it would keep us here until doomsday.

Mr. BOILEAU. There are some sections of the bill which are not considered very controversial. Some Members may have a desire to offer amendments to those particular sections and they would not have the opportunity under this request because the rules provide you cannot close debate until debate has begun. For this reason, there would be an opportunity for a 5-minute speech on every section.

Mr. DOUGHTON. We could not bind ourselves under this rule any more than under the original rule, but there is no disposition or intention to take advantage of anybody.

Mr. BOILEAU. With the gentleman's assurance that every Member will have a reasonable opportunity to offer amendments to the various sections, and particularly those that are controversial, I will not object.

Mr. DOUGHTON. The gentleman will have the same assurance as if the original rule were adopted.

Mr. MICHENER. Mr. Speaker, reserving the right to object, what advantage is to be gained by this procedure if the assurance asked by the gentleman from Wisconsin is given?

Mr. DOUGHTON. We may not gain any. It is the hope that we will be able to expedite the consideration of the bill.

Mr. MICHENER. We would just get through a section that much quicker and before we know it we are on the next section and it is too late to offer amendments to the last section.

Mr. COOPER of Tennessee. As I undertook to observe a few moments ago, the only thing that could be accomplished, as I see it, is to reduce the number of pro forma amendments. I think that is about the only result to be accomplished, and I think that would be desirable.

Mr. TREADWAY. I do not understand from the gentleman that it even prevents pro forma amendments. It would simply limit the number. The Members would not offer so many pro forma amendments perhaps.

Mr. COOPER of Tennessee. It would reduce them to some extent.

Mr. DOUGHTON. It will expedite the consideration of the bill, with due consideration to each and every Member.

Mr. BOILEAU. Is there any way in which we could limit debate to bona fide amendments and exclude pro forma amendments until all bona fide amendments have been considered? I appreciate, of course, what one gentleman might consider a pro forma amendment another gentleman might not so consider.

Mr. VINSON of Kentucky. A pro forma amendment might be used to get time in debate upon a so-called "bona fide" amendment.

Mr. BOILEAU. With the gentleman's assurance, I have no objection.

Mr. DUNN of Pennsylvania. Mr. Speaker, reserving the right to object—to ask the gentleman a question—a Member desiring to substitute another bill will have the opportunity to do so?

Mr. DOUGHTON. Absolutely. There is nothing in this unanimous-consent request that will prevent that.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.



## SOCIAL-SECURITY BILL

Mr. BEITER. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record on the security bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. BEITER. Mr. Speaker, the growth of social consciousness in America is not the privilege claimed as due of any one political party, nor is it manifested only in governmental action. It can be traced in the platforms of all the parties, in Presidents' and Governors' messages, in acts of legislatures, in judicial decisions, and in the conduct of municipal affairs.

The cause of this legislation is in striking contrast to these mementos of a day when not even the term "social service" had been coined, for, in its present significance at least, social service and social legislation has been the development of very recent years.

It cannot be denied, to be sure, that in business and in politics we are still individualists, but there is much evidence that even in these fields concern for the common welfare is coming to be a determining influence, while in the field of social legislation there has been within the past few years such expansion and deepening as scarcely has a precedent.

Necessity is said to be the mother of invention. The emergency of depression has developed many and varied plans for the annihilation of depression and the return of prosperity.

Charity in any form has always seemed an abhorrent thing, and it must be so especially to the useful citizen who, through the vagaries of life, finds his old age only a series of disheartening days of dependency upon friends, relatives, or institutions. How much better, more logical, and humane, then, to provide a system on a national scale of retiring our citizens on an old-age-compensation basis? We retire our postal employees, veteran soldiers and sailors, policemen, firemen, teachers, and others. Certainly, to my mind, the rank and file of our citizens, deserve the equal advantages and security in old age which these special groups of citizens enjoy through organization and their willingness to contribute a small share of their earnings to a pension.

Many persons will say that it is the duty of everyone to save for his old age—to lay aside some part of his earnings in stocks and bonds, or in banks, so that he may be assured of enough to live on in his declining years. Others will say that there are institutions for the aged and infirm.

You have only to look around you to see a few of the millions of our citizens who, unfamiliar with the ways of money and finance, saved for years, only to find themselves destitute with the winter of lifetime approaching.

Senator HUEY LONG plans to scatter the wealth by taking from the rich and giving to the poor. He advocates this because the wealth of the Nation is practically \$300,000,000,000, and the greater part of it is owned and controlled by a very small percentage of the total number of people in the country.

If this wealth were liquid and capable of division, the plan would not be quite so fantastic. When it is considered that nine-tenths of this wealth consists of buildings, plants, and machinery and its use made entirely impossible if divided into parts, the impossibility of carrying out the plan seems evident. These plants can serve but one purpose—the production of goods. So far as the whole people are concerned, it matters not whether he who designed this machinery continues to operate it or whether some other man of equal knowledge of business shall take it over.

What does matter is that it shall be so operated as to produce the largest amount of goods possible in order that the comforts of life may be more uniformly distributed among the great mass of people.

In ancient times the laws of the Medes and the Persians were regarded as the unchangeable rule of conduct for the human race. These laws have long been abandoned. But the law of gravitation existed before and since. The law of

supply and demand was then, as well as now, recognized by all intelligent people and in the long run has controlled the activities of all peoples.

The 1930 census showed that there were 6,633,805 persons in the United States aged 65 or over. Of this group, 2,204,967, or 33.2 percent were gainfully employed. Needless to say, that percentage has greatly decreased in the last few years. The depression had begun when the census was taken, but it was not recognized as a major economic depression until some time later. Even the normal lowering of the maximum employment age which has been an accompaniment of the machine, would make for a decrease since 1920 in the percentage of 65-year-old persons who are gainfully employed. To prove this, one needs only to compare present employment figures of this group with those of some 40 years ago. For an instance, 73.1 percent of the men 65 years or over in 1890 were gainfully employed, but in 1930 only 58.3 percent were so employed.

Pension provisions for old age are by no means lacking. Industry began making them as long ago as 30 years. Trade unions and churches have pension systems, too. Some of the States, including New York, have set up funds to replace the old poorhouse system with modernized methods of caring for aged dependents. According to a report last year by the American Association for Social Security, there were then in this country about 100,000 persons receiving public old-age pensions, about 60,000 receiving care in almshouses, and an equal number in benevolent homes for the aged. In addition, about 140,000 persons were receiving industrial pensions, and about 20,000 from trade unions, fraternal societies, and churches. The number of persons receiving retirement pensions from Federal, State, and municipal employees' funds, including teachers, was placed at 100,000. None of these groups included the military pensioners. At the time the association made this report 477,230 old people were on the unemployment-relief rolls and its report stated that hundreds of thousands of aged dependents were being supported by children or other relatives. As to the efficacy of industrial-pension plans, Murray W. Lattimer, of Industrial Relations Counselors, Inc., reported 2 years ago that industrial pension payments at the beginning of 1932 "probably came close to \$100,000,000 per annum." The depression revealed weaknesses in many of the plans and a consequence was the abandonment between 1929 and 1932 of about 10 percent of the industrial pension systems operating in 1929. Moreover, in the case of perhaps 30 percent of the employees still under pension systems in 1932, the benefits had been reduced in various ways from the 1929 scale.

It is not possible in brief scope to present a clear picture of all the ramifications which thus far have made inadequate the existing systems of old-age pensions as the machine increasingly does the work that old but skilled and willing hands formerly did. These few facts, however, help to reveal the size of the task involved.

To finance the cost of old-age benefit in the security plan we are considering, there will be a tax of 2 percent on pay rolls, beginning in 1937. This tax will increase to 6 percent on pay rolls in 1949. The employers and employees will contribute to this in equal amounts.

In the first year this tax is expected to produce \$400,000,000. When the tax increases to 6 percent, the yield is expected to be \$1,250,000,000 annually. These estimates are based on the wages of today, not on the wages and employment of the flush years of prosperity.

Out of these funds compensation would be paid to workers who lose their jobs and to persons who reach the age of 65 years after having been gainfully employed. It is expected that 50 percent of all persons now gainfully employed, or 15,000,000, would derive these benefits.

There are provisions in the plan for other persons who are not accommodated by the above features of it. These provisions will be financed by direct taxes upon the public. The National and State Governments would assess equal amounts upon the taxpayers.

When the system is in full bloom it will raise \$2,082,000,000 every year, based on present employment conditions in the country, as follows:

Unemployment compensation.....	\$600,000,000
Old-age benefits.....	1,250,000,000
Old-age assistance.....	99,500,000
Aid to dependent children.....	49,500,000
Aid to crippled children, maternal and child health, public health, and child welfare.....	34,000,000
Cost of administration.....	49,000,000

The plan contemplates that a revolving fund of \$32,000,000,000—the greatest in all history—will be accumulated in 30 years from the receipts for old-age benefits alone.

## SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment-compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7260, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. BYRNS]. [Applause.]

Mr. BYRNS. Mr. Chairman, I have asked for this time to talk to the membership on both sides of the Chamber with reference to some of the legislation that is pending before us. The gentleman from Colorado [Mr. TAYLOR] and myself have been besought by quite a number of Members to gain our consent for the House to adjourn over next Friday and Saturday. The reason assigned for adjourning is that it is Good Friday. Of course, that is a matter for the House to determine. However, because of the legislation which is pending before us, I think the House ought to seriously consider whether or not we are going to take these recesses until we have disposed of some of the very important business before us, some of which must be disposed of before we adjourn. I know there has been a good deal of criticism over the country, and many editorials have been written, accusing Congress of being dilatory in the consideration and passage of important legislation. These critics overlook the fact that this is the first Congress that has met in January rather than in December, and that it was impossible for the House to organize its committees and get started upon the consideration of some of the most important bills that have ever been introduced into Congress, until probably the middle or the latter part of January. That has served to delay matters. I am happy to say, however, that the House has

so far kept pace in the consideration of the most important bills as they have been reported from the committees, but a number of committees are now about ready to report out important bills on which they have been holding hearings for weeks and months.

Those bills, I am informed, are likely to be reported very soon, and I shall call attention to some of them so that Members may see just how important it is that the House stay on the job and not adjourn, as we did yesterday, at 4:15 o'clock in the afternoon. We must stay here for a reasonable time each day to dispose of these bills and adjourn, because I am convinced that it is very important from the standpoint of the country that the Congress close up its business at the earliest possible moment, adjourn, and go home. [Applause.]

What have we before us? We have pending this social-security bill. In the remark I made a moment ago about adjourning early yesterday I certainly did not intend to criticize those in charge of this bill, because I understand that it was due to the fact that promises had been made to certain gentlemen that they would be given time to address the House, but when the time came to yield to them they were not here.

I think we ought to have a change in that practice. When a Member has secured time to address the House, I do not think it is right for him to leave the House in the afternoon, thereby holding up the entire proceedings and forcing adjournment probably an hour and a half or two hours earlier than we otherwise would adjourn. [Applause.]

I am frank to say to you that if I were chairman in charge of one of these bills I would have it understood that those to whom I had agreed to yield time must be here, and I would yield them time at the moment I had agreed to yield; but if the Members to whom I had given time were not here, they would have to take their chances in the future.

If we could have proceeded yesterday as planned, this bill could have been finished by Friday night. I am sure of that. There are only three or four important amendments that will take any time. The House will have had 23 hours general discussion in regard to this bill. Therefore, I say that if we could have consumed from four and a half to five hours each day in this general debate, we could have gotten through with this bill by Friday night. I still hope that we can do that and adjourn over Saturday.

Now, after this bill is concluded we have the naval appropriation bill, now ready to be taken up just as soon as the Committee on Appropriations can get the floor. It involves increases, and it will take possibly a little longer to consider that bill than ordinarily.

Then there follows the smaller bill, the legislative appropriation bill, which is ready for consideration.

I understand a banking bill is practically ready for submission to the House and will be ready as soon as we can get this legislation out of the way.

There will probably be some kind of a utility bill reported by the Committee on Interstate and Foreign Commerce, and a bus and transportation bill.

The gentleman from Virginia, Chairman of the Committee on Merchant Marine and Fisheries, reported a bill yesterday which he is very anxious to have considered at this session.

The gentleman from Texas [Mr. Jones], Chairman of the Committee on Agriculture, has one, and possibly two, bills that he is very anxious to have considered.

A day or two ago several bills were referred to the Committee on the Judiciary, relating to the control of alcohol. Those bills must be passed. They will not take much time, but they will take some time of the House.

We have the Private Calendar with several hundred bills thereon. We have the Unanimous Consent Calendar with possibly a hundred or more bills upon it at this moment.

Then we have legislation to extend the N. R. A.

The Committee on Ways and Means, which has given as faithful, earnest, and capable work as I ever knew any committee to give in the consideration of this bill, has not had an opportunity to consider the N. R. A. bill.

Then possibly we will have some kind of a tax bill. I do not mean an increase in taxes but an extension of present

taxes expiring by limitation—as I hope, some relief for smaller industry. [Applause.]

I could name a number of other important matters that will be up for consideration and will be disposed of if we have time to do it. There are a number of other committees which have bills, and those committees are pressing for action.

I remind you of these things in order that you and I may understand the magnitude of the task before us and the importance of giving our time and attention from now on to the disposition of at least some of this legislation. I do not mean to say that all the legislation I have enumerated will be passed. Certainly I am not putting them on what is popularly known as the "must calendar." There are several of them that will have to be passed before this Congress adjourns, but certainly not all of these to which I have referred.

However, they are all important matters of legislation, being pressed by the committees which have had them under consideration. Those committees and the country are entitled to have them considered if we can do so in a reasonable time. If we are thinking about an early adjournment—and I think all of us ought to think about it in the interest of the country—we have got to make up our minds to stay here on the job and attend to this legislation.

That is all I wanted to say. I simply wanted to make this statement, in justice to the gentleman from Colorado [Mr. TAYLOR] and myself, with reference to adjourning over on Friday and Saturday. We did not adjourn over for Good Friday last year. It has not been the custom to adjourn for Good Friday. None of the departments are going to quit business. I do not know of anything better, except going to church, than to come here and devote ourselves intelligently and faithfully to the discharge of the people's business; and I hope we can do that. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield myself 2 minutes.

I appreciate very much the very timely and appropriate remarks of our distinguished Speaker relative to the importance of the membership of the House remaining on the job and diligently prosecuting the work which the Congress has on hand.

I feel somewhat responsible for the time that was lost on yesterday, yet it will be recognized that the chairman of the committee and the ranking minority member, my good friend from Massachusetts, must necessarily keep in mind the ordinary courtesies that are due to members of our committee. We both endeavored yesterday to keep Members here who had requested time to speak on this bill; yet, by 3 or 4 o'clock, some of those who requested time were not here. I had one of the clerks of our committee call up Members who had applied for time and urge them to come and make their speeches. But it was a futile effort on my part. I wish to assure the Speaker and the Members of the House that as far as lies in my power, I shall insist on those who have requested time being here when their names may be called, and if they are not here, they will take the chance of going to the foot of the list or losing out entirely. [Applause.]

Mr. TREADWAY. Mr. Chairman, I wish to confirm what the distinguished Chairman of the Ways and Means Committee has just said. Members on the Republican side have been waiting for time to speak on this bill. Unfortunately the schedule of the gentleman from North Carolina, and my own schedule, broke down yesterday. I do not think we ought to be unduly criticized, however, for this one particular occasion. I assured certain gentlemen that they would not be called upon yesterday; and this assurance, to a certain degree, was based on the fact that the majority side, in use of time, was considerably behind us on this side. Unfortunately neither side had a speaker.

I agree with the distinguished Speaker of the House also that we should do everything possible to keep our Members here who want to be heard. Further than that, I think this measure is so vital for or against the interests of the people that the Members themselves, whether they are going to speak or not, ought to be here. We ought to keep a quorum

here, Mr. Chairman, when we are in the Committee of the Whole; and, as far as I am concerned, if the Chairman of the Committee sees fit to insist on that feature, I shall be glad to cooperate on my side in aiding in keeping a quorum here during the time of the general debate. It does get tedious. We all know, especially those of use who are obliged to stay, that it is extremely tedious to listen to this debate for 4 or 5 hours on a stretch; and I do not blame the Members for wanting to get away from it. It does seem to me, nevertheless, that it is a duty, not only to our constituents but to the country, to be on hand, and I, for one, will cooperate in every way I can toward this end. [Applause.]

I yield 2 minutes to the gentleman from New York [Mr. SNELL].

Mr. SNELL. As this seems to be a field day on the work of the House, I think perhaps it would be all right if I said a word or two. I am in entire sympathy with the statement made by the Speaker of the House that we should stay here whenever it is necessary and whenever we have work to do. As far as I, personally, am concerned, and as far as the minority is concerned, we are always willing to do that.

I do not know whether the Speaker's remarks were intended as a lecture or not. As a matter of fact, we all know that the program of the House of Representatives is entirely up to the majority party, and if we have not been working at full speed up to the present time it is because those responsible for the program and responsible for keeping this House in session have not had business before us that we could attend to at the time. While perhaps we have adjourned early sometimes and over Saturday at other times, I think it has been well understood that there was no special business before the House at that time for consideration. If the people who are responsible for this program present it to us and bring us here, we are willing to stay and consider it; and we will stay here just as many hours every day as you want to stay. We are interested in completing the program, getting through, and winding up this Congress as early as possible. [Applause.] You must remember, however, the minority cannot present the program or make it up from day to day, but we will join with you in putting it through if you give us a program, but in no way are we responsible for the lack of accomplishment of this session up to the present time.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield? [Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman one additional minute.

Mr. SNELL. I yield to the gentleman from Minnesota.

Mr. KNUTSON. I think the Record at this point should show that the majority of the Members of this House work evenings and Sundays in their offices trying to keep up with their correspondence. I do not think the impression should go out to the country that we are playing hookey when we are not in session on the floor of the House. I see Members come out of their offices at 10 and 11 o'clock at night and see them there all day Sunday. Personally, I have not had a Sunday since New Year's. I think the Record should show that there is other work for Members of Congress besides attending the sessions of the House. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Colorado [Mr. TAYLOR].

Mr. TAYLOR of Colorado. Mr. Chairman, in justice to the Membership of the House I ought to say this: We old-timers know that at the present time we have about five times as much office work and departmental business before us every day during this session as we had in former years. Many Members speak to me every day about this matter and ask if they cannot have Saturday off in which to catch up with their office work. Actually, it is a physical and human impossibility for us to stay on the floor of the House several hours each day and 6 days a week and do the work that is heaped upon us and especially attend to it all with only one secretary and one stenographer. I regretted exceedingly that we did not give ourselves an additional stenographer during this term of Congress. [Applause.] As a matter of fact, we all know that another body has from two to five

times as much clerical help as we do. They do not hesitate to give themselves an additional session clerk whenever they feel like it, and I feel that we ought to have done so. Members receive from 50 to 300 letters a day—sometimes more. I received 472 letters one day. Some Members have received over 1,000 letters in a day. Our constituents expect us to pay attention to their mail. For this reason, I have on nearly every Friday asked unanimous consent that we adjourn over Saturday, and I may say that the minority have thoroughly and heartily coincided with that request. The minority leader has several times emphasized the importance of giving the Members of the House that chance to attend to their office and departmental work; and I feel that the country ought to know why we have adjourned over Saturday. We do not adjourn over Saturdays because we want to play golf or go to a ball game. We spend all that time attending to official business in our offices. [Applause.]

Mr. TREADWAY. Will the Chair kindly inform us as to the amount of time that has been used?

The CHAIRMAN. There remains 4 hours 10 minutes to the gentleman from Massachusetts, and 4 hours 44½ minutes to the gentleman from North Carolina.

Mr. TREADWAY. Does that include the 3 hours additional?

The CHAIRMAN. Yes.

Mr. TREADWAY. Mr. Chairman, of the hour and a half granted to me under the new program, I yield 30 minutes to the gentleman from North Carolina [Mr. DOUGHTON], to use as he may see fit.

Mr. DOUGHTON. I thank the gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN. Mr. Chairman, I rise not to speak on this particular measure, but to suggest, if it is proper in view of the very justly deserved reprimand to which we have listened, that the committee rise and that we have a quorum call so that the gentlemen who are absent may have the benefit of it.

The CHAIRMAN. The Chair will state that there are 115 Members present, a quorum.

Mr. HOFFMAN. We have been here on this side of the aisle practically all of the time, and the other day, if I remember correctly, we tried to get two calls, but we could not get them.

The CHAIRMAN. There was a quorum present at the time the suggestion was made.

Mr. HOFFMAN. Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Chairman, the discussions this morning were diverted from the bill, I think very profitably, to consider our errors and inadvertences which have grown in number with the passing of time. As I listened to the remarks of my colleagues I could not help but feel that they constituted a sort of a public confession of sin, in which we all joined, and for the responsibility of which we all accepted our individual share. A public confession is sometimes good for the soul.

I believe that in the consideration of this bill we should adopt that same attitude, because, Mr. Chairman, the bringing forth of this so-called "security bill" is nothing less than the commission of a sin against the people of the United States of America, and especially against those to whom the bill pretends to bring relief.

Last summer I was not a Member of this Congress. I was living out West trying to earn a fair return by following the profession which is mine. It was a period of economic gloom. Depression and despair filled our land. In the midst of that gloom in its darkest aspect was heard a voice—a voice which brought cheer to the depressed and gave to the people of our land courage to face a future fraught with uncertainty and doubt. It was the voice of the President of the United States.

On June 8, 1934, the President sent to this body a message, from which I at this time, with your indulgence, will borrow a few quotations. Among other things he said:

Among our objectives I place the security of the men, women, and children of the Nation first.

This security for the individual and for the family concerns itself primarily with three factors.

The third factor relates to security against the hazards and vicissitudes of life.

If, as our Constitution tells us, our Federal Government was established, among other things, "to promote the general welfare", it is our plain duty to provide for that security upon which welfare depends.

Hence I am looking for a sound means which I can recommend to provide at once security against several of the great disturbing factors in life—especially those which relate to unemployment and old age.

All over this land our people harkened, took courage, and sought in their humble way to assist in the working out of a legislative program which would grant that which was necessary and which all the people recognized as necessary: that is, "security against the hazards and vicissitudes of life," especially as affecting those who have fallen as they made their way along life's pathway because of the weaknesses inherent to old age. Months have gone by. Almost a year has passed since the President spoke those inspiring words, and now the Committee on Ways and Means brings out this bill which they have the temerity to proclaim is the legislative translation of the humanitarian ideas of the great President who leads us during these days of trial.

Mr. Chairman, let us remember that "security against the vicissitudes of life" was promised to the aged. By that promise hope was implanted in the hearts of 7,500,000 of our fellow citizens, men and women, all over the age of 65. In title I of this tragic proposal but \$49,750,000 is appropriated for this purpose. A resort to but simple arithmetic, as we learned it in school, reveals that that means but \$6.56 for each of our aged each year. Further division discloses that this fund will provide but 54 cents a month—1½ cents a day—for each of those whose shadows no longer fall to the west. If this be security, I no longer know the meaning of that word. It is not even a decent dole. It is a penurious, pauper pension, pittance. Its mere suggestion is an insult to the Nation we love and an insult to the flag we revere.

Mr. Chairman, do not think for one minute that the people of the country are so gullible as to accept this legislative travesty as the fulfillment of the President's promise given and made in his message of June 8, 1934. It is a cruel and ridiculous thing. What faith can we place in the promise of "security" in years to come in the light of that niggardly 1½ cents a day, that 54 cents a month, or that \$6.56 a year? What promise can the future hold if they offer only that now? They say in title II of this hated proposal that we shall give the good people who have been compelled because of the ruthless passing of time to give up their lifetime pursuits a stingy \$10 a month to serve as their shield of security against the hazards and vicissitudes of old age. If they labor and earn much, perhaps we will give them \$15 a month to stave off starvation, to clothe their bodies from the cold.

Mr. Chairman, can the Members of this House go home to the good people who sent them here and tell them that this is an old-age-security bill? Security against what, may I ask? There is security against nothing in this proposal. It is a hideous joke, a cruel jest that you are perpetrating upon the people who are looking to us for salvation.

The other day one of the great leaders of the majority rose in this House to denounce the plan that has been suggested by Dr. Townsend. He said:

There is going to be a day of reckoning for the Townsend planners. It will come when the poor and the distressed people find the snare and delusion of it.

May I suggest to the gentleman of the majority that the day of reckoning is going to be yours, not for those of us who are looking with interest upon the plan which has been evolved by this gentle doctor from the far West. You are the ones who are going to face the day of reckoning when you go back to the people who sent you here, to the aged people numbering 10,000,000 or more, and try to justify your-

selves with a pension of \$6.56 a year, a pension which will yield to the old people 54 cents a month, a pension which will afford them 1½ cents each day. You will experience difficulties when you try to explain that such niggardly sums as these constitute "security against the hazards and vicissitudes of life"—the security which the Chief Executive of our country has pledged to the fathers and mothers of all of us in his public expressions. Yes; there will be a day of reckoning, and that day of reckoning will be for you, the gentlemen of the majority, not for the Townsend planners.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield for a question?

Mr. GEARHART. I yield.

Mr. FITZPATRICK. How many on the gentleman's side of the House will support the Townsend plan?

Mr. GEARHART. I am the keeper of my own conscience. I shall support the Townsend plan.

Mr. FITZPATRICK. But the gentleman was referring to that side of the House when he made his statement.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I yield.

Mr. BUCK. Which one of the Townsend plans does the gentleman propose to support?

Mr. GEARHART. There is no question about that in the minds of any Member here, except those who are opposed to an adequate pension plan. No one is supporting the first Townsend plan.

Mr. BUCK. Is the gentleman supporting the second Townsend plan?

Mr. GEARHART. I am supporting the second plan.

Mr. BUCK. Then the gentleman is not supporting the third Townsend plan, which was introduced the other day.

Mr. GEARHART. If there is ever to be a third Townsend plan, it will be because the gentleman from California or some other has suggested a better plan. So far there has been no third plan.

Mr. BUCK. May I suggest that a fourth plan was suggested the other day by the gentleman from Oregon (Mr. MOTT)?

Mr. GEARHART. I beg to disagree with the gentleman. A fourth plan has not been proposed by anyone. It was simply a perfecting amendment that the gentleman from Oregon suggested.

Mr. FITZPATRICK. What will they receive per month from the present Townsend plan?

Mr. GEARHART. I want to be very, very frank with the gentleman. That lies largely in the field of speculation, for the simple reason that there is no experience to guide us in respect to all of the tax details. I am not deceiving you or any of the old people who are looking to us for help in this day of their despair. However, there is one thing that is absolutely fair about the Townsend plan, and it is this: Whatever this tax yields, after the deduction of administration expenses, all of it will be prorated equally among the old folks, not giving, as does title II of the bill, more to the successful earners of large returns than to the poor and unsuccessful.

Mr. FITZPATRICK. I am in favor of an old-age pension, and I am hopeful of giving a good, substantial one. Under the present bill there is a guaranty of \$15 a month, while there is no guaranty in the bill that the gentleman is advocating.

Mr. GEARHART. There is no guaranty of \$15 a month in the bill that has been offered here by the majority. Only 28 States have any kind of old-age-pension law, and you do not agree to match their pensions with \$15 or any other sum. The bill does not say anything about matching. The bill simply says that the United States, whenever a State has such a law, will remit to the State one-half of the sum so expended for old-age-pension purposes, not exceeding \$15 for each pensioner.

Mr. FITZPATRICK. In my State we pay them \$30 a month, and with the \$15 provided in the bill it will mean a total of \$45.

Mr. GEARHART. I deny that that is true.

Mr. FITZPATRICK. Why?

Mr. GEARHART. The gentleman's State gives \$30 a month. Under the terms of this bill, as it is now worded, the United States Government will reimburse your State to the extent of \$15, and the old folks will not get a cent of it. All of the Federal contribution will go into the State's general fund.

Mr. FITZPATRICK. That is not true.

Mr. GEARHART. Has the gentleman read section 3 of title I?

Mr. FITZPATRICK. I have, and I have consulted the chairman in relation to it, and he has stated on the floor of the House that they would receive the \$30 plus the \$15 a month.

Mr. GEARHART. Omitting from section 3 the immaterial, qualifying phrases, it provides that the Government shall pay each State an amount equal to one-half of the total sum expended by the State for old-age pensions.

Mr. FITZPATRICK. It will be on a 50-50 basis.

Mr. GEARHART. So I say that this \$54,950,000 will go to the States and not to the aged people, unless the States in legislation not yet enacted otherwise declare.

Mr. FITZPATRICK. It was stated here the other day that there would be \$4,000,000,000 under the Townsend plan. What would be the overhead in taking care of the fund and paying it out? That generally runs 30 or 40 percent, does it not?

Mr. GEARHART. It will not in this case, because we have not followed the majority policy of creating new bureaus and setting up new bureaucratic machinery. We propose to avail ourselves of the machinery already set up in the Veterans' Administration.

Mr. FITZPATRICK. Assuming that is true, there would not be much left, would there?

Mr. GEARHART. I do not think the cost of administration would be very much, in view of the fact we are using the facilities of the Veterans' Administration.

I must refuse to yield further, as the gentleman has occupied too much of my time.

Mr. MONAGHAN. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I yield to the gentleman from Montana.

Mr. MONAGHAN. As the gentleman reads the security bill now under consideration by the House, does he not find as I do that under it every farmer in the country, every domestic servant in the country, every one engaged in casual service in the country, every member of the crew of a vessel, or every sailor in the country, every man in the employ of the United States Government or in a subsidiary thereof, or anyone engaged in any service performed by a charitable organization or an educational organization, such as ministers and preachers, would be excluded from receiving consideration under this bill, and when you consider the amount that they must earn it practically eliminates the whole of America from its provisions.

Mr. GEARHART. A more devastating condemnation of this bill could not be stated, and I thank the gentleman. [Laughter.]

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I yield.

Mr. VINSON of Kentucky. Of course, I know the gentleman from California, in commending the statement made by our friend from Montana as being such a devastating condemnation, could not understand for 1 minute that the exemptions referred to by the gentleman from Montana are exemptions that do not refer to any pensioner under title 1. Title 1, which is the old-age-pensions title, has no such exemptions.

[Here the gavel fell.]

Mr. VINSON of Kentucky. I yield to the gentleman 3 additional minutes.

Agricultural employees, casuals, domestics, Federal employees, and all those that were referred to as exempted in titles 8 and 9, are not exempted under the old-age benefits.

Gentlemen should not misconstrue the plain English of the bill.

My friend the gentleman from California referred to title II giving pensions to the rich and preferring them to those who are poor. The gentleman was sincere in that statement, but title II does not refer to old-age pensions.

Mr. GEARHART. I must decline to yield further. I yielded for a question and not a speech.

Mr. VINSON of Kentucky. Title II refers to the benefits that employers and employees pay for.

Mr. GEARHART. Mr. Chairman, I do not yield.

Mr. VINSON of Kentucky. I think the gentleman ought to be fair. I yielded the gentleman time.

Mr. TREADWAY. Mr. Chairman, may I say to the gentleman that if the other side uses the 3 minutes yielded to the gentleman he can let them use it, and then I will yield the gentleman more time.

Mr. GEARHART. I had, for the moment, forgotten the kindness of the gentleman from Kentucky. I am happy to yield further.

Mr. VINSON of Kentucky. You do not want to confuse title I with title II. Title I is old-age pension—a noncontributory system. Title II provides for old-age benefits for those who contribute.

Mr. MONAGHAN. Will the gentleman from California yield to me to ask a question of the gentleman from Kentucky?

Mr. GEARHART. I cannot refuse the gentleman; I yield.

Mr. MONAGHAN. I would like to ask the gentleman from Kentucky how he interprets this provision, and I read from page 14?—

The term "qualified individual" means any individual with respect to whom it appears to the satisfaction of the Board that, first, he is at least 65 years of age; and, second, the total amount of wages paid to him with respect to employment after December 31, 1936, and before he attains the age of 65 was not less than \$2,000.

Now, I do not want to be unfair, but if I am mistaken, I want to be corrected.

Mr. VINSON of Kentucky. I can correct it in a few words. If the gentleman will turn back to section 210 in title II he will see that it provides that the term "employment" means any service of whatever nature performed within the United States by an employee for his employer, except, and then it states the exemptions. These exemptions refer to title II but do not refer to title I.

Mr. MONAGHAN. I am speaking about the term "qualified individual."

Mr. VINSON of Kentucky. That definition is in the same section of title II. The first five words in that section, "where used in this title", show it refers only to title II.

Mr. GEARHART. Mr. Chairman, I cannot yield further. Mr. Chairman, I have listened intently to the explanations given by the gentleman from Kentucky, and I fail to see therein a defense of this iniquitous measure worthy of even a moment's consideration. In other words, the exemptions in title II put the pensioner back under the provisions of title I, extends to the pensioner the munificent security of 1½ cents a day, 54 cents a month, \$6.56 a year.

Now, I am going to talk about title II a few minutes. This title is absolutely un-American in principle. One of the most un-American provisions ever attempted to be written into an American law. It violates the fundamental American principle of equality. It says to those who earn more, "You shall benefit more under the provisions of this act."

I tell you that that is based on a cruel fallacy, nothing more nor less. Some men have a quality of acquisitiveness which enables them to "take and possess", to accumulate the good things of this world. They do not make the wealth, they merely have the ability to possess themselves of it. But even though they possess themselves of it, it is still a part of the wealth of the Nation—the wealth which the "other fellow" helped to create.

We see the mighty skyscraper on the corner that costs millions of dollars, and you immediately think of the genius that brought it into being, but that building would not be

worth the price of a single brick that went into it, if it were not for the poor man, multiplied into thousands, who, day after day, walks by the corner on which the building stands. That is what creates the wealth that put that building there, that gave that building its value. That fellow who, in his small way, contributed his share—measured by his position in life—to the upbuilding of the national wealth, even though the wages he has earned and spent are small, is entitled to share equally during those declining days of his life, because that which we give him comes out of the national wealth he helped to create. It is wrong to say to the poor man, you shall take a measly \$10 a month, and it is wrong to say to the man who, through better fortune, has accumulated more, you shall take \$15 a month, giving more to those men who by nature's gift have that particular quality of acquisitiveness.

Gentlemen, the Townsend plan treats all equally when they have reached that day of retirement, that day when, because of the passing of time, they must yield to younger and more vigorous hands the carrying on of the work of the world. Such discrimination in the distribution of the wealth of the Nation is un-American, utterly indefensible.

So, I repeat, to again borrow the words of the distinguished Chairman of the Rules Committee, the day of reckoning is going to be for you of the majority, who will have to defend these pitifully inadequate and cruelly unjust pensions as the fulfillment of our President's promise of "security against the vicissitudes of life." Do not let anyone tell you that this Townsend bill is not worthy of your consideration. I do not know exactly how much it is going to yield to the old folks, but I do know, whatever the sum may be, that they shall have their pro rata share. The old folks are good enough sports to accept whatever that tax will afford. You ought to be good enough sports to stand with them and thereby justify to a measure, at least, the President's promises to insure to the old people of this land a real security "against the hazards and vicissitudes of life." [Applause.]

The CHAIRMAN. The time of the gentleman from California has again expired.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, if the gentleman who just spoke took the floor for the purpose of making a home-consumption speech, that is within his right, if he had confined himself to what we generally know to be a home-consumption speech; but when the gentleman takes the floor and undertakes to criticize the provisions of the bill in the manner he does and makes the statements the gentleman does, it shows the gentleman is either intentionally or unintentionally—and I assume unintentionally—uninformed as to the contents of the bill. When the gentleman says that this provides for half a cent a day or a cent a day or 54 cents a month, the gentleman makes a statement which is absolutely inconsistent with the truth.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Mr. Chairman, I yield back the remainder of my time.

Mr. TREADWAY. Mr. Chairman, I yield myself 2 minutes.

On page 5598 of the RECORD of April 3, 1935, the gentleman from Missouri [Mr. COCHRAN] inserted an extract under permission to extend his remarks from an alleged report by Dun & Bradstreet which refers to "the sharpest rise that has been witnessed in business in the past quarter of a century." I call similar attention to the fact that in this morning's Washington Post there is an Associated Press dispatch headed "Dun & Bradstreet retracts forecast", in which dispatch the president of the company, Mr. A. D. Whiteside, makes a corrected statement, in which he said:

No significant information justified the inadvertent and unauthorized departure from our policy of not making predictions as to the future business trend which was evidenced in our Weekly Review of Business released under date of April 12, 1935.

In other words, Mr. Chairman, the president of Dun & Bradstreet says that whoever released that item did so unau-

thorized by the company, and it is evident they think the prophecy was very much exaggerated.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER of Tennessee. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include certain excerpts and data to which I shall refer.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. COOPER of Tennessee. Mr. Chairman, it has been rather interesting to observe the attitude assumed by gentlemen on the minority side relative to the pending bill. The distinguished gentleman from Massachusetts [Mr. TREADWAY], the ranking minority member of the Committee on Ways and Means, led off with an attack on the bill. He criticized the Democratic majority of the Ways and Means Committee, charged that they had showed a lack of courage in handling the pending measure. He criticized the report and the hearings held, and every phase of the consideration given to this matter. I invite the attention of the House to the facts relative to the consideration of this bill.

Gentlemen on the minority side of the Ways and Means Committee have apparently been uncertain all along as to the attitude they will assume on this measure. They have been for it and against it and for it and against it again. Nobody knows where they will finally land or what their final action will be, but I venture the assertion that when the roll is called most of them will be found voting for this bill.

Now, criticism has been offered as to the consideration of this bill in the committee. I want to invite attention to the fact that during my period of service here, though it has not been very long, there has never been a measure considered, in my opinion, that has received more thorough and far-reaching consideration than the pending bill.

Just for a moment let us bear in mind that during the last Congress the so-called "Wagner-Lewis bill" was introduced and referred to the Ways and Means Committee of this House. A subcommittee was appointed, of which I had the honor to be a member. Extensive hearings were held on that measure. I hold here a copy of the hearings held at that time. Four hundred and twenty-six pages of testimony were taken on that measure. During the present Congress the Ways and Means Committee held extensive hearings on the pending measure. This volume which I hold in my hand contains 1,141 printed pages of testimony on the pending bill.

During the same time the measure has been under consideration by the Ways and Means Committee of the House the Finance Committee of the Senate has been holding hearings. This volume of their hearings contains 1,354 printed pages of testimony taken on this subject—in all, 2,921 printed pages of testimony in the hearings held on the subject matter embraced in this bill.

Then, criticism has been made as to the manner in which the committee has handled the measure. I wish to call to your attention the fact that this committee has given constant attention to this measure since the 21st day of January. From then down to this good hour this committee has been considering this measure.

Now, gentlemen on the minority side have offered criticism about members of the majority agreeing to certain changes and provisions. How different is the procedure that has been used for the consideration of this bill and some of the measures that were considered while the Republicans were in control of this House. It was my privilege to be here when the so-called "Smoot-Hawley tariff bill" was considered by the Ways and Means Committee of the House. The Republican members on the Ways and Means Committee locked the doors on all of the Democratic members of the committee, and 15 Republican members wrote the measure. No such partisan consideration has even been thought of in the consideration of this bill. They have participated in all of the consideration given by the committee to the pending measure.



Mr. VINSON of Kentucky. Will the gentleman yield?  
Mr. COOPER of Tennessee. I yield.

Mr. VINSON of Kentucky. The gentleman will recall that the President's social-security committee spent 6 months in addition to the time devoted to the study of this problem to which the gentleman has referred.

Mr. COOPER of Tennessee. I thank the gentleman. I was going to refer to that.

Mr. RICH. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. RICH. Could the gentleman give us the names of the members of that committee?

Mr. COOPER of Tennessee. I want to invite the gentleman's attention to the report on this bill. Allow me to simply observe, in passing, that I have never seen, in my experience here, as much gross ignorance—I am not referring to the gentleman from Pennsylvania in that statement; I have never seen as much gross ignorance displayed on any measure as on this pending bill. It is apparent that many of those who have addressed the Committee and undertaken to discuss this bill have either not even read the bill and the report accompanying it, or their powers of comprehension are far less than I have always accredited to them. The statements made by the distinguished gentleman from California [Mr. GEARHART], who preceded me a few moments ago, and the interrogations offered by the distinguished gentleman from Montana, as well as the remarks made by the gentleman from Kentucky [Mr. ROSSLOW], on yesterday, show that their conception is as far from the real contents of this bill as it is possible for the human mind to comprehend.

Now, then, to the gentleman from Pennsylvania [Mr. RICH], I simply want to invite his attention and the attention of others to the appendix appearing on page 39 of the report. There are three full pages of fine print giving the names of the various committees and individuals in this country who sat in with the Committee on Economic Security in giving study to this great subject. In that group it will be found that every phase of American activity has been included. We have capital and labor, the farmers, agriculture, all types of American interests and activity embraced in that large number of people who contributed to this plan that is here submitted. I am sure the gentleman will recognize the names of some of the outstanding industrial leaders of this Nation, as well as leaders in the labor movement, agricultural interests of the country, and various other types of citizenship in America.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. JENKINS of Ohio. Does not the gentleman think, instead of finding fault with this great group of intelligent people it would have probably been the part of wisdom on the part of those who have charge of this bill to have given some consideration to the request made by the Republican members on the committee that this bill should have been separated into its proper categories so that people could understand it?

Mr. COOPER of Tennessee. Of course, I do not agree with the gentleman from Ohio. I do not agree for a moment that he does not understand this bill. I do not think his own admission does him credit. It certainly does not do him the credit which I have always accorded him.

Mr. JENKINS of Ohio. But I am not on trial. The gentleman made a broad statement, and I think he will live to see the day when he will be sorry. He accuses this Congress of being ignorant of this bill. He and his cohorts are going to drive this bill through. He admits that this great group of people are all ignorant. Now, does he not think—I will say that I do—I think if those who had charge of this bill had divided it up into its individual categories and brought it out in that kind of shape so that somebody could understand it, then the gentleman would not criticize this whole House.

Mr. COOPER of Tennessee. Now, the gentleman has put words into my mouth that I did not utter. The gentleman has misinterpreted and misconstrued my statement on that question. I have not charged any gross ignorance to the

Membership of this House. I am not charging lack of knowledge on the part of the Membership of this House.

I said then and I say now that judging from some of the statements made here on the floor, some gentlemen either have not studied the bill and the report or else they simply have failed to comprehend the matter after they have studied it; and I do think and believe the gentleman from Ohio, in his sense of fairness, will admit that some statements have been made on this floor that have been absolutely shocking in the lack of knowledge with reference to this bill, shown in the making of the statements. Is not that true?

Mr. JENKINS of Ohio. I do not agree with the gentleman.

Mr. COOPER of Tennessee. I ask the gentleman if he has not heard statements made here that he knew absolutely show a lack of knowledge of what was in the bill?

Mr. VINSON of Kentucky. Mr. Chairman, if the gentleman will yield, our friend from Ohio pointed out to his colleagues from the floor wherein they were in error and stated that the bill should have been separated into several bills. I am fearful that our friend from Ohio is afraid that the bill has been brought in under a rule that will not permit amendment. Any title of the bill can be stricken in its entirety when the title comes up for final consideration.

Mr. JENKINS of Ohio. Replying to the gentleman from Tennessee, I am perfectly willing to admit that the gentleman who has the floor and the gentleman from Kentucky are probably the two best qualified men on this subject in the House.

Mr. COOPER of Tennessee. The gentleman gives me too much credit.

Mr. JENKINS of Ohio. These two gentlemen have had 2 or 3 years' intensive preparation which, added to their own natural acumen, makes them very knowing people. Whenever such a man comes into this House, however, after having spent 2 or 3 years studying this bill, stands before the Congress and uses the words "gross ignorance", which he did and which he wishes perhaps he might withdraw, something is wrong with his line of reasoning. I am not finding fault with him because of all his superior knowledge, but I say that somebody is to blame whenever you bring 435 people together and say that they are all grossly ignorant, something must be the matter with the bill to feel obliged to say that.

Mr. COOPER of Tennessee. The gentleman has not quoted me with entire correctness. I said then, I say now, and I shall continue to say that some statements made on the floor of the House show a gross ignorance of the contents of this bill; and that statement is true. [Applause.]

Mr. JOHNSON of Texas. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. JOHNSON of Texas. I would like to know what the gentleman thinks about those Republican Members who have vehemently denounced the bill because of the small amount of old-age pensions granted when neither they nor their party have ever initiated, thought of, or suggested a thing about old-age pensions.

Mr. COOPER of Tennessee. That is true, of course. We must bear in mind that there are two types of attack being made on this bill. There appears to be one group attacking the measure because, as they say, it does not go far enough, it is not liberal enough, it does not do as much as they would like for it to do; and that was the principal argument advanced by the distinguished gentleman from Kentucky [Mr. ROSSLOW] yesterday afternoon. Although he has served in Congress, either in the House or in the Senate for 10 or 12 years or more, he cannot point to any contribution that he or his party has ever made toward the initiation of a plan for social security such as that embraced in this measure.

My distinguished friends on the minority side of this Chamber now stand here and speak of their interest in social-security legislation and criticize the present administration and the majority members of the committee in this House for bringing forward this measure. I simply in-

vite attention to the fact that all these years their party was in complete control of every branch of this Government they failed to come forward with anything even approaching social security for the people of this country. [Applause.]

On the question of the consideration given this bill, the distinguished gentleman from Massachusetts, the ranking minority member of the committee [Mr. TREADWAY], expressed satisfaction as will be shown by the hearings with the full, complete, and ample consideration that was given, and the gentleman on one occasion made the statement, as is shown by the hearings, that he was not against the bill but that he was for it. He now says, however, that the majority members of the committee had to wait for instructions before they knew what they should do on this bill. I would like to invite his attention, as well as that of other Members, to the real facts. The minority members of the committee after sitting through 2½ months of consideration of this bill, then arrived at the conclusion that they were so fixed in their views, so set in their determination, and so strong in their opposition to the bill that when the time came to vote to report it, every one of them responded "present", would not even vote for the bill or against it. Every Member on the minority side of the committee had the conviction, and the strong feeling, that the bill was bad; yet he stood there and voted "present" on the question of favorably reporting the bill. Why, Mr. Chairman, the whole attitude displayed on this measure shows that there is on the part of some on the minority only the spirit of offering destructive criticism. Do you remember the old expression made some 2,000 years ago that nothing good can come out of Nazareth? Certain gentlemen on the minority side of the House seem to think nothing good can possibly come out of a Democratic administration. [Applause.]

Mr. COLDEN. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield to the gentleman from California.

Mr. COLDEN. The minority states in their report that they favor a substantial increase in the Federal contribution. Did the minority members of the committee offer any practical suggestions as to the method of providing the additional funds?

Mr. COOPER of Tennessee. No; they have not offered anything of that kind at all.

Mr. Chairman, in addition to the group that appears to be criticizing the bill because it does not go far enough, as they say, there is the other group criticizing the bill because of the burden that they say is placed on business and industry of this country. That brings us down to the common-sense proposition, namely, you cannot pick benefits in this country out of the air. If you are going to have benefits somebody has to pay the bill. That is the situation we have here.

I want to pass on and use the few remaining moments that I have at my disposal in order to try to analyze the real purposes sought to be accomplished by this bill, and the provisions of the bill itself. The measure now before the House for consideration is in response to the message of the President of the United States delivered to this body on the 8th day of last June. That great message as it was given to the Congress of the United States immediately aroused the favorable comment and approval of the American people. It came forward with a great humanitarian program for social security in this land of ours, a measure which should have doubtlessly been considered years ago; but the other party was in control of the affairs of this Government and apparently they wanted to continue their time-honored idea of government in giving special privileges to the special interests of the country, with the idea that some good or benefit might trickle down to those in the lower strata.

Mr. Chairman, for the first time in the history of this Nation, on June 8, 1934, that great man in the White House, whose heart beats in tune with the welfare and in the interest of the masses of our people, came forward with his

great message calling for social security in this country of ours. I want to invite attention to a part of that message presented to the House on that occasion.

Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the means and details are in some instances new, the objectives are as permanent as human nature.

Then this expression was used, which rang throughout the length and breadth of our country:

Among our objectives I place the security of the men, women, and children of the Nation first.

This security for the individual and for the family concerns itself primarily with three factors. People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes which cannot be wholly eliminated in this man-made world of ours.

Following this message to the Congress, the President appointed his Committee on Economic Security, composed of Cabinet members and other officials of the Government. Immediately there was set up quite a number of advisory committees or groups, representative of every phase of American activity. All of these groups—and their names appear on the pages of the report to which I made reference a few moments ago—gave 6 months' study to this question, worked out a plan and a report, and the President submitted this report to the Congress with his message on January 17 of this year.

Mr. McCORMACK. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. In addition there was a supplementary division composed of experts of the Government, which included employers, employees, and the general public. Suggestions were received and entertained from individuals and organizations throughout the entire United States, and later a congress of 300 interested public-spirited citizens, representative of all walks of life, at their own expense, made a trip to Washington before the council made its recommendation to the President.

Mr. COOPER of Tennessee. That is true.

Mr. MAY. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield to the gentleman from Kentucky.

Mr. MAY. I would like to read the report on the bill to find out just how broad and comprehensive the program is.

Mr. COOPER of Tennessee. Will the gentleman indulge me just a moment? I want to bring in one other matter before I reach that, then I shall yield to the gentleman.

Mr. Chairman, I also invite attention to an expression in the message of the President of January 17, in which he stated, among other things:

In addressing you on June 8, 1934, I summarized the main objectives of our American program. Among these was, and is, the security of the men, women, and children of the Nation against certain hazards and vicissitudes of life. This purpose is an essential part of our task. In my annual message to you I promised to submit a definite program of action. This I do in the form of a report to me by a Committee on Economic Security, appointed by me for the purpose of surveying the field and of recommending the basis of legislation.

Then, going over to the closing paragraphs of the same message, we find these expressions:

The amount necessary at this time for the initiation of unemployment compensation, old-age security, children's aid, and the promotion of public health, as outlined in the report of the Committee on Economic Security, is approximately \$100,000,000.

The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions, but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation.

We pay now for the dreadful consequence of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives sought in this report.

Mr. Chairman, this measure was introduced by the chairman of this committee, and the gentleman from Maryland Mr. Lewis, in the House, and Senator WAGNER in the Senate. From that time down to this hour the Ways and Means Committee of the House, and a great part of the same time the Finance Committee of the Senate have been giving consideration to this matter. Mr. Chairman, the committee after giving these months of careful study and consideration to every phase of this great problem that is now challenging the thoughtful attention of the people of this country, has brought forward this measure. It is indeed a most important administration measure. It has the approval of the President of the United States. It presents the rounded-out program of the President and this administration for social security in this country of ours. [Applause.]

I now yield to the gentleman.

Mr. MONAGHAN. The gentleman is making a magnificent statement on security, but I am wondering if he can answer the statement of supplemental views by Mr. KNUTSON, of Minnesota, who says in his supplemental report on social security:

3. It is obvious from the provisions of this bill that it cannot be made effective for several years, hence it will be a bitter disappointment to those who have looked hopefully to this administration for immediate relief.

Then he further says:

4. The old-age pension to be granted under H. R. 7260 would be wholly inadequate in the relief of distress. The amount paid would be so small that its effect upon business would be negligible.

This gentleman has studied the measure right in committee and I would like to know how the gentleman would answer the statement made by a distinguished member of the committee.

Mr. COOPER of Tennessee. Of course, I do not agree with the observations made by the gentleman from Minnesota. The gentleman is a distinguished member of the committee, and, of course, has given great thought and study to this measure, yet he did not have the conviction, when the motion was made to favorably report the bill, to either vote yes or no—he voted present. [Laughter and applause.]

Mr. SAMUEL B. HILL. If the gentleman will permit, I call the attention of the gentleman from Tennessee to the fact that the Public Works bill is the emergency-relief measure in this program and is not in this bill.

Mr. COOPER of Tennessee. Yes; of course.

Mr. VINSOON of Kentucky. And if the gentleman will yield further I think the gentleman will bear me out in the statement that the press carried the story that the vote on title I, the old-age pension phase of this bill, was unanimous when the vote was taken on that title and that title alone.

Mr. COOPER of Tennessee. I think the gentleman is correct.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. I yield and apologize to the gentleman for not getting around to him immediately.

Mr. MAY. That is all right. I started to say a while ago that this measure is so far-reaching and so broad in its purposes that I have had a great deal of difficulty, from reading the report and studying the bill, in ascertaining just how far-reaching it is, but to my mind it is like every other great legislative proposal. It grows out of conditions that have fastened themselves upon this country during this depression, and I may say that in the report of the majority of the committee as to the purpose and scope of the bill, I think they state it very soundly when they say that this is laying the foundation for social security in the future, and the very fact it is a measure so far-reaching is an answer to the question with regard to the views of the gentleman from Minnesota [Mr. Knutson]. You cannot build a great structure like this without having grave problems presented.

Mr. COOPER of Tennessee. Yes; I agree with the statement in the report, of course, because I had the privilege of making some small, minor contribution to the consideration of the report and, naturally, I agree heartily with the quotation referred to by the gentleman from Kentucky.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. MICHENER. Will the gentleman tell us when this will become effective? I just heard the question asked, and it was not answered, and I do not know myself. I am not hostile, but I would like to know about that.

Mr. COOPER of Tennessee. Title I of this bill becomes effective just as promptly as State plans for old-age pensions can be enacted by their legislatures, or in the 29 States now having such plans, as rapidly as they can conform to the broad outlines contained in this bill, and as soon as such State plans are approved the people who are beneficiaries immediately begin to receive benefits.

Mr. MICHENER. As a matter of fact, if a State legislature is in session and passes a law making it possible to comply with the terms of this bill, how soon after that will the benefits be paid?

Mr. COOPER of Tennessee. Almost immediately. The appropriation is authorized in this bill. Of course, after this bill becomes law, as the distinguished gentleman from Michigan, who is one of the ablest parliamentarians of the House, well knows, there will have to be an appropriation following the authorization; but so far as the Federal Government is concerned, almost immediately upon the enactment of this measure the Federal Government will be ready to start paying benefits to those who qualify for such payments.

Mr. MAY. And just as fast as the States formulate and put up to the board a plan they approve, and as soon as this is done, all the States, in addition to the 29 now having such laws, will be eligible.

Mr. COOPER of Tennessee. Yes.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. RICH. I understood the gentleman to make the statement that this bill authorizes the expenditure of this money as soon as the measure is passed by the Congress, and that the money will be given to the States. I would like the gentleman to explain to me or to the House where you are going to get this money we are expending without making an effort on the part of the Federal Government to secure such funds. Where are you going to get the money? Where will the money come from?

Mr. COOPER of Tennessee. Of course, the gentleman naturally would imply from that question that he wants to draw me into a discussion of the fiscal affairs of the Government. Of course, I cannot take the time out of this discussion to enter into that.

Mr. RICH. I would like to say to my colleague that I am not trying to draw him into it any more than I want to draw every other Member of the Congress to consider it. I am trying in some way to find out how we are going to get the money to meet all these payments, and I may say to the gentleman from Tennessee that I have the highest regard for him; and I believe if anybody in the House could give us the information the gentleman from Tennessee would be one of the men who could furnish it. However, I have not been able to find this out from any Member of the Congress, and I think it is one of the most serious things that confronts this Congress and the Nation.

Mr. COOPER of Tennessee. I appreciate the very kind remarks of the gentleman and I assure him our feelings are mutual, but I cannot take the time from the consideration of this measure to go into a discussion now of the methods of raising revenue for the Government.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. SAMUEL B. HILL. Referring to the query of the gentleman from Pennsylvania [Mr. Rich] as to where you are going to get the money, may I say that the fiscal affairs of the Government at this time, so far as current expenses are concerned, are practically in balance. We just have the report that for the first quarter of the income-tax payments we are running 49 percent above what they were for the

corresponding period last year, and this will provide the money for these appropriations without any additional levy of taxes.

Mr. COOPER of Tennessee. That is true. Recent reports show that the revenues coming in this year are substantially 40 percent above those of last year.

Mr. RICH. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. RICH. I will say that I think the bill for old-age pensions is right. But I would not support anything in excess of that. I do not see how we are going to accomplish this unless we make an effort to get the money. I do not see how we can continue to spend money like a drunken sailor without giving consideration as to where we are going to get that money. If we do not consider it, we will wreck the country.

Mr. COOPER of Tennessee. I hope the gentleman will withhold that discussion for a while at least.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. The gentleman gave us the impression that this bill would go into effect just as soon as the States can cooperate. What the gentleman had in mind did not apply to title II, because no benefits can be paid under that until 1942.

Mr. COOPER of Tennessee. I assumed that the gentleman from Ohio knew that, and the gentleman from Michigan referred to title I of the bill.

Mr. SAMUEL B. HILL. And title II calls for no cooperation by the States.

Mr. McCORMACK. Will the gentleman yield?

Mr. COOPER of Tennessee. I yield.

Mr. McCORMACK. It must be apparent to everyone that this is an attempt to meet causes which brought about these conditions. Title I for old-age pensions is to provide assistance to these aged people and their dependents, and title II is to build up a productive fund that will preserve their self-respect in the future.

Mr. COOPER of Tennessee. I thank the gentleman. Please allow me to proceed for a minute. I realize that every member of the committee should yield to his colleagues, and try to give them the best information he can.

Mr. CAVICCHIA. Will the gentleman yield for just one question?

Mr. COOPER of Tennessee. I will yield to the gentleman from New Jersey.

Mr. CAVICCHIA. There has been so much discussion about title II that I would like to ask the gentleman what is his opinion on the constitutionality of title II? I firmly believe that we have no right to pass any such legislation. Title I is excellent, but by legislation on title II you are going to endanger the whole security act.

Mr. COOPER of Tennessee. I assume that the gentleman will agree that the provision at the end of the bill, the separability clause, would save these provisions in the bill that were not held unconstitutional. That clause provides that in the event any part of the bill should be declared unconstitutional it shall not affect the other provisions of the bill. In the event that title II should not be sustained by the courts, and I do not for a moment concede that is at all probable, that would in no way affect title I.

Mr. CAVICCHIA. I would like to see the House pass legislation which will stand, rather than to send it to the upper House and to have them emasculate it, when we have spent weeks and months in the consideration of it in the committee in this House.

Mr. COOPER of Tennessee. Of course, the question asked by the gentleman from New Jersey [Mr. CAVICCHIA] is pertinent, and the House is entitled to know that your committee gave very careful and, I think, as fair consideration as possible to the legal and constitutional phases of the bill. If time permitted I would like to enter into a discussion of those phases of the question, but I invite attention to a memorandum opinion submitted to the committee by the Department of Justice which consists of some 12 pages. I shall not ask

the indulgence of the House long enough to read that opinion now, but simply state to the gentleman from New Jersey that the Department of Justice sustains the constitutionality of this act in this opinion, and I think it is sound. I think the cases cited are in point, I think the logic employed in the opinion is sound, and for my part I have no doubt that this measure as presented here will be sustained by the courts.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. Yes.

Mr. DOUGHTON. The gentleman will recall also that a request was made of the Attorney General to put the best legal talent he had in the Department to a study of this legislation. He did so, and after due deliberation and consideration they expressed the opinion contained in the paper the gentleman holds in his hand.

Mr. COOPER of Tennessee. That is true, and I invite the gentleman's attention, without reading the entire opinion, which cites cases and quotes from cases from the time of Chief Justice Marshall on down to now, to the closing part of the opinion:

There may also be taken into consideration the strong presumption which exists in favor of the constitutionality of an act of the Congress, in the light of which and of the foregoing discussion it is reasonably safe to assume that the social-security bill, if enacted into law, will probably be upheld as constitutional. It is suggested, therefore, that if the Congress deems the bill to be meritorious, it ought not to fail of passage on any prejudgment that it is unconstitutional.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. LEWIS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. Yes.

Mr. LEWIS of Colorado. I think it important to put that opinion in the RECORD.

Mr. COOPER of Tennessee. I appreciate the gentleman's suggestion, and I shall include this opinion as a part of my remarks, to go into the RECORD, in order that all Members may have the benefit of it. I think it is very valuable.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. Certainly.

Mr. COX. In view of the fact that I am not asking time on this bill I ask the gentleman to yield to me. While this bill takes a long step toward the socialization of American life, and qualifiedly extends the Federal power over what might be properly considered purely local questions, it does contain features that appeal to me. In the first place, it provides for State participation in the interest of Federal solvency, and it also reserves to the State the qualified right of joint control, and in this regard it is a great improvement over the original draft for which I give the gentleman most credit. But the thing that disturbs me is that apparently all thought in Washington has been directed toward centralization of government, and most of what has and is being done here apparently is intended to produce that result. This holds true both with the Republican and Democratic administrations. Traditionally the Democratic Party has stood for State rights. The Republican Party on the other hand has stood for the enlargement of the Federal power.

Mr. COOPER of Tennessee. I have a few observations on State rights that I want to go into if I can.

Mr. COX. But the parties in recent years apparently have been reversing their positions on this question, and I predict that within the next few years the conflict will be renewed and political questions will be fought out along this line, and unless the Democratic Party finds its way back to where it originally stood on these questions, and the Republican Party changes its attitude toward the States and their social problems, a new party may arise to lead the people of this country who adhere to the belief that the Federal Government is a government of delegated powers, and is sovereign only to the extent of supreme and exclusive exercise of those powers. [Applause.]

Mr. COOPER of Tennessee. I thank the gentleman. I invite attention to the fact that the purpose and scope of this bill embraces four outstanding objectives. It makes provision for old-age security, unemployment compensation, security for children, and public health. All of these are matters in which the people of this country have been and are now showing a great degree of interest. Certainly on the question of old-age security, we cannot fail to recognize the fact that these citizens of ours who have grown old and become infirm in support of their Government and in rendering service to their fellow men are entitled to more consideration and more beneficial treatment than they have thus far been receiving. It has been argued here by some that this bill does not go far enough. I invite attention to the fact that out of the 29 States of the Union that now have old-age pension plans, this bill provides for more benefits than are now provided under any of these State plans.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 minutes additional.

Mr. COOPER of Tennessee. In the States of New York and Massachusetts, where they pay the largest benefits, there is no maximum provided by law at all. Yet, in experience they have never gone over about \$24 in New York and \$24.50 in Massachusetts as an average for the State. This bill provides for \$30, matched equally between the State and the Federal Government.

Mr. HEALEY. Will the gentleman yield?

Mr. COOPER of Tennessee. I hope the gentleman will excuse me, please.

It should also be borne in mind that the benefits provided under this bill are more liberal than those afforded by any other country in the entire world for old-age pensions. Now, some may think it should go further, and as some feel, that State participation should not be required. Certainly, without undertaking to quote the President—and it is not my intention to violate any of the proprieties of the situation, I feel I can state that it has been my privilege to confer with him several times, along with others, and he is very definite and firm in his conviction that State participation must be required in this bill.

Under this plan participation by States is required. We have left the broadest possible latitude of discretion to the States in the administration and control of the plan, simply providing that States may, under these rather broad standards set up in the bill, provide whatever they are able to provide for their old people, and the Federal Government will match whatever the State is willing and able to give, up to and not exceeding \$15 a month by the Federal Government.

I invite attention to table 1 on page 4 of the report to give you some idea of how this burden will probably increase in the future. We must consider that phase of the matter. This is not temporary legislation; it is not emergency legislation. We are here legislating for the future, for my country and yours. We certainly should consider this phase of the matter. This table shows that in the year 1860 there were only 2.7 percent of the population of the entire country over 65 years of age. In 1930, the last Federal census we had, there were 5.4 percent of the total population of the country over 65 years of age. It is estimated that by 1940 there will be 6.3 percent, and by 1970, 10.1 percent. By the year 2000, 12.7 percent, showing a gradual and steady increase in the percentage of people in this country over 65 years of age as compared with the total population of the country.

That simply shows that we must consider the size of the burden that will be placed upon the States and the Federal Government in the future. For that reason title II is in this bill. It provides for old-age benefits to be built up gradually through the years of the future, so that it will take off part of the burden that would naturally be piled up by the operations of title I. It is estimated that by the year 1980 the burdens under title I would amount to about

\$2,600,000,000 annually. By including title II, which is of the greatest importance in this bill, that will be reduced more than one-half; so that it is estimated that not more than about a billion dollars will be involved in the burden assumed for old-age pensions in the country.

It has been and will doubtless still be asserted that the social-security bill is designed to coerce the States, particularly in connection with unemployment compensation. Very little objection on this score can be raised as to the Federal grants in aid to the States for old-age pensions, aids for dependent children, and other aids for the extension of public-health services.

The unemployment provisions of the Social Security Act do not violate the traditional provisions and power of this country between the Federal Government and the States. Instead of coercing the States, it rather will have the effect of enabling the States to go ahead with the enactment of unemployment compensation laws which are long overdue but which heretofore could not be enacted without placing a serious handicap upon the industries of the particular State enacting such legislation. The greatest objections raised against proposed unemployment insurance during the last 15 years before the State legislatures has been the assertion that it would drive industry out of the State into neighboring States which did not place this burden upon their employers. As an illustration of this argument, the following quotation from a Memorial on Unemployment Insurance, presented on December 15, 1932, to Governor White, of Ohio, by a delegation of 34 citizens representing the Ohio Chamber of Commerce, in opposition to the proposed unemployment insurance bill then pending in that State, may be cited:

Ohio is in close competition with such States as Michigan, Indiana, Illinois, Pennsylvania, Kentucky, West Virginia, and New York. We respectfully submit that Ohio cannot compete with these States while laboring under the handicap of a special tax upon the industries of \$50,000,000 a year. The result would be that firms owning plants in other States would gradually transfer their operations, so far as practicable, to those States. Companies having no outside plants would have difficulty in competing with those who do have such plants. The location of new industries in Ohio would be retarded. From this the farmers, merchants, bankers, and all other classes of business would suffer.

Prior to 1935 only one State in the Union—Wisconsin—had enacted an unemployment-insurance law, which was passed in 1932. In 1933 bills were introduced providing unemployment compensation in 22 States and passed one house of the legislatures in 7 States, but failed to pass both houses in any State. Many States have had special commissions on the subject. An incomplete list of these commissions include the following: New York, Massachusetts, New Hampshire, Maine, Connecticut, Pennsylvania, Ohio, Maryland, Virginia, North Carolina, Wisconsin, Minnesota, Rhode Island, Delaware, Vermont, California, Oregon, and Colorado. In practically all cases these commissions strongly urge the State legislature to enact unemployment-compensation laws, but the States have been unwilling to go ahead until there is a uniform tax measure for this purpose, thus placing industry throughout the country on the same basis.

The following quotations are taken from the reports of several State commissions on employment urging Federal legislation: New Hampshire, Ohio, Massachusetts, and Minnesota.

The 1934 report of the New Hampshire Commission on Unemployment Reserves states:

The commission strongly favors Federal legislation which will effectively remove the fear of interstate competition in this field through the application of uniform rates of contribution upon all employers in the country.

The report of the Ohio Commission on Unemployment Insurance, made in 1932, stated:

It would be desirable to extend compulsory insurance to cover all industries and all employees in all the States so that interstate competition might be equalized.

The supplementary report of the Massachusetts Special Commission on Stabilization of Employment in 1934 stated:

The commission believes it would be better if the Federal Government could require universal adoption throughout the country of some such unemployment responsibility to all industries. • • •

The report of the University of Minnesota Stabilization Research Institute to the Governor of Minnesota on A Program for Unemployment Insurance and Relief in the United States in 1934 states:

If the Seventy-third Congress had passed the Wagner-Lewis bill, unemployment insurance will undoubtedly become general in the United States and employers at any rate will be placed on an equal competitive basis (48-9).

**Also:**

The Wagner-Lewis measure would remove the chief objection to the adoption of State unemployment insurance legislation, namely, the unequal position with respect to interstate competition of employers in States having an unemployment insurance law.

At the 1935 legislative session 83 unemployment insurance bills were introduced in 25 States. Three States—New York, Utah, and Washington—have so far enacted unemployment compensation laws in anticipation of Federal legislation. Sixty-six State bills are still pending. Twenty-six State legislatures are now in session, and 18 have adjourned.

The social-security bill leaves the States very wide discretion as to the provisions of their unemployment compensation acts. It provides only a minimum of Federal control, designed principally to assure the use of the funds exclusively for this purpose and the safeguarding of the funds by depositing them with the United States Treasury. The central purpose of the Federal bill in regard to unemployment compensation is to equalize the financial burden placed upon employers throughout the country and thereby permit States to go ahead.

With regard to the other features of the social-security bill, many States have gone ahead and enacted new old-age-pension laws or have modified the existing old-age-pension laws of the State to conform to the conditions of the pending Federal legislation. Included in this list are the following States: Wyoming, Montana, Utah, Oregon, Washington, and Kansas. This list is not complete. Amendments to the existing old-age-pension laws have also been adopted in a number of other States, including Ohio, Maryland, and others. Twelve States have enacted State laws setting up a State department of public welfare with blanket provisions for acceptance of Federal aids under such conditions as imposed by Federal legislation. Included in this list are the following States: Georgia, Maryland, Montana, New Hampshire, New Mexico, North Dakota, Oklahoma, South Dakota, Utah, West Virginia, Wyoming, and Washington.

A number of States whose legislatures have already adjourned have created special commissions to prepare State legislation on economic security in conformity with Federal legislation to be submitted to a special session of the legislature. A number of Governors have already expressed their intention of calling a special session of their State legislatures as soon as Congress acts on the social-security bill.

The following States have memorialized Congress at the present session for the enactment of this type of social-security legislation: North Dakota, South Dakota, Tennessee, Wisconsin, California, Idaho, Minnesota, Montana, and New York.

The social-security bill, in connection with the grants-in-aid to States provides a minimum of Federal supervision over the States, much less than is provided in any other recent Federal-aid laws. The State old-age-pension laws are required to be liberalized with respect to the requirements of age, residence, and citizenship, and they must be State-wide in application; but these provisions do not grant supervisory authority to the Federal Administrator. The Federal Highway Act, by way of comparison, gives to the Federal Bureau of Public Roads, the right to withhold aid to States if the State highway department is not adequately organized, equipped, and empowered to administer the provisions of the act or if the State fails to maintain its federally aided highways according to the standards laid down by the Federal Bureau of Public Roads. The Federal Bureau of Public Roads must approve each Federal highway project for which funds are allotted and lay down detailed specifications concerning the type of construction, mate-

rials, and so forth. No such powers as these are granted in connection with any part of the social-security bill.

Under the Smith-Hughes Act for vocational education the Federal department in charge could provide minimum qualifications for State officials in charge, but no such provision is made in the Social Security Act. The Smith-Hughes Act also provided that State rules and regulations had to be submitted to the Federal agency for approval, but there is nothing of this kind in the Social Security Act.

No Federal-aid legislation within recent years has accorded wider recognition to the principle of State rights than the social-security bill. The bill does not divest any State of any activities that it is now carrying on. It is strictly in accordance with the Federal form of government in this country. It provides ample opportunity for States to work out these problems in a way which will suit local conditions, and for experimentation in unemployment insurance, which is very desirable at this stage. The social-security bill provides aid to the States, but not control. It enables them to enact unemployment-compensation laws which, as a practical proposition, heretofore they have been unable to do.

In keeping with my statement, I want here to include the memorandum on the constitutionality of the "social-security bill", which was submitted to the Ways and Means Committee by the Department of Justice.

The purpose of this memorandum is to discuss the constitutional aspects of the social-security bill now pending before the Congress, to explore the legislative powers under which its enactment is proposed, and to weigh the objections to its validity, which I understand have been informally advanced in the discussions of this measure. Before entering on a detailed analysis of the bill and a minute consideration of the constitutional questions which it involves, it seems desirable to advert to some basic fundamental principles of constitutional construction, which are sometimes overlooked, but which must always serve as a guide in determining questions of constitutional law.

The formula laid down by Chief Justice Marshall in *McCulloch v. Maryland* (4 Wheat. 316, 407) must always be borne in mind in testing the constitutionality of an act of Congress. His famous words have been often repeated, but may well be reiterated. They are as follows:

A constitution, to contain an accurate detail of all the subdivisions of which its great powers will admit, and of all the means by which they may be carried into execution, would partake of the prolixity of a legal code and could scarcely be embraced by the human mind. It would probably never be understood by the public. Its nature, therefore, requires, that only its great outlines should be marked, its important objects designated, and the minor ingredients which compose those objects be deduced from the nature of the objects themselves. That this idea was entertained by the framers of the American Constitution is not only to be inferred from the nature of the instrument but from the language. Why else were some of the limitations found in the ninth section of the first article introduced? It is also, in some degree, warranted by their having omitted to use any restrictive term which might prevent its receiving a fair and just interpretation. In considering this question, then, we must never forget that it is a constitution we are expounding.

Three years previously, Mr. Justice Story had enunciated the same principle in somewhat different language (*Martin v. Hunter's Lessee*, 1 Wheat. 304, 326):

The Constitution unavoidably deals in general language. It did not suit the purposes of the people, in framing this great charter of our liberties, to provide for minute specifications of its powers, or to declare the means by which those powers should be carried into execution. It was foreseen, that this would be perilous and difficult, if not an impracticable task. The instrument was not intended to provide merely for the exigencies of a few years, but was to endure through a long lapse of ages, the events of which were locked up in the inscrutable purposes of Providence. It could not be foreseen, what new changes and modifications of power might be indispensable to effectuate the general objects of the charter; and restrictions and specifications, which, at the present, might seem salutary, might, in the end, prove the overthrow of the system itself. Hence, its powers are expressed in general terms, leaving to the legislature, from time to time, to adopt its own means to effectuate legitimate objects, and to mold and model the exercise of its powers, as its own wisdom and the public interests should require.

In entering upon a discussion of the particular measure here under consideration, it is desirable to first analyze its provisions. The social-security bill consists of a number of distinct titles. Title VIII proposes to impose an income tax on the wages of certain classes of employees, and an excise tax on certain classes of employers, measured by specified percentages of the wages paid by the employers to whom the tax is applicable. Title IX imposes another excise tax on employers employing 10 or more persons, the tax again being measured by specified percentages of the wages paid by the employer.

Title I of the bill provides for grants to the States for old-age assistance. In order to qualify for such grants, a State is required to adopt an old-age-assistance plan, meeting certain standards laid down in the bill, and to appropriate funds to match the Federal contribution. Title II seeks to appropriate money for the payment of old-age benefits to certain groups of employees upon their attaining the age of 65. Title III proposes to make grants to States for the administration of unemployment compensation, provided the State adopts an unemployment-compensation law complying with certain standards laid down in the bill. Title IV provides for Federal grants to the States for aid to dependent children, while title V makes similar grants for maternal and child welfare. Title VI makes certain appropriations for the purpose of extending and improving public-health services.

There will first be considered the validity of the tax features of the bill contained in title VIII and title IX.

The first tax sought to be imposed by the bill is that found in title VIII, sections 801-803. It is an income tax on the wages of certain classes of employees. The power of the Congress to levy an income tax is undisputed. Suffice it to advert to the sixteenth amendment, which reads as follows:

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States and without regard to any census or enumeration.

In levying an income tax the Congress may exempt certain classes of persons or certain types of income, as well as levy varying rates of tax on incomes of differing sizes (*Brushaber v. Union Pacific Railroad Co.*, 240 U. S. 1). The validity of the tax imposed by these provisions of the bill, standing alone, is undoubtedly not subject to question.

Title VIII, sections 804-811, and title IX provide for excise taxes on wages paid by certain classes of employers as defined in the bill.

The grant of power to the Congress to levy excise taxes is found in article I, section 8, clause 1, of the Constitution, which reads as follows:

The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States.

More comprehensive and sweeping language can hardly be imagined. The Supreme Court, in *Brushaber v. Union Pacific Railroad Co.* (240 U. S. 1, 12), stated that the authority conferred upon the Congress by this provision "is exhaustive and embraces every conceivable power of taxation."

The only limitation on this power is that contained in the constitutional provision, namely, that "all duties, imposts, and excises shall be uniform throughout the United States." The uniformity required by the Constitution has been invariably held to be merely a geographical uniformity. Thus it was said, in *Billings v. United States* (232 U. S. 261, 282):

It has been conclusively determined that the requirement of uniformity which the Constitution imposes upon Congress in the levy of excise taxes is not an intrinsic uniformity, but merely a geographical one. *Flint v. Stone-Tracy Co.* (220 U. S. 107); *McCray v. United States* (195 U. S. 27); *Knowlton v. Moore* (178 U. S. 41). It is also settled beyond dispute that the Constitution is not self-destructive. In other words, that the powers which it confers on the one hand it does not immediately take away on the other; that is to say that the authority to tax which is given in express terms is not limited or restricted by the subsequent provisions of the Constitution or the amendments thereto, especially by the due-process clause of the fifth amendment.

The same doctrine was enunciated in *United States v. Doremus* (249 U. S. 86, 93):

The only limitation upon the power of Congress to levy excise taxes of the character now under consideration is geographical uniformity throughout the United States. This Court has often declared it cannot add others. Subject to such limitation Congress may select the subjects of taxation, and may exercise the power conferred at its discretion. *License Tax cases* (5 Wall. 462, 471). Of course, Congress may not in the exercise of Federal power exert authority wholly reserved to the States. Many decisions of this Court have so declared.

It is understood that there has been no attempt to challenge the constitutionality of the foregoing provisions of the bill standing alone. It is not understood that it is disputed that the Congress is clothed with the power to impose the taxes provided by the pending bill. However, it has been said that the real purpose of these tax measures is not to raise revenue but to establish a Nation-wide scheme for unemployment insurance and old-age benefits; that the tax provisions are part of the warp and woof of this scheme; and that consequently, since there is no express provision in the Constitution granting to the Congress the power to legislate on the subject of old-age benefits and unemployment insurance, these tax provisions must be deemed invalid.

This reasoning completely overlooks the principle frequently enunciated and as frequently applied by the Supreme Court, to the effect that in passing upon the validity of a statute, which on its face purports to be a tax measure, the courts will not consider the question whether the motive of the legislative body was some other than that to raise revenue. This rule has been formulated on a number of occasions and led to upholding the validity of statutes, which, while ostensibly revenue measures, were obviously intended to accomplish an entirely different purpose. Thus, in 1866, the Congress passed an act levying a 10-percent tax on bank notes issued by State banks. The real purpose of the authors of this measure was not to raise revenue, but to eliminate State bank notes from circulation. So effectively was its real purpose accomplished, that little, if any, revenue was ever collected under this act. The validity of the statute was challenged on the ground, among others, that it was not a true revenue measure. Its constitutionality was, however, upheld in *Veazie Bank v. Fenno* (8 Wallace, 533). Another striking case is that involving the oleomargarine tax. An act adopted in 1902, levying a tax on oleomargarine imposed a low tax on white oleomargarine and a much higher tax on yellow oleomargarine with the obvious purpose of driving yellow oleomargarine out of the market, in view of the fact that it was frequently sold to the public as butter. The validity of the measure was questioned, and its character as a tax measure was assailed, but without success (*McCray v. United States*, 195 U. S. 27, 59). Holding that the act was a valid exercise of the taxing power, Mr. Justice White stated:

Undoubtedly, in determining whether a particular act is within a granted power, its scope and effect are to be considered. Applying this rule to the acts assailed, it is self-evident that on their face they levy an excise tax. That being their necessary scope and operation, it follows that the acts are within the grant of power.

He swept to one side the argument that the real motive of the Congress was not to raise revenue, but to drive yellow oleomargarine from the market by imposing a prohibitive tax upon the sales of that commodity.

Perhaps the outstanding case sanctioning the use by the Congress of the taxing power for purposes other than to raise revenue is *United States v. Doremus* (249 U. S. 86), which upheld the constitutionality of the Harrison Narcotic Drug Act. Under the guise of a revenue measure, the Congress placed all dealings in narcotics under severe and stringent restrictions. It was urged again that the statute was not a true tax measure, and, consequently, beyond the constitutional power of the Congress to enact, and again this contention was overruled. The Court stated that an "act may not be declared unconstitutional because its effect may be to accomplish another purpose as well as the raising of revenue. If the legislation is within the taxing authority of Congress, that is sufficient to sustain it" (p. 94).

The latest expression of the Supreme Court upon this point is found in the case of *Magnano Co. v. Hamilton* (292

U. S. 40, 47), decided on April 2, 1934, in which the Court made the following significant statement:

From the beginning of our Government, the courts have sustained taxes, although imposed with the collateral intent of effecting ulterior ends which, considered apart, were beyond the constitutional power of the lawmakers to realize by legislation directly addressed to their accomplishment.

The conclusion is inescapable that the motive of the Congress in enacting a law, which, on its face, purports to be a revenue measure, is immaterial and will not be considered by the courts in passing upon its validity. If a statute is ostensibly a valid exercise of the taxing power, the fact that such authority is invoked to accomplish an object other than to raise revenue, has no effect upon the constitutionality of the act. It necessarily follows that the fact that the taxes sought to be imposed by the social-security bill may constitute an inherent part of a legislative scheme for old-age benefits and unemployment insurance, in no way detracts from their validity.

Those who advance a contrary view rely on the decisions of the Supreme Court in the *Child Labor Tax case* (259 U. S. 20) and *Hill v. Wallace* (259 U. S. 44). Upon close analysis, however, they will find but little solace in these decisions. It is only by giving them implications far beyond their actual holdings and by construing them as overruling the line of cases which have been just discussed that any support can be found in them for the suggestion that the social security bill may possibly be invalid.

In the *Child Labor Tax case* the Supreme Court held unconstitutional an act of Congress which imposed a tax equal to 10 percent of the net profits realized by any employer who employed child labor, knowing the children to be below a certain age. The Supreme Court held that this law did not impose a tax, but exacted a penalty. It emphasized the fact that the provision, which imposed the so-called "tax" only on a person who knowingly departed from a prescribed course of conduct, made the impost a penalty rather than a tax. Chief Justice Taft remarks that "scandal is associated with penalties, not with taxes." He expressly adverted to the line of cases to which reference has been made in this memorandum and reiterated their holdings as sound law.

Likewise in *Hill against Wallace* the Court declined to uphold a measure seeking to impose a so-called "tax" on dealings in grain futures, except as to contracts executed through a member of a board of trade designated by the Secretary of Agriculture and complying with prescribed requirements. The Court ruled that the so-called "tax" was a penalty exacted for failure to comply with the requirements of the law (p. 66).

It is manifest that these two cases are not germane to the present discussion. Surely no one will contend that the taxes sought to be imposed by the pending measure are in fact penalties.

It is also not without significance that in the *Magnano case*, supra, decided less than a year ago, the cases heretofore discussed by me were cited with approval by the Supreme Court and the *Child Labor Tax case* explained as being based upon the proposition that the law which it held invalid imposed in fact not a tax, but a penalty.

Thus far there has been discussed the validity of the tax features of the bill in general. There is one specific provision that deserves additional consideration. Title IX, which imposes a tax on wages paid by employers, also provides in section 902 that the taxpayer may credit as against the tax any contributions paid by him into an unemployment fund established under a State law, provided that the total credit shall not exceed 90 percent of the tax. This device was approved by the Supreme Court in *Florida v. Mellon* (273 U. S. 12), in connection with the estate tax imposed by the Revenue Act of 1926, which contained a provision that the tax should be credited with the amount of any estate taxes paid to any State, such credit not to exceed 80 percent of the tax. It was asserted that the tax was unconstitutional, in that its purpose was to act as an incentive to the States to enact inheritance-tax legislation, and that it especially discriminated against the State of Florida, which levied no such

tax. These objections received but scant consideration at the hands of the Supreme Court, which declined to hold the law invalid. Thus the credit provisions of title IX constitute an expedient sanctioned by the Supreme Court.

The consideration heretofore discussed lead to the conclusion that the tax features of the bill are valid and constitutional. It is now desirable to pass to a consideration of those sections of the bill which seek to appropriate money for the payment of old-age benefits for the making of grants to the States for old-age assistance, the administration of unemployment-compensation laws, aid to dependent children and maternal and child welfare, and for the purpose of extending and improving public-health services. The suggestion that the power of the Congress to appropriate money is in any way restricted or circumscribed is indeed a novelty. As we turn back the pages of our history we find that it has never been successfully contended that the authority of the legislative branch of the Government to appropriate money is limited to the specific purposes enumerated in article I, section 8, of the Constitution. The Congress has invariably by its own actions placed a different construction upon this power. It has always been customary for the Congress to appropriate money for purposes not enumerated in the Constitution. To select but a few such instances at random, we may refer to grants made to agricultural colleges many years ago; subsidies to transcontinental railroads; grants for maternity care, exemplified by the Sheppard-Towner Act; appropriations for the extermination of pests, such as the boll-weevil and the Mediterranean fruit fly; appropriations for scientific research, and many other examples that could be multiplied without number. A construction consistently placed upon the Constitution by the legislative branch of the Government in a series of acts over many years ought not to be lightly disregarded, as was remarked by Chief Justice Marshall in *McCulloch v. Maryland*, supra, at page 401.

The Supreme Court has recently held that a taxpayer has no standing in the courts to question or attack the validity or the constitutionality of an appropriation made by the Congress (*Massachusetts v. Mellon*, 262 U. S. 447, 486).

It follows hence that those titles of the bill which seek to appropriate Federal funds for specific purposes may not be successfully assailed as to their validity.

The fact that by the pending bill it is sought to exercise the powers of the Congress in an unaccustomed manner, does not affect the validity of the measure. Powers heretofore dormant may be called into action and invoked to meet new contingencies arising in the progress of the life of the Nation. The political, the economic, and the social history of the United States is marked from time to time by new departures in Government, all of which were attacked at the time as unconstitutional, but whose validity was eventually upheld as coming within the purview of the powers conferred upon the Federal Government by the Constitution. Thus, the power of the Congress to charter a bank was seriously challenged at one time, and yet today we have in this country a network of national banks. Many statesmen questioned the power of the Federal Government to acquire territory when President Jefferson purchased the vast areas known as Louisiana. Had their views been followed, this country would still consist of 13 States bordering on the Atlantic coast, instead of being one of the great powers of the world. The power of the Congress to provide paper money and make it legal tender was seriously assailed. Today paper money is part and parcel of our economic life. (Compare the *Legal Tender cases*, supra, and the recent *Gold Clause cases*.) There may also be taken into consideration the strong presumption which exists in favor of the constitutionality of an act of the Congress, in the light of which and of the foregoing discussion it is reasonably safe to assume that the social-security bill, if enacted into law, will probably be upheld as constitutional. It is suggested, therefore, that if the Congress deems the bill to be meritorious, it ought not to fail of passage on any prejudice that it is unconstitutional.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Arkansas [Mr. MILLER].



Mr. MILLER. Mr. Chairman, I think practically the entire membership of the Congress realizes the necessity for the enactment of legislation dealing with social security. The conditions that make the enactment of such legislation imperative have been developing during the last two decades, but during the last 5 years these conditions have become so acute as to place the question foremost in the minds, not only of the Congress but of the entire citizenship of our Nation. Naturally, the subject, social security, in all of its phases, is one that cannot be adequately treated in the enactment of any single piece of legislation.

The bill as reported, however, does attempt to deal in a more or less comprehensive manner with the various phases of the subject. Everyone is anxious to treat, as soon as possible, the subject in all of its phases, but it occurs to me that at this particular time it might be unwise for the Congress to attempt the enactment of such a comprehensive measure as the one now under consideration, which may further hamper the recovery of labor and industry by the levying of taxes of questionable constitutionality.

We have heard much about reform and recovery. All of us admit that certain reforms are desirable, but, on the other hand, all must admit that recovery is imperative if the general welfare of our Nation is to be provided for and not disregarded.

Title I of the proposed legislation attempts to deal with the vital question of old-age pensions. I have given much consideration to this particular phase of the proposed legislation, and, in my opinion, title I is entirely inadequate and must be amended if a great portion of the deserving aged citizens of our Nation are to receive any benefit therefrom. The Congress has, during the last 2 years, enacted much legislation designed to create employment, but the employment that has been created by the legislation has not inured to the benefit of several million of our citizens who have reached the age which precludes them from receiving consideration and employment under the legislation heretofore enacted. Therefore, this class of citizens who have heretofore discharged their every duty as citizens are entitled to fair and equitable treatment regardless of the State or Territory in which they may have their abode. This title as now existing, if enacted in its present form, will result in a serious discrimination against many American citizens, and I cannot support any measure which will result in the discrimination that will necessarily follow from the enactment of title I as now written.

This title provides that the States must match the funds advanced by the Federal Government and that the Federal Government will advance to the States a maximum of \$15 per month for each eligible person, but that no sum will be advanced unless it is matched by funds provided by the States. Conceding only for the purpose of this discussion that there is an equal obligation resting on the several States to provide money to discharge this burden, and conceding further that the contribution by the Federal Government of one-half is a fair division, still this does not justify the Congress in the enactment of the provisions of this title when we know that there are many States in this Union that are financially unable at this time to provide any funds whatsoever with which to match the funds provided by this bill.

It is immaterial whether we treat the old-age pensions as a gratuity and justified solely upon the ground of relief or whether we treat it as compensation merited by loyal citizenship, the principle involved is the same and the Federal Government, through this Congress, should not knowingly enact legislation that will discriminate against the citizens of any particular State. State boundary lines should and must be disregarded in dealing with this question. The Congress should only undertake to provide the limitations or qualifications of those eligible to receive a pension and when those requirements are prescribed, the amount provided should be paid regardless of the ability of the State to match the funds. If the various State governments which obtain their money by direct taxation had not suffered financially in proportion to the losses of their citizens, they would probably be in a

position to match the funds provided by the Federal Government.

But I call your attention to the fact that the Federal Government has during the last few years existed solely because of its credit and its ability to borrow money. No one knows how long this condition may obtain, but many of the States must have a reasonable time in which to provide funds to meet the contributions by the Federal Government, and I suggest that a reasonable time would be 5 years. This title must be amended so as to provide that whatever amount the Federal Government may pay, it shall be paid to all eligible citizens regardless of their place of abode during the next 5 years, and regardless of whether the funds are matched. At the expiration of this period the States should be in a position to match Federal funds and to fully discharge their obligations to their deserving citizens. In no other way can the Congress be just and fair. By so doing we will not be relieving the States of their duty to the aged and deserving citizens, but we will be giving them a sufficient length of time to enable them to meet this obligation and at the same time we will be rendering justice to all citizens alike.

The General Assembly of the State of Arkansas in a resolution approved March 21, 1935, has called the attention of the Congress to the conditions prevailing in that State. I know that it is the desire of every citizen of Arkansas that the State government should discharge its full duty to its needy and destitute citizens. The general assembly that adopted the concurrent resolution enacted legislation in an effort to meet this obligation but the financial conditions are such that the State will be unable to raise any appreciable funds for this purpose and unless title I is amended as suggested by me, the citizenship of Arkansas will be discriminated against. I cannot, in justice to that great class of our citizenship, support legislation here which will result in the discrimination against the citizenship of my State. The people of Arkansas are anxious to discharge their full duty at all times as citizens. The general assembly is anxious to provide funds for the needy citizens of Arkansas, but these funds cannot be immediately provided, and why should the citizens of Arkansas and other States be deprived of the amount which the Congress may fix as a contribution to those meeting the prescribed requirements to be eligible to receive an old-age pension?

It is true that Arkansas does not contribute as much in money to the support of the Federal Government as do some other States in the Union, but the prosperity of other States is not solely because of their own resources. Arkansas is as rich in natural resources as any State in the Union and her citizenship is on a par with that of any other State and the time will come when the contribution from Arkansas to the support of the Federal Government will equal that of any other State. Her citizens are likewise citizens of the United States, and, as such, are entitled to receive this benefit for the time being at least.

The suggested amendments to this title are reasonable and will not do violence to the plan for Federal participations in the payment of old-age pensions. We cannot deal with this question solely along theoretical lines. At present we must face the conditions and deal with the conditions as practical men instead of treating this question as a theory and dealing with it as such.

As a governmental theory it may be correct to require a contribution by the States, but when theory is opposed by justice and by actual conditions, then we must yield to the dictates of justice and to conditions, and I appeal to the sense of fairness of this House to join with me in an effort to bring these benefits to our destitute citizens regardless of where they may live and regardless of the amount of the contribution that may be made by the States, or regardless of whether the State is able to pay any amount for at least such a period of time as will enable the individual States to prepare to meet their proportionate share of this obligation. Gentlemen cannot, with much grace, argue that the Federal Government is unable to do this, because we have appropriated, during this Congress, billions of dollars for

other purposes; and surely the needs of all worthy, aged, and deserving citizens should receive the consideration that a lifetime of loyal support of the ideals of America entitles them to receive insofar as our action is concerned.

If more taxes are required to meet this expenditure, then we should unhesitatingly levy them upon those who have in years gone by accumulated vast sums and fortunes, in many instances at the expense and through the toil of our old citizens. The resources of our country should, if necessary, be commandeered by us to meet this obligation, and by so doing we can rightfully and fairly give to every loyal citizen some of the benefits of a just government and thus restore, in a measure, to all some of the fruits of their toil and labor.

Mr. DOUGHTON. Mr. Chairman, I yield 45 minutes to the gentleman from New York [Mr. SIROVICH].

Mr. SIROVICH. Mr. Chairman, life is a journey upon the road to death. Some of us quickly end our pilgrimage at the station marked "infancy." Shortly thereafter others complete their mission upon the course named "childhood." Many fall by the wayside on the grave marked "adolescence." Countless numbers falter on the highway called "young age." Innumerable throngs collapse upon the main road marked "middle age." Eventually all the rest who have escaped the perils along this mysterious road conclude their journey to eternity when they pass from the station "old age", through the gates of death, to that bourne from which no traveler ever returns.

The present bill before the House of Representatives is one that provides for and attempts to take care of every victim of social and economic insecurity from the time of birth until death. This humane legislation begins with the queen and the angel of the home, the mother. Since God could not be everywhere, he created mothers to take His place. This bill makes it possible to look after the welfare of every expectant mother in the villages and rural sections of our country during the critical periods of her life's existence, which are childbirth and the preceding prenatal care. In the past millions of mothers have made the supreme sacrifice and died on the altar of childbirth, caused by the disease known as "puerperal sepsis", or blood poisoning.

It was in the year 1843 when the distinguished New England doctor, surgeon, and literary genius, Oliver Wendell Holmes, then a practicing physician, announced to the people of our country that puerperal sepsis, commonly known as "blood poisoning", from which thousands of mothers in his time had died after childbirth, was due to nothing else but dirt. This disease was caused by the introduction of dirt into the generative tract by unclean hands and unsanitary material used during the period of obstetric delivery. Oliver Wendell Holmes was laughed at, jeered at, humiliated, and humbled, as are all men and women who are pioneers and crusaders in a new line of thought or endeavor.

Several years later Professor Semmelweiss, an obstetric professor in the University of Budapest, Hungary, from 1850 to 1865, unfamiliar with Dr. Holmes' news, announced to the physicians of Austria and Hungary his belief that puerperal sepsis was caused by unclean methods of delivery that spread infection through dirt. His fellow physicians and the midwives of his time excoriated and pilloried him. They denounced his views. They laughed at him. They literally spat at him. His delicate mind and his sensitive soul could not resist nor withstand the ravages of this ridicule. He lost his reason and in 1866 died in an insane institution in Budapest.

Two years ago when I was in Budapest I stood in reverence in front of a beautiful monument that Hungary had belatedly erected to commemorate the memory, the name, and the fame of its illustrious pioneer and crusader, Professor Semmelweiss. Here was a scholar and a scientist who was driven to his death because he had given the world the principles that other physicians and surgeons today believe in, that puerperal sepsis or blood poisoning, caused in childbirth, is due to a dirt infection at the time of delivery.

Mr. Chairman, a few millions spent each year to nurses, midwives, and doctors to help them bring children into the world cleanly and healthily would not only save the lives of thousands of mothers but would also usher the young into the world in healthier, more sanitary, and more decent conditions.

In the rural sections of the United States and in the smaller villages we have very few nurses, midwives, or doctors. A kindly friend, male or female, may be the only one to help to bring the child into the world. This humane and constructive legislation, embodied in this bill, would save the lives of millions of our mothers in the future, and help to perpetuate the home and the angel of the home—the mother.

Mr. Chairman, previously this maternal legislation was known as the "Shepherd-Towner Act" or the "Shepherd-Bankhead Act." This legislation was only put into operation for a few years and died because no appropriations were made to perpetuate its work. In the past its work was only of a temporary nature. The present legislation will be permanent and a living monument to Franklin Delano Roosevelt.

This bill makes its tenure permanent in character and lasting in its results. It will be an ideal, worthy to be emulated by every civilized government of the world. [Applause.]

Mr. Chairman, another section of this humane and constructive bill provides for child welfare. This section would take care of infancy and childhood until the age of puberty. The weakest links in the chain of home life everywhere are the two extremes of life, young age and old age. A generation ago 1 out of every 4 young that were brought into the world die during the stage of infancy. They had no opportunity to develop into childhood or adolescence. Today, through the medium of science and medicine, through serum and antitoxin, and the countless contributions of prophylactic treatments, coupled with hygienic regulations and legal restrictions placed upon the exploitation of childhood, we are enabled to raise children, with the result that the mortality tables today show only 1 out of 8 dying before they have had a chance to develop into young adult life.

The laws of our country and society have aided the young children of the present generation by prolonging legal childhood to the age of 16, which ends the compulsory educational period required by law.

A soldier fighting in the trenches of France, with bullets passing and bombs exploding over him, with poison gas about him, has a better chance to escape with his life, than has a child coming into the world to live and to reach young adult life.

Mr. Chairman, the mother may be the queen of the home, but the father is the breadwinner, the provider, who keeps the home intact. The home is the foundation of all society. Upon it the superstructure of all government must rise. Destroy the home and you destroy the most sacred human institution devised by mankind.

Death, through the loss of the breadwinner, has broken many a home. For centuries the widows, orphans, and dependent children have cried aloud for help and assistance in their tragic periods of economic insecurity. In the past the only recourse for orphaned children was the poorhouse, almshouse, and the orphan asylum.

The twentieth century of civilization has awakened our citizens to the duty and obligations they owe to these unfortunate orphans. Forty States in our Union have thus far enacted widows' pensions or child-welfare laws, to protect these innocent orphaned victims of previous inhuman capitalistic and legislative indifference. [Applause.]

Widows' pensions and child-welfare laws have had the spirit of humanity breathed into them by permitting the mother to have the custody of her own brood in her own home, by having the State give to the mother the money it formerly gave to an institution to take care of these orphans. In this way the State has preserved the integrity of the home. In its own home the child becomes the beneficiary of the tender love, the gentle solicitude, and the gracious care of its own mother. In an institution a child becomes a mechan-

cal automaton. In its own home it is treated as a human being. Children reared in an orphan asylum lose their affection for those they should love. In the home the ties that bind the child to its mother are firm, unyielding, and enduring.

This bill, so carefully conceived, further protects the home because millions of dollars are granted by the Federal Government to the States, that will eliminate the orphan asylums and restore the orphaned child to the custody of its own mother, who is the proper and noblest guardian of childhood.

Mr. Chairman, if people who are physically and mentally perfect in every way cannot find work to guarantee their economic security, what is to be the fate of those children who have been handicapped by nature by being crippled, maimed, deformed, disfigured, blind, and deaf through congenital causes or diseases of childhood.

"A sound mind in a healthy body" was the slogan, or dictum, enunciated by the famous seventeenth-century English philosopher, psychologist, and educational thinker, John Locke, in his famous work, *Some Thoughts Concerning Education*. The fact that he was himself a physician of great repute, coupled with the thought that nature had endowed him with a delicate physical constitution, made him realize the vital importance and value of having a healthy body.

Our great humane President, Franklin Delano Roosevelt, a father, a victim of infantile paralysis himself, knows what a long, hard fight has to be made to recover from the ravaging infirmities of infantile paralysis and other diseases that have pitifully crippled and maimed some of the youth of our country.

This constructive legislation and appropriation amounting to \$2,850,000 in this bill offers to every crippled, deformed, and paralyzed child, whose parents cannot afford to pay for treatment, every scientific, medical, mechanical, and physiological relief to restore them to health. It assuages the grief, the anguish, and the suffering that accompanies the complications of childhood diseases which afflict its unfortunate victims with chronic infirmities.

This result is accomplished in this legislative bill through rehabilitation and vocational guidance and constructive and corrective devices that are designed to restore a sound mind in an otherwise afflicted and paralyzed body, so that these children may ultimately become useful citizens of our Republic, capable of being self-supporting and self-respecting.

Mr. Chairman, the period of adolescence is the critical and trying time in young adult life. The physiological changes that take place in puberty are responsible for the mental aberrations so common and prevalent in youth. Scientific medicine contends that juvenile delinquency, incorrigibility, changes of disposition, temperament, and character are attributable to the endocrinological disturbance caused by puberty.

This humane bill appropriates millions of dollars to aid these unfortunate victims of adolescence, through scientific medical supervision controlled in the Bureau of Child Hygiene, thus contributing to the normal restoration of these young people as useful citizens of our Republic, instead of filling our penal institutions with juvenile delinquents. [Applause.]

Mr. Chairman, between the ages of 20 to 60 is the great productive period of human existence. Through labor, commerce, industry, agriculture, science, art and literature, and all collateral forms of human endeavor, the progress of mankind throughout the civilized world has been accomplished.

The one sublime and great ideal for which all those people who work through brain and brawn would eternally be grateful for is economic and job security. Mankind the world over is profoundly interested in one fundamental concept; that is the privilege to work and to support loved ones who are dependent on that work for the amenities and deficiencies of life. The chronic deterrent that has prevented mankind throughout the world, between the ages of 20 to 60, from being blessed with happiness, contentment, and social and economic security is the tragic economic disease called unemployment.

The problem of unemployment is today not a problem of any locality nor any country, nor of any political party,

but is world-wide and universal in its proportions. Nothing affects the average individual so closely as the question of the preservation of life with economic security. It is only after these necessities are satisfied that an individual can turn his thoughts to problems of politics, society, education, science, art, philosophy, or even religion. Society as it is constituted today, and has been constituted throughout all the ages, has taught humanity the fact that the necessities of life can be obtained only by the "sweat of one's brow." It has ever been the rule that those unwilling to work do not deserve to share the material goods of the world. The tragedy of unemployment today, however, is that men are willing to work, but can find no work for their hands or brains.

In order that the remedies for the relief of unemployment, particularly unemployment in the United States, may be properly understood, it is necessary that we have some conception of the historical aspects of this difficulty. Unemployment has plagued mankind from time immemorial. It has been with us from the time that society became organized and humanity gave up its nomadic existence and the freedom which such a life implies for the greater protection which an individual receives in group organization.

The annals of ancient history give many examples of the problems of unemployment and how it was successfully temporarily solved. In the Bible there is the story of Joseph who was called in as an expert by the Egyptian Pharaoh of his day to solve a problem which was then appearing on the horizon, namely, unemployment for an appreciable number of years. Joseph suggested that a sufficient store of materials be set up during the years of plenty to supply the needs of the 7 lean years that were in the offing. The Phoenicians were the commercial group of the Semitic nation. They settled in Africa and founded the ancient civilization known as Carthage. They explored the mining districts of the British Isles, and brought back iron, tin, and copper to Phoenicia, there to be converted into bronze. For the Phoenicians, therefore, the solution of their problem of unemployment lay in expansion or colonization in other parts of the world.

The Greeks had a similar cure for this problem, for when in the small country of Greece the press of increased population made employment difficult, settlers were sent to what is now Sicily, and there established a center of commerce at Syracuse. They also sent their legions to Asia Minor and established settlers' colonies there. In Sparta the problem was met in another manner. This communistic country, which rigorously supervised the life of all the members of its community, decreed the extreme penalty of killing the weak so that only the strong might survive. This, of course, tended to keep down any rapid increase in population, and eventually Sparta perished as a result of the very remedy she thought would help her in her survival.

Rome, the first great Empire of history, was confronted with the problem of unemployment early in its career. Following the conflict between Rome and Carthage the problem was relieved by the subjugation of the latter country. The natural growth of population of Rome, nevertheless, soon presented again the problem of unemployment. To solve it Rome resorted to the methods of Phoenicia, namely, colonization. Consequently, Roman soldiers planted their flag in Spain, in Britain, in the Balkan States—which are now known as Rumania, Bulgaria, and Yugoslavia—in Hungary, in Asia Minor, and on the northern coast of Africa. Always following the flag went the civil population, anxious to leave overcrowded Rome and Italy. They would rather be, first, in any place where they could find employment, economic security, and profitable labor than, second, where they would constantly be on the brink of starvation. The influx of barbarians and slaves deprived the native Romans of labor and employment. This was one of the conditions that finally caused the great Empire to collapse in the year 476 A. D.

Following the collapse of the Roman Empire the organization of society entered into the feudal system, which was the political, social, and economic set-up of the Middle Ages. The feudal system, while it destroyed or curbed the indi-

vidual liberty and freedom of men and women, narrowing them to a confining locality, nevertheless gave a fair guaranty of employment to the workers, thus assuring economic security. The feudal lord unquestionably was master of the soul and body of the toiler. The laborer was bound to the soil by a process akin to involuntary slavery. While he served his master he had bread to eat, a roof to shelter him, and clothing to wear. Did the peasant prefer to surrender his liberty and freedom in return for a guaranty of economic security? The doglike fidelity of the medieval serf to his lord, the loyalty of generations of apparently willing peasants to generations of overlords of the same family, showed that the feudal serf of medieval times did prefer the benefits of economic security to liberty itself.

Not all people were happy, however, with this compulsory service to their overlords, and among those were many who were obsessed by a desire for liberty and individual freedom. These people, together with others who were unemployed, or rather who refused employment under feudal conditions, left their native lands in search of adventure and constituted a part of the personnel of the great religious armies known as the "Crusaders", who also were merchants and traders.

Self-sufficient as the economic society of the Middle Ages was its people were nevertheless dependent upon the outer world for some essentials of good living. The serf could grow his own food supply, spin his own wool, make his own agricultural implements, design all of his own clothes; but for the spices of life he had to look to the Orient, to the far romantic East. The medieval person knew of no ice as a means of preservation of food. He was far from the day of electrical or gas refrigeration. The spices of the East were absolutely essential for him in preserving his food over a length of time and to keep it from decaying in the heat of the Tropics.

The spread of Mohammedanism and the victorious armies of the Turks barred western Europe from direct communication with the Far East, particularly after the capture of Constantinople by Saracens in 1453. To prevent their overland caravans and maritime cargo ships loaded with rich merchandise from falling into the hands of the Mohammedans the people who inhabited the continent of Europe were of necessity compelled to look for other routes to India and the Far East, such as the expeditions of Vasco de Gama and Columbus. While the Americas were being colonized they remained for many centuries too remote for the bulk of European population to migrate. In the sixteenth and seventeenth centuries we find wide-spread unemployment worse than that of today. So prevalent, indeed, was unemployment, that the man power of the world was only too happy to be employed as professional soldiers in the frequent wars that characterized this period. Slowly, but surely, the colonies of the New World began to absorb the unemployed of the old. Since the inception of the industrial revolution and the war for American independence, colonization in other continents has progressed so rapidly as to relieve temporarily the economic pressure in European countries.

For the Modern Age, the latter part of the eighteenth century witnessed the development of the industrial revolution in England. The invention of machinery transferred many farmers to the factory and thousands of farms were deserted. Commercial cities sprung up, new captains of wealth were created, and capitalists accumulated tremendous fortunes.

The workers shared very slightly in this era of industrial prosperity. Instead they suffered from the evils of this new system which brought about low wages, child labor, long hours, industrial accidents, and industrial diseases. Summarizing the results of this industrial revolution in England, we find 12 percent of its population rich and comfortable, while 88 percent of its inhabitants were in abject poverty and destitute circumstances. However, the great redeeming feature of the industrial revolution was, that it brought about the destruction of the feudal system of agriculture by the vast movements of men and women from small isolated farms to the factories of urban communities.

From the Franco-Prussian War of 1870 to the inception of the World War in 1914 an economic era was ushered in which reached the highest peak of prosperity the world has ever known. The full fruits of the factory system were being gathered by all civilized nations of the world. European powers extended themselves into the distant continents of Africa, Asia, and Australia. There they founded colonies, not only for political purposes to satisfy national pride but primarily to furnish raw material for the use of the factories in England and other European nations, which materials were there converted into finished products, to be shipped back to the colonies for their consumption.

That is why England did not permit America to manufacture in the early history of our career, but compelled the colonies to send the raw material to England, where they converted it into manufactured goods, and sent the goods back to be sold to the colonies.

That is the reason America, at the inception of our Government, was 98 percent agricultural and 2 percent industrial.

During the World War the problem of unemployment disappeared. The armies absorbed the unemployed, and the tremendous increase in consumption of war materials stimulated the demand for supplies which taxed the resources of both machine and man powers throughout the world. Following the termination of the war, however, the reaction set in, and a condition exactly opposite to that which prevailed during the war period was ushered in, resulting in wide-spread unemployment.

What is the reason for unemployment in modern days? The primary cause is overproduction of material goods, bringing about a decline in price, with a lessened production and consequent unemployment. What are the factors which contribute to overproduction? These are: First, lack of economic markets, because practically every habitable portion of the globe has already been populated and has been, or is, on the verge of being industrialized. Second, the invention and use of labor-saving machinery has displaced thousands of men and women. Third, the instance of seasonal trades, characteristic of highly civilized communities, in which styles change frequently and producers are afraid to anticipate future requirements. Another great factor in the production of unemployment is the unfortunate bankrupt financial condition of most of our country's 40,000,000 farmers who are potential buyers. However, because of their lowered income, this great buying power is lost, with the resulting unemployment of the thousands who would otherwise be required to supply the farmer's needs.

Mergers and combinations of big business also create wide-spread unemployment. They throw the middle classes out of business and force them down to the level of employees; thus they create a large class of individuals seeking employment without increasing the opportunities for finding work. Other significant causes of unemployment, particularly in our country, were the great tidal waves of immigration, which began in the end of the eighteenth century and until 20 years ago brought into our country millions of people seeking employment.

Serious as the condition of unemployment in our country is today, it is not hopeless if we have the courage to face the facts and apply the proper remedies. What are these remedies? They are, first, political; second, economic; and third, social.

Politically we can aid in alleviating the conditions of unemployment by promoting international peace, so as to render wars improbable if not impossible. Post-bellum reconstruction always brings unemployment in its wake through the return of the soldier to industry. Let us, therefore, war on war. Peace should be our ideal, our hope, our aspiration. [Applause.]

Economically the solution may be of two characters. First, by lessening the overproduction, by agreement in various industries; and, second, by increasing consumption of commodities by encouragement of liberal terms, such as credit to debtors, particularly in periods of economic stress.

Socially the solution of unemployment concerns itself to the attitude of the Federal Government toward the indi-

vidual. How can the Nation aid? The Government can assist business, industry, and labor in the following manner:

First. The national abolition of child labor, now accomplished through the National Recovery Act.

Second. The limitation of the labor of women in hazardous industries.

Third. The establishment of a national system of old-age pensions as provided in this bill.

Fourth. The perfection of unemployment insurance in times of prosperity to provide for the unemployed in time of distress.

Fifth. The institution of a vigorous, scientific, and practical program of farm relief to rehabilitate agriculture, the basis of all industry. [Applause.]

Sixth. Governmental supervision of any trust or mergers that are in their nature monopolies and which threaten the well-being of the Nation.

Seventh. The liberal extension of credits by banks in co-operation with the Federal Reserve System to every deserving business organization engaged in commerce, industry, and agriculture.

Eighth. The rapid construction of public works to aid in absorbing the number of unemployed.

Ninth. By solving the problem of the distribution by the middleman, who adds to the cost of distribution a tremendous overhead, which is responsible for many evils now inherent in our method of distribution.

Tenth. By stabilizing our currency and arranging for the disposition of exportable surplus and by an adjustment of the gold to silver ratio, which may stimulate trade with silver-standard countries.

Eleventh. By increasing consumption. It is easily conceivable that if the 15,000,000 unemployed were given the means, through employment, of purchasing consumable goods, that factories would soon get busy again. Therefore the purchasing power of the unemployed must be increased.

This is the social program our Government must adopt to combat the ravages and tragedies of unemployment. Unemployment is the cancer of our body politic, eating at the vitals of our Nation and crumbling the economic structure upon which our entire western civilization rests.

The ability of our Government to check unemployment in our country will be the barometer of the civilization of our time. Our Government must ultimately stand or fall by its ability to solve this problem. [Applause.]

It is upon the economic security of its man power that society must rest. To combine individual liberty with economic security of labor is the paramount and great problem of our age.

The extraordinary fact about this splendid bill is that in the future it will provide unemployment insurance to those who are the unwilling derelicts and driftwood of our social, commercial, and capitalistic system.

Mr. Chairman, so long as the profit motive is the animating and fundamental concept of capitalistic rugged individualism, so long will the few, at the expense of the many, control the wealth of our Nation, and unemployment must always prevail. [Applause.] This bill seeks to minimize unemployment by cushioning with unemployment insurance any critical period of unemployment that might afflict us in the future.

Mr. Chairman, despite the sunshine which floods the road upon the highway of life, the path of human progress toward peace on earth and good will to mankind has been lined with rocks, thorns, and thistles.

Among the great assets of human progress may be listed the tremendous achievement of the arts and the sciences, particularly the strides made in medicine toward the conquest of nature. The annihilation of distance both in transportation and communication, the victory over man's visible foes in animal and vegetable life, and the compelling of nature to yield of its stores in greater profusion than ever before, are some of the assets to be credited to modern civilization.

On the other hand we must not blind ourselves to the liabilities which are present in our midst. These seem to spring from the very progress which ought to annihilate

them. The destructiveness of modern warfare, the unfair and unjust distribution of wealth to labor, the viciousness of modern propaganda, and the evils attendant upon our highly agricultural and industrialized age, are some of the outstanding dangers which mankind still has to conquer. Of all these complex problems none perhaps is greater or affects more people than does the hazard of old age.

I do not speak of the dangerous disease of old age, but of the economic insecurity which today affects those of our population who have reached the age of 60 or 65. This is a problem which is terrifying to those whom it affects and which strikes at the very soul of their existence. In this so-called "twentieth century of civilization", in this, the richest country in the world, we find men and women past the age of 65 compelled to surrender their self-respect and become dependent as charitable wards, either on the community or on relatives or friends who in many instances are as badly off as those who depend upon them.

Old-age dependency is definitely and positively one of the great tragedies of modern economic progress. Scientific medicine has made it possible for mankind to live longer than formerly. Two generations ago the average age of man would be about 40; today the average man lives until he is 58, and the same scientific appliances that have been utilized for children to grow and develop have been placed around the old father and the mother, so that old age and longevity have been increased. Formerly, out of a total of 100,000 people, 41,000 would reach the age of 65. Today 52,000 of such an original number will live to be 65. Because of the increased expectancy of life, the number of persons 65 years of age and over in the United States has been steadily increasing, and the consequences are that, while those fathers and mothers are living longer than before, the economic and industrial conditions that confront them in our Nation has made it impossible for them to find work, and the only way they can subsist and save themselves from penury, hunger, and want, is for them to join the great caravan that finally wends its way over the hill to the poorhouse.

Only 6 percent of all the old people employed in private industries can expect pensions in their old age, while the balance, or 94 percent of them, can expect nothing, depending only upon their savings. If, unfortunately, their income did not permit them to save for old age, or they lose their money through unfortunate investments, then modern industry throws them back upon the community as human driftwood and wreckage that is useless because of life's wear and tear. Thus we behold our wage earners transformed from a group of hopeful, independent citizens into a class of helpless poor. In some States of the Union it is a crime to turn out old horses to starve; still society lets its old men and women starve in their old, unemployed age unless they take the last pilgrimage upon the road that leads them pathetically to the almshouse and poorhouse. [Applause.]

How many old men and women have we? There are today over seven and a half million people past 65 years of age in the United States. Four and one-half millions are between the ages of 65 and 70, a million and a half between the ages of 70 and 75, and a million between 75 and 80, and there are three-quarters of a million people 80 and over, until life finally terminates. The number of old people in our country is now twice greater than the original population of the entire Thirteen Colonies.

Statistics of all the money spent in the almshouses and the old-age homes of our country show that 32 percent went as administrative expense, 38 percent for operation of the plant, while 30 percent went for inmates' maintenance. In other words, out of every dollar contributed to the almshouse, 70 cents went for administrative and operative expense, the so-called "overhead", while 30 cents went directly for the old fathers and mothers.

Every State of the Union, with the exception of New Mexico, has almshouses for the poor. In 40 of our States the almshouses are county institutions. Here in these almshouses are huddled together the feeble-minded and the epileptic, the crippled and the maimed, the idiot and the imbecile, the abandoned child of the prostitute, the broken-down

criminal, the chronic drunkard, the victim of loathsome and contagious diseases, and venereal infections, and last but not least, the superannuated toilers of labor and industry, our fathers and mothers. Veterans of dissipation and veterans of peace and industry living together under one roof. Is it fair? Is it just? Is it humane?

To me it is a pitiful and tragic indictment of the civilization of our times. [Applause.]

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. SIROVICH. Mr. Chairman, I ask unanimous consent to proceed for 15 more minutes.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 15 additional minutes.

The CHAIRMAN. The gentleman from New York is recognized for 15 additional minutes.

Mr. SIROVICH. Mr. Chairman, what are the causes of old-age dependency? First and foremost is the impairment of health. Sickness and disease exact a terrible toll. In old age the resistance of a person is diminished and he becomes susceptible very easily to the ravages that come in the wake of vocational and industrial pursuits. Tuberculosis among the miners; pneumonia amongst the steel and mill and factory workers; rheumatism and heart lesions from working in damp and wet occupations; asthma, bronchitis, and skin lesions amongst fur workers; lead poisoning amongst painters, and countless other maladies too numerous to mention. Unfortunate business investments, alluring advertisements, high-pressure salesmen have ruined many an old father and mother. Bank failures have sent many an elderly couple to the almshouse when the savings of a lifetime were lost. When the waning earning power of old age in competition with young age and machinery manifests itself, ambition collapses, hope is transformed into despair, and, with relatives and friends gone, death or the almshouse is welcomed as the final relief. The greatest curse of old age, however, is unemployment, which has lately increased through the productivity of machinery. Everywhere discrimination is practiced against the older employee in favor of youth. In modern industry today we see the exemplification of the viciss principle "Equal opportunity for all, except those past the age of 45."

Another factor driving older men and women toward pauperism is the lack of family connections. One-third of the almshouse paupers throughout the United States have never been married, another third are widowed, and one-third are still married. The great majority of aged dependents in almshouses and infirmaries are childless.

Other causes for dependency are the victims of the ingratitude of children who have forgotten the divine injunction given to Moses upon Mount Sinai, when God gave him the great commandment which says: "Honor thy father and thy mother, that thy days may be long upon the land which the Lord thy God giveth thee."

Loss of wife, husband, or children very quickly brings about the transition from independence to dependence.

Scientific medicine has increased the span of life in less than a century from 39 years in 1840 to 58 years, which it is today. So that today we have 7,500,000 people over 65 in a population of 125,000,000.

Last but not least, the greatest cause of dependency in old age is the terrible toll that industrial accidents take in human and economic values.

During the period from 1910 to 1920, a period of 10 years, there were more men and women maimed and crippled in the industries of the United States than were lost in all the wars of our Nation from the time of the American Revolution down to the World War. In the years 1917 and 1918, when our expeditionary forces went across the ocean to fight to make the world safe for democracy, there were more men and women killed in the industries of our country than there were American soldiers and sailors killed and wounded by the hostile forces fighting in Europe. In the year 1919, according to the report of the Federation of American Engineers, in this country 23,000 people were killed in our industries

and 3,570,000 workers were crippled and injured in the performance of their duties so that they had to stay off for 4 weeks or more from their employment. If the prevailing rate of wages, according to the National Employers' Association, amounted to \$27.25 per week for the year 1927, it would mean \$4 a day for 300,000,000 days, or a loss to labor and industry of \$1,200,000,000 a year.

It was these frightful conditions, ladies and gentlemen, that prompted the people of the country of ours to interest themselves in the subject of old-age pensions. In 10 years the principle of old-age pensions has been approved in 29 States and 2 Territories of the Union.

Social-service workers and authorities on old age have agreed that any individual who has reached the age of 65 or over and possesses no property or whose income is less than \$300 a year must become a dependent upon his family or his community. In 1930, 3,000,000 people were supported wholly or in part by others. Think of it, one person out of every two past 65 years old is supported by your community! What are the factors which are responsible for this very serious situation?

1. First is the increased span of life. Accompanying this increase in the individual's life is the elimination of opportunity in industrial occupations. All of us are familiar with advertisements for help wanted. Applicants must be under 40 and sometimes even under 30 years. Some restaurants will not accept waiters over 25 years. Thus the aged worker is progressively eliminated from industry. The chance to obtain a job seems to vary in inverse proportion to the age of the men after 30 or 40. In this great machine age where mass production reigns supreme, we behold the tragic formula of equal opportunity for all with the exception of those past the age of 45. [Applause.]

2. The second factor in old-age dependency is that of family relations and the mode of living. Before the intense centralization of industry arrived in large cities, homesteads were kept and there was always room for grandpa or grandma at the fireside. Today, with apartment-house living, no room for the aged exists, and they of course become dependent upon the charity of the community, or inmates of almshouses.

3. The number of old-age dependents are four times as great among men as they are in women. For sentimental reasons mothers more often will find a home with their children than will the father of the family. At the same time it is interesting to note that there are four times as many single men dependent upon charitable assistance as married men.

4. The collapse of over 4,000 banks, carrying the life savings of hundreds of thousands of old people, has destroyed their hope of providing for the future. High-pressure salesmanship, selling worthless securities to these old people, has robbed them of millions that would have provided for them in their old age. Ill health, of course, is a factor in old-age dependency.

5. Perhaps the most important factor of all that constitutes old-age dependency, is the low wages paid to unskilled labor during the productive years of life. By low wages, I mean a salary which allows only body and soul to be kept together, but which makes no provision for old-age saving or insurance. That this is definitely true is shown by an authentic report by the State of Pennsylvania in 1925, to the effect that the male almshouse population is recruited largely from the ranks of unskilled labor. Another study, made in 1910, showed that out of 58,000 males admitted to various almshouses in the United States, 37½ percent were common laborers. In New York State, a study of 1,700 men receiving old-age pensions, showed that 50 percent were unskilled and semiskilled laborers.

To summarize, therefore, it must be evident to us that the factors which make for old-age dependency are not within the control of the individual himself. It seems definitely certain that social and economic forces which no single person can guide or control are in the main responsible for the appalling condition of old-age dependency in the United States.

To my mind, old-age security must be solved and the terror of old age removed if the United States of America is to fulfill its destiny. [Applause.]

We physicians constantly urge care of the body in infancy, youth, and maturity in order that physical perfection may be at its highest throughout life. Of what use is such urging by doctors—and care of the body by the average person if, at 40 or even 50 years of age, that body is to be scrapped as old metal and thrown away as human junk?

In some States of the Union, as I stated before, it is a crime to turn out old horses to starve. They must be fed or destroyed. Shall we feed, clothe, and house our aged, or shall we destroy them as old horses are destroyed? The very thought of it is a tragic indictment of the civilization of our days. [Applause.]

We have been dodging the problems of old-age pensions by expedients of various kinds. But no expedient ever solved a problem. The only solution of this condition is by thorough consideration of all the facts that will honestly solve this matter.

For many years on the floor of Congress and elsewhere I have advocated pension for the aged—old-age pensions—and have made studies of the conditions covering the subject that have run over a long time. I have fought steadily and consistently for this ideal of humanity for years and shall continue to battle until it is won for every old man and woman. Economic security must be assured to all citizens in their old, declining age.

Let me repeat, gentlemen of the House, no society can survive that allows its men and women to starve in their old and unemployed age, and forces them, to avoid hunger and want, to take the last pilgrimage of their lives on the road that pathetically and tragically leads over the hill to the poorhouse.

Old-age dependency is but one of the terrible social risks to which man is subject today. What are some of the other risks? They are industrial accidents and occupational diseases; temporary or prolonged sickness; permanent invalidity; old age; maternity; unemployment; death of the breadwinner, involving dependency of widow, orphans, or other dependents; sickness of members of family; burial.

What is the remedy? Let us look at what foreign countries are doing. Of all the civilized nations of the world, 42 have adopted the principles of old-age pensions. There are three forms of old-age pensions operating throughout Europe, south Africa, South America, Canada, Australia, and New Zealand. The first is called the compulsory, contributory form of old-age pensions. This system consists of compelling each workingman from 16 to 65 to contribute a part of his income to a general national fund, the amount to be contributed being anywhere from 2 to 5 percent. The employers contribute a like amount, and the government contributes a third portion. This amount stays in the coffers of the nation until the man becomes old and enfeebled and arrives at the age of 65, when he becomes the beneficiary of his labor and efforts. Twenty-eight nations of Europe have adopted the principle of the compulsory, contributory form of insurance, and amongst them are the three great nations—England, France, and Germany.

Germany was the first to start this movement, under the influence of the Iron Chancellor, Bismarck, in 1881. Today there are 20,000,000 workers enrolled who, when their time comes, will be the recipients of an old-age pension which will make them love and respect their fatherland and make them realize that they are receiving the kind of protection and security which it is the duty of every civilized government to provide for its citizens.

Germany also provides its citizens with invalidity insurance, widows' and orphans' pensions, as well as sickness and unemployment insurance.

In 1908 that conservative and great nation, England, under the leadership of Lord Asquith and Lloyd George, introduced the noncontributory form of insurance. In 1925 greater modifications were made in the bill to conform with Germany's system, so that England today stands upon the same pedestal in old-age-security legislation as Germany.

It adopted in toto the entire theory of compulsory, contributory insurance. Out of 17,000,000 workers in England, 16,000,000 have subscribed to the principle of old-age pensions.

France has 7,500,000 of its working people enrolled under the roster of the compulsory, contributory form of old-age pensions.

The second system, under which 10 nations operate, is called the "noncontributory form" of old-age pensions and is colloquially known as the "straight pension system." This system provides for no contribution by any toiler, but when a workingman arrives at the age of 65 he receives his pension as an evidence of the interest which his government maintains in him. Industry cannot throw him away as a wreck upon the ocean of life.

The nations which have adopted this noncontributory form of old-age pensions, or straight pensions, are such countries as Denmark, Canada, New Zealand, Australia, Iceland, and Russia.

The third form of old-age pensions is the kind known as the "voluntary savings" type, under which an individual puts away every week in one of the postal savings of the government a certain amount of money from his allowance and the government contributes a subsidy to equal it. The individual, however, cannot use it until he arrives at the age of 65. The nation which started this principle was Spain, and today Japan is operating under that system.

There are 1,900,000,000 men and women in this world and 600,000,000 of them have subscribed to the different forms of old-age pensions. They will be the beneficiaries of an old-age pension system in the declining years of their life. So we have the wholesome spectacle of 42 nations of the world interested in the preservation of human life. The only three nations of the whole world that have not adopted the principle of old-age pensions are China, India, and the United States. I am making the plea to have our country withdraw from the company it is keeping with China and India and march onward with the civilized nations of the world. [Applause.]

Mr. Chairman, the true patriots of our country are not only the men who bared their breasts to shot and shell and were ready to give their lives upon the battlefields of our country so that our Nation should be preserved, but there are also the veterans of peace, men who have worked in the quarries of life, in season and out of season, and have contributed everything that they hold near and dear in life to the peace and prosperity of our country in times of peace.

Just as we pension the veteran for his patriotism in time of war we should pension through the principle of old-age security the old father and mother who have battled for our happiness and our success in time of peace.

I want to see America marching with England, with France, and Germany, not only on the basis of an agreement for naval and military disarmament but on the basis of humanitarian disarmament, that would make the world safe for humanity to live in peace, tranquility, and happiness until Divine Providence calls them to rest in eternal sleep. [Applause.]

Mr. Chairman, often have I sat in the House and listened to resolutions put through by some of the distinguished men of this historic forum. A few years ago a bill was passed appropriating \$50,000 to determine why fishes do not enter the harbors of certain sections of our country. Recently another appropriation passed the House spending thousands of dollars to determine the cause of death of old trees in the forests of our Nation. At the last session of Congress thousands of dollars were appropriated to determine the cause of disease among cattle. I have seen thousands of dollars spent to conserve our oil resources. Millions have been spent to eradicate the corn borer, the bollweevil, the Spanish fly, and the Japanese beetle.

Mr. Chairman, the present bill under debate and discussion is an American bill. It is a humanitarian bill. It is in consonance and in conformity with the teachings and the preachment of the great Savior. It is in harmony with the greatest commandment of all commandments. Mr. Chairman, the time has come, the hour has struck, and the

moment has arrived when the United States has to declare whether it shall fall behind the cultured and civilized nations of the world or is willing to march side by side with those nations that have put human rights on the same parity as property rights. [Applause.]

Mr. Chairman, we have had 74 Congresses of the United States since the inception of our Government. What man in Congress here can state to me which Congress stands out preeminent? What Member can tell me the Congress that has done the greatest good?

All I know is that the Twelfth Congress was the Congress that declared war against England. The Twenty-ninth Congress was the Congress that declared war against Mexico because of Texas. The Thirty-seventh Congress was the Congress that brought about the Civil War and gave freedom to the Negro. The Fifty-fifth Congress was the Congress that brought about the freedom of Cuba, which involved us in the Spanish-American War. The Sixty-fifth Congress was the Congress that declared war against the Central Powers of Europe, and the Sixty-third Congress was the Congress that brought about the Federal Reserve System that protected the rights of money in banks against financial collapse so that our material wealth would be protected as the years go by.

I would like to see the Seventy-fourth Congress of the United States, ere we make our exodus from this historic forum, declare war against the inhuman treatment of our elders, so that they may continue to live in their own homes that have been hallowed with sweet memories, tender with pleasant reminiscences. Home, where the prattle of children has been music to the ears of the parents. Home, that has always been dedicated to God and consecrated to the love of family life.

In the name of humanity I appeal to the membership of this House for the preservation of the home and all that it means, so that the gracious prayers of our older generation will pray for the life and happiness of the membership of the Seventy-fourth Congress of the United States for having given of their today that others might have their tomorrow. [Applause.]

Mr. Chairman, every manufacturer is permitted to deduct from his income tax certain sums for obsolescent machinery—for property that is wearing out. How about providing sums for the obsolescent men and women, and the obsolete men and women who have been worn out in their labor in the quarries of life? Are they not entitled to security in their human obsolescence? Are human beings less than machines? Is a human soul of less value than a contraption of iron, steel, and brass? Is property more sacred in this great Republic than human beings and human rights? Did the fighting founders of the Republic free the American Colonies from Great Britain, in order that later generations might immure them in economic slavery, and let their old carcasses waste away in hunger and poverty, or be put away in poorhouses with criminals, insane, and diseased others? God forbid!

Why should not employers of the labor on human minds and hands, be compelled to provide obsolescent security in the form of old-age pensions for those who have worn away the best years of their lives in service to the machine age. The cost is only 3 percent of the weekly pay roll, for the benefits that will come. For unemployment insurance the employee bears an equal tax of 3 percent with the employer who pays 3 percent.

In my career as physician, surgeon, and social worker, I have done everything in my power to further the ends of social justice. As one of the original members of the Widows' Pension Board in the State of New York 23 years ago, I have helped in the passage of many welfare bills, particularly those relating to the widows and orphans as exemplified in the widows' pensions and child-welfare laws, which have served as a model in 41 States of the Union and communities throughout the world. In my broader field of National legislation, I have centralized my efforts for the relief of old age through economic-security insurance and old-age pensions. These efforts have resulted in the re-

peated introduction of the Strovich bill for old-age pensions during the past 10 years. In the Doughton bill, the solution of these social problems is the securing of old-age pensions through the compulsory contributory form of social insurance for every working person in the United States, the cost of which shall be distributed between workers and the employers.

Mr. Chairman, this is not socialism. This is not radicalism. This is not communism. This is humanitarianism! It proclaims to the people of our Republic, that since it is patriotic to pension our soldiers who bare their breast to shot and shell in order that our Republic may live, it is just as humane and patriotic to pension our old fathers and mothers who have toiled in the quarries of labor to make our country prosperous and glorious in time of peace. This is simple justice and the honorable discharge of a debt which society and our Republic owes those who labor in their behalf to make our Nation the richest in all the world. Every civilized nation on the face of the world has some form of old-age pensions with the exception of China, India, and the United States. Shall the United States, the richest, the greatest, and the most prosperous Nation in the world march arm in arm with medieval China or India, or shall it take its rightful place in the forefront of the great nations of the world battling for social justice to our forgotten old fathers and mothers. [Applause.]

Mr. Chairman, sooner or later the curtain of life will fall upon our earthly career. A little shaft will commemorate our humble memories. Let me sincerely hope and trust that in the far distant future when that time comes, that somewhere in Alleghany County, N. C., on such a modest shaft will be inscribed the sentiment:

"Here lies ROBERT DOUGHTON, Chairman of the Ways and Means Committee of the Seventy-fourth Congress. Father and sponsor of Federal old-age pensions, unemployment security, child welfare and health and maternity protection for the people of the United States." [Applause.]

BOB DOUGHTON—may the prayers of a grateful American public bring to you and your loved ones happiness in your heart, contentment in your mind, for having fathered and sponsored such inspiring and humane legislation, that will be an inspiration to others while you live, and a monument to your memory as well as our great humane President Franklin Delano Roosevelt, long after the rest of your colleagues shall be forgotten in the ashes of time. [Applause.]

Mr. COLDEN. Mr. Chairman, will the gentleman yield?

Mr. SIROVICH. I yield.

Mr. COLDEN. First I wish to express my very deep appreciation for this marvelous contribution to the discussion of this subject. I want to call the gentleman's attention to the fact that when this discussion opened on last Friday the first gentleman who took the floor was our colleague [Mr. TREADWAY], of Massachusetts. He chastised severely this measure and the method of its introduction and its consideration. I would like to ask the gentleman from New York if he can give us any enlightenment as to the conduct of the Republican Party.

The CHAIRMAN. The time of the gentleman from New York [Mr. SIROVICH] has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from California [Mr. MCGROARTY]. [Applause.]

Mr. MCGROARTY. Mr. Chairman, I want to thank the Chairman of the Ways and Means Committee for this courtesy. I want to tell my colleagues that the gentleman from North Carolina [Mr. DOUGHTON] actually had to go out of his way to get me this time. I slept on my rights. I did not appear when I should have appeared to ask for time. When I came to get this time, it had already been allotted and assigned; but notwithstanding that, Mr. DOUGHTON has rendered me the unusual courtesy of giving me this brief 20 minutes, and for that I thank him most sincerely. It is things like that which are leading me to like Washington a little. [Laughter.] When I came here first I was very much discouraged and depressed, and I did not know why; but I found out later it was because I did not know anybody, that I was a



stranger, and that I was lonesome and homesick among strangers. Now that I am beginning to know you gentlemen of this House, and particularly the ladies of the House, I am beginning to like Congress a little.

What I say, my colleagues, will not be for home consumption. It has been charged against some of the speakers here that what they said was for home consumption. I am here as a Democratic Member of this Congress from what I believe is the most rock-ribbed Republican congressional district in the United States. The great Roosevelt avalanche of 1932 slid right by it and never touched it; even our best earthquakes out there have been unable to shake it. [Laughter.] It went for Hoover like a thousand of bricks. They gave the Republican ticket last year a majority of something like 70,000. The Republicans of my district are a little ashamed if ever their normal majority drops under 50,000. Still I am here, elected on the Democratic ticket. I did not want to come; I have no very great desire to stay. So what I tell you is not for home consumption; it comes from my heart and from my own conviction.

I am thinking of what the distinguished gentleman from Tennessee [Mr. COOPER] said, and what the last very eloquent speaker, the gentleman from New York [Mr. Sirovich] said. Both of them referred to the time when the curtain of life shall fall, on the last great day. I missed gestures they should have made that I have seen made by a dear old minister I used to know. He had but two gestures; one was to point his extended arm and finger upward and the other was to point an extended arm and finger downward. He wound up a sermon by saying: "When the roll is called up yonder I'll be there", his finger pointing downward. [Laughter.]

Mr. Chairman, I have given a good deal of attention, such as my poor little brain will permit, to the bill now before the House. I am wondering if what I heard so much out in California and even since I came to Washington was true, that legislation here in this Congress is being framed by college professors and that college professors are running the country. I have tried to find out about these college professors, if they existed, to get a look at them. Sometimes I felt they were purely mythical, but I had the good luck not long ago to meet one. I sat in the Agricultural Building in a big room with the Land Commission, and sitting beside me was Professor Tugwell. I engaged him in conversation and became very friendly with him. I told him that I was due in a few days among the old blue hills of Pennsylvania where I was born, to attend a birthday party and I wanted to take a contribution to the party and asked Professor Tugwell for a suggestion which he gave and upon which I acted. I am willing to say right now that if Professor Tugwell's ability in the science of government is as sound as the suggestion for me to take to the birthday party, I am willing to follow him blindfolded to the ends of the world.

Now, about these college professors; if it be true, as most everybody believes, that they are framing legislation, let us look back through the pages of history and find out what background college professors have. I have made some researches and I find that college professors did not write the Ten Commandments, nor the Book of Job, nor the Four Gospels. Nobody has ever told me that Matthew, Mark, Luke, and John were college professors.

College professors did not write Magna Carta, the Declaration of Independence, or the Constitution of the United States, or the Marquis of Queensbury rules; they did not even write that famous ditty, which was popular a few years ago, entitled "Yes, We Have No Bananas Today." [Laughter.] So why should we take without question what college professors tell us today? The bill before us has some funny little noises in it that sound a lot like college professors. Take, for instance, the old-age-pension title, title II of the bill, I believe. Now, I am the last man in this world who will ever believe that our great President suggested that title of this bill; I do not think he has that kind of mind. Do you think for a moment that our great President would say to the old people of this country: "I want you to have \$15 a month, and you can have it from the Federal Government

provided the States match it with an equal amount." I want to ask you which States can match it? I do not know any State in this Union which can match it; they are all on the rocks. I do not know one of them that could match it with 15 cents, let alone \$15; and so the result is likely to be that there will be no old-age pension under this bill. But suppose there should be, then what is it? You can say if you want to that the great President of the United States will go to the door of a house where there are an old man and an old woman and say to them: "Here, grandpa; here, grandma, is \$15 for you, and it is to do you for a month; it is 50 cents a day for each of you. Now, take it, and do not spend it in riotous living." [Laughter.]

I think college professors proposed that.

Mr. Chairman, we are proposing an honest-to-God old-age pension, the vision of a man who has been much sneered at and much jeered at in the city of Washington and in this Congress and by people in high official positions. A high official of this Government has said that the Townsend plan is "cockeyed"—a very dignified, statesmanlike expression from a high Government official. Another high Government official said it is ridiculous and grotesque. Now, we do not think so. We know it is not, and we know that anybody who sneers and jeers at Dr. Townsend knows not what he does.

Mr. Chairman, I have known this man for many, many years. He is my near neighbor in California, and I want to ask you and other people, where were you and where was I when Dr. Townsend, through the long hard years, rode the swollen rivers of the Dakotas, rode through the bitter blizzards when he was frozen to the marrow in his bones, risking his own life to save the lives of others? He never spared himself where the cry of human pain reached his ears. Who are we to sneer at a man like that? The last great day has been spoken of on this floor this afternoon. I hope to God when I stand with all the sons of man, three deep, before the gates of Jehoshaphat on the last day I can render to the Lord God of the ages even the shadow of the account that Dr. Townsend can render for himself. He is too good a man to be jeered at. He is as honest as the rain. He has a scientific, educated mind, and he has a soul and a heart that beats for his fellow creatures, and his life proves that. Shame on anybody that jeers at a man of that kind. He is jeering at his better. Dr. Townsend has been jeered at by people who are not fit to wipe the dust from his shoes, and I tell you that because I know him. I live where he lives. I see him every day in his daily life. I would trust him with my very soul in anything.

Mr. Chairman, I was seated here in the House a short time ago and an old friend of mine remarked about this crazy utopian, bedbug scheme; the Townsend old-age-pension plan. I asked him if he knew anything about it, if he had looked into the matter. He stated he had not, but said it was crazy as hell. Now, he does not know the first thing about it, and that is the way with a lot of other people. Do you want to say that I am as crazy as a bedbug? I can read and write. I have been to school. I even taught school. I believe in it. Do you mean to say that all these 30,000,000 people in the United States are crazy as bedbugs? Who are you talking about? You are talking about the descendants of the men whose bloody footprints were in the snows of Valley Forge. That is who you are talking about. You are talking about the descendants of the men who took the flag from the Atlantic seaboard and flung it to the golden shores of the sunset seas. You are talking about God's beloved old people who have read newspapers, who have studied the Bible, who have read books, who are intelligent, but who are pitifully helpless in their old age. Now these college professors come and offer them this pauper's dole.

Mr. Chairman, I want to say these old people will resent it, and they will resent it bitterly. I told you before that I had no desire to return to the next Congress. I have not, but maybe I shall come here as an ex-Member with the right to the floor and take a look at it. I want to tell you gentlemen that if you do not pass the Townsend old-age

pension plan and enact it into law—I am not making a threat, I am making a prophecy—you will be sorry. You know, poets are prophets, and although I am least of the poets, I still have a right to claim the gift of prophecy. I am a newspaperman, trained to keep my finger on the pulse of the Nation. I know what is going on. I know that in my own State of California there are 1,500,000 voters signed up on the Townsend old-age-pension plan. May I also tell you that the other day a member of the State legislature in Oregon voted against the adoption of the Townsend old-age plan in that legislature and his folks at home snagged him out of that legislature so quick it made his head swim. That is the way they feel.

My dear colleagues, I hope to return and visit you and sit with our beloved Speaker in his room, and chat with Mr. SNELL, Mr. HAMILTON FISH, and others.

You know, before I started this speech, I went to my good friend the gentleman from Texas [Mr. BLANTON] and said, "Congressman BLANTON, do not interrupt me. Do not ask me to yield. This is really my first speech and you will throw me off balance." I said, "Right in the beginning of Congress you took me for a ride. You took the hide off me and nailed it to the barn door, and it was good for me, because I learned something. Now, I have never interrupted you once and you have talked at least two or three times in this House to my knowledge." [Laughter.] I said, "Congressman BLANTON, you will let me go on, will you not?" And he put his hand in mine and said, "God bless you, I will do everything I can to help you, and if DOUGHTON does not give you enough time, I will ask our friends over there on the other side to give you some." So it is just something like that that is beginning to make me like Congress. But we are here to see the Townsend plan enacted into law.

Mr. Chairman, I have introduced a revised bill. It is the most scientific bill, the most statesmanlike bill ever introduced in any Congress of the United States. [Applause.] And one reason why that is so is because I did not write a line of it.

Now, my dear colleagues, I pray that God will enlighten you. Out yonder they are waiting, God's beloved old people, "Los Ancianos", as we call them in Spanish in California. They are hanging on every word that is spoken here. They are waiting, the dear old people who must be so near the heart of God. We cannot give them a pauper's dole. We cannot give them a crumb when we can give them a loaf. This country of ours is the richest and most powerful nation in the world, this Nation of ours in which the Lord God put everything that man needs, yet where there is stalking hunger and despair because somebody has blundered. We can solve all that now. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. The gentleman referred to the generosity of this side. May I ask him if he would like 5 minutes of my time?

Mr. MCGROARTY. Thank you, sir. I will take it and use it mostly in thanking you.

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 5 minutes.

Mr. MCGROARTY. I have told you I represent the strongest, most rock-ribbed Republican district in the United States, Mr. Chairman, and I often sit on that side of the House—you may have noticed me [laughter and applause]—because I think I belong there or half belong there, anyway. I was elected by people who had prayed on their bended knees to God to die and be able to say to God that they had never voted for a Democrat. [Laughter.] An old lady in Pasadena in my district said to me one day, "JOHN MCGROARTY, you have done a hard thing to me. I have prayed all my life that when I talked to God on the last great day I could tell Him two things I had never done. I wanted to tell Him, and I prayed to Him, that I had never voted for a Democrat and I had never voted for a Catholic. You are both, and, damn you, I voted for you." [Laughter and applause.]

Now, the point of all this is, Mr. Chairman, that these rock-ribbed Republicans, these people who have been intol-

erant of another man's religious belief all their lives, quit it, dropped it all, because I told them that if they wanted to elect me and if I were elected, I would support the Townsend plan, and my opponent would not promise that. So all these Republicans deserted him in a body, overcame the 50,000 normal Republican majority, and piled 12,000 majority on top of that for me.

Now, this is what they will do in every district in the United States, and you remember what I am telling you now. It is not a threat, it is a prophecy. My colleagues, get in line. Let the grace of God get into your hearts. Pray, as the Chaplain did this morning, for enlightenment so that you all shall come back here, and when I visit you in the Seventy-fifth Congress and stroll around shaking hands, I want to see you all here. You are all such nice fellows, you are all such good men that I would hate to see any ill befall you.

Mr. Chairman, in conclusion I submit the following statistical statement:

Inasmuch as my bill calls for a 2-percent tax levied on every transaction and a 2-percent tax on all gifts and inheritances and an increase of one-tenth in present income-tax rates, all to be collected and prorated to those citizens of 60 years of age or over, who can and will qualify for this pension, I wish to call attention to the probable amount each pensioner will receive each month.

Statistics are not complete as to the total amount of business done in these United States annually, but there is none who will deny that our present business total is upwards of \$600,000,000,000. This being the case, 2 percent of this amount would yield \$12,000,000,000 per annum. The most careful estimates of the number of citizens who can and will qualify under the provisions of the McGroarty bill is less than 6,000,000, but let us assume, for a margin of safety, that 8,000,000 citizens qualify; by simple calculation we arrive at the monthly pension or annuity of \$125 per month for each of the 8,000,000 citizens retired.

No consideration in this calculation is given to the great amount of revenue gotten by the levying of the inheritance, gift tax, and the increase in the income-tax rates. Neither has there been any allowance made for the great increase in business which will be occasioned by the introduction of this new purchasing power and the consequent employment of the millions now unemployed.

Certainly no thinking person can believe that 8,000,000 or even 4,000,000 or for that matter, 2,000,000 citizens can be put on an annuity or pension roll by a waive of the hand or a stroke of the pen. While the pensioners are being qualified the tax is being collected and accumulated; therefore, the amount of returns from the various taxes will at all times produce more than enough to pay the pensioners \$200 each month. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Chairman, we are discussing and have been discussing for several days a social-security bill. Some features of this bill I am very much interested in, and in favor of. The fact of the matter is we are all interested in most of the features of the social-security bill, but we must give consideration to the necessity of inculcating features that are embodied in this bill into law, and we should give consideration as to how a bill of this kind is to be carried out and put into effect. It should be a reality and not a political jest.

We should consider the various titles of the bill.

With respect to title 1, old-age assistance, it seems to me from the experience I have had in the business world, if we would take up that one particular subject and give it the consideration that has been given it by those who have written this bill, we would be doing something for old-age assistance and doing it in the right direction. The monthly amount may not be as high as some of the Members of the House would like to see it, but if we start out with the idea we are going to try to establish a fund of \$30 a month for those who have attained the age of 65 years and we put that into effect, we will determine many things about the working

of the bill that may be different from the ideas we now possess and in a year or two, may decide that this amount may be raised 10 or 15 or 20 dollars a month, if possible, then we can do it in an orderly fashion.

However, instead of taking up title I, we add to that title II, Federal old-age benefits, title III, unemployment compensation, and title IV, aid to dependent children, title V, aid to maternal and child welfare, and title VI, public health service.

I want to be conscientious in trying to give you my views on this particular piece of legislation and I do predict that if you try to put this bill through as it is written, you will find it will become very difficult to solve all the problems, and it will be one that will be very difficult to handle, expensive, cumbersome, and unworkable.

Today, while we are talking about social security and trying to take care of the people of this country, it seems to me there is only one way you are going to be able to do it, and that is to let the business people of the United States try to employ other people in the United States so that we can be our brother's keeper, and in this way we will furnish employment, so that men may earn bread and butter for their children and for themselves in order that they may sustain life. If we expect to continue to set up the Federal Government as a charitable institution by which we are going to always take care of every individual that comes to us for aid, and do it in the way we are doing it now, having the Government keep the people, instead of the people supporting the Government, we are going to wreck business and we are going to put all the people of the United States on the Federal pay roll, and whenever we do this you can very well figure that we are going to have a wrecked Government, and, following the course we are pursuing, and have been pursuing in the last 2 or 3 years, we are simply going to wreck this Nation as sure as the sun rises tomorrow morning.

Now, in this bill we are placing upon the business of this country that employs more than 10 people 9 percent of their pay roll. If we are to place a 9-percent burden on the pay rolls of the country, the way business has been conducted the last 2 or 3 years, and the confidence of the people will be shaken in what we are doing, do you think this House is going to increase their confidence in American government? If so, you are mistaken. It cannot be.

I do not believe that we should establish all of these major projects all at one time. If a business concern today was going to manufacture a certain commodity that would put its plant in operation for several months or a year, it would develop that particular thing to the point where it was perfected. It would establish itself in an orderly procedure so that it could manufacture that one item at a profit. It would not think of manufacturing six different major commodities and put them in operation all at one time, but would perfect one item before taking up the second; after perfecting the second it would begin on the third, and so on.

That is what we should do in this social security bill. Take old-age pensions, perfect that in one bill; next year take up section 2, unemployment relief, and so on, in orderly manner.

Now I want to call the attention of the Membership of the House to some of the things that have been mentioned regarding the bill. When a Member remarks to another that he is for a certain bill, he should not be criticized. My colleague, who spoke preceding me, said that anything as low as \$30 a month was a ridiculous thing to do. If I could see a way in which people could get \$200 a month without wrecking everybody, I would want to see them get it. I would not demand they spend it however. That would be a pleasure to me to see that everybody had all the pleasures of life. But I tell you that if anything would wreck this Government it would be the crazy Townsend bill, spending \$200 every month for old-age pensions. It is ridiculous and absurd. Giving \$200 a month for old-age pensions would cost this country \$24,000,000,000. That is an absurdity.

Mr. MOTT. Will the gentleman yield?

Mr. RICH. Not until I have finished my statement, and then only if I can get an extension of time. I am sorry.

I want to call the attention of the Membership of the House to the Treasury statement dated April 9. They are sent every Member of Congress each day. I question whether the Membership of the House study them. I think the Membership of the House ought to give recognition to these statements that come into their office.

Our national debt at that date was \$28,874,313,564.98.

You all remember that last year when we devalued the gold dollar they charged off \$2,000,000,000, so that you really find that we are \$31,000,000,000 in the red.

We are \$31,000,000,000 in the red now, and we are going in the red every day to the tune of \$12,000,000 a day. Where are you going to get this money? I shall ask you Members of Congress that question every day. Where will you get the money? It is your responsibility. You are responsible for getting the money, and if you do not, you will wreck your country. You cannot go on in this way. It is an impossible thing to do. It is just as impossible for this country to go on going into the red to the tune of \$12,000,000 a day as it is for any one of you to go into the red \$100 a day more than the salary and income that you have. Eventually you will be called upon for an accounting, and when that time comes you will see the sheriff coming after you. What we will do, if we continue this course, will be to put a millstone around the necks of the children that will be coming on in this country, or entirely wreck the country. You ought to recognize that fact. All we do today, in committee and in the House of Representatives, is to talk about how much we can spend and what we can get from the Government to satisfy people back home whom we have told that the country is made of money, it should support their every desire, that it is an endless barrel, and that all we need do is to reach down in the Federal Treasury and hand it out at the rate of \$200 a month—a most ridiculous statement and a most silly thing for us to fool the people of the country. The Federal Government has no more money than the States. It is a serious state of mind into which we have gotten the people of the country, and we ought to sit down as conscientious men and not try to do that which would make the people back home believe that we are going to give them the whole world, and a wonderful time, and all the money they want to spend. You know it cannot be done, and so do I, and I am not going to be demagogue enough to stand up here and tell the people in my district that it can be done. We propose a lot of things that we know cannot be carried out, and we vote for a lot of things because we are voting for votes. The people in my district are as honest and conscientious people as in America anywhere. You can fool them a little of the time with such talk, but you cannot fool them all of the time, and you cannot fool the people back in your districts, and you do not need to think for a minute that you are going to fool all the people of this country very long, because if you wreck it, it is your responsibility and it is mine, and I do not want to be in the Membership of this House when I know that we are going to carry our country to ruination. I will support the Constitution, as my oath calls for.

I shall call attention now of the majority party to some of the things contained in their platform, and I shall pick out three planks that are becoming soggy and putrid and rotten, planks which you ought to renew. I read from the Democratic platform of 1932, which the President said, "I am for 100 percent":

We believe that a party platform is a covenant with the people to be faithfully kept by the party entrusted with power, and that the people are entitled to know in plain words and terms of the contract to which they are asked to subscribe. We hereby declare this to be the platform of the Democratic Party.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. TREADWAY. I yield the gentleman 5 minutes more.

Mr. RICH. I continue to read from the Democratic Party platform:

The Democratic Party solemnly promises by appropriate action to put into effect the principles, policies, and reforms herein advocated; and to eradicate the policies, methods, and practices herein condemned. We advocate an immediate and drastic reduction of

governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 percent in the cost of Federal Government, and we call upon the Democratic Party in the States to make a zealous effort to achieve a proportionate result.

I now call attention to the second rotten plank in the platform, and they are rotten because you have not fulfilled your promise, and you are not doing what your party called upon you to do, and you ought to substitute a new one in its place embodying the same statements as are in this rotten plank:

We favor maintenance of the national credit by a Federal Budget annually balanced on the basis of accurate executive estimates within revenues, raised by a system of taxation levied on the principle of ability to pay.

When the President of the United States appointed Mr. Douglas, a man in whom we had the greatest confidence, as a man to perform that job, we knew that he made a good appointment. Mr. Douglas tried zealously and honestly and fearlessly, but he had to resign because the Democratic Party was not carrying out that plank. I tell you that is a serious situation. That plank is one of the rottenest ones, and you ought to substitute a new one and inscribe those same words on it. I read further:

We advocate a competitive tariff for revenue, with a fact-finding tariff commission free from Executive interference, reciprocal trade agreements with other nations, and an international economic conference designed to restore international trade and facilitate exchange.

That plank says, "without Executive interference." It also says that we want a competitive tariff, a tariff that is going to protect the American people and keep the men in industry in this country employed; and when you get a report, as you will get pretty soon, of the things that are being imported into this country, it will make you shudder. You Democrats are not doing your duty in protecting American industry so that they can give employment to the people of this country. That is another plank that I want you to renew. Another one I call your attention to is this:

The removal of Government from all fields of private enterprise except where necessary to develop public works and natural resources in the common interest.

There is another plank that I want to condemn in the most emphatic words possible, because never in the history of this country have we been setting up the Government in business as we are today and as we have done for the past 2 years. If you do not renew that plank and try to get the Government out of business, again I say you will wreck this country. Either that or you will make this a Soviet Union of States. You will set up the greatest dictator the world has ever known.

I beseech of you, let the American people have the opportunity, let the American people employ labor in this country so that we will have a happy, contented family, and we can continue to do those things in a systematic way and let the people of this country assist in maintaining this Government by the taxes they pay, instead of trying to get the Government into all lines of endeavor and putting people out of business. When this Democratic administration has incorporated in the name of Uncle Sam several corporations that will ruin many people in industry, watch them grow. It is a serious situation.

There are other planks in this platform that can be condemned because they are becoming very, very soggy and because they have not been given attention by the Democrats who are representing the majority party. I want to call attention to them at some future date, because I want to make you conscious that this radical, exorbitant, uncalled-for expenditure of Government funds, which is running this country into the slough of despond, will wreck it, and it will be your responsibility, and the Democratic Party must account for it at some future date. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield such time as he may desire to the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Chairman, since that historic day last year during the Seventy-third Congress, when our great Democratic Chieftain—the President of the United States, Franklin D. Roosevelt—sent a message to the Congress advising the Congress that it was his purpose to recommend to the Seventy-fourth Congress a social-security program, which, of course, included old-age pensions, unemployment insurance, services for crippled children, child-welfare service, public-health work, and other provisions for aid to dependent children, I have looked forward with eagerness to the day when this proposed legislation would become law. It offered promise for a most comprehensive and humane program. I am sure that the sentiment and compassion that dwells within my heart for the crippled and underprivileged children and for the unfortunate and needy aged is not peculiar to me but rather is a common virtue shared by the average man who has a sense of his obligation as his brother's keeper. What is there in our human associations that appeals to the compassions and finer instincts of mankind more than the sympathetic understanding of the plight of a crippled or underprivileged child? What can more deeply stir the finer thoughts and sympathies of him who enjoys a fair share of prosperity and the material things of this life than the picture presented by an aged person who has worn himself out in wholesome service to his family, his country, and his God? Penniless because in many instances he has lacked the selfishness, seemingly so requisite to accumulation, in his younger and more productive days, to acquire the material wealth of the world against old age; aged and feeble because in the natural course of life one becomes such—he is dependent either upon the generosity of his more fortunate kinsmen or is the recipient of alms at the hands of the public. This is the condition that largely exists in this country after 2,000 years of civilization. Mr. Chairman, if our civilization means anything, certainly it means that this condition should not continue. It is a reproach to our boasted civilization and Christianity. We must do one of two things: We must either cease to longer boast of this Christianity and civilization or we must recognize under it our obligation and discharge that obligation to these, our less fortunate brothers.

So, Mr. Chairman, I have looked forward with keen desire and increasing fervor to the enactment of a social security law that would in reality alleviate this suffering and discharge this obligation of Christianity and civilization. But when I studied the bill under consideration, which was introduced by our able and distinguished chairman, the gentleman from North Carolina [Mr. DOUGHTON], and so laboriously and carefully considered by the powerful Ways and Means Committee, I was alarmed and amazed to discover that there was a possibility—nay, more than that, a strong likelihood—that another imaginary line would be drawn like a veritable Mason and Dixon's line that would divide this great country of ours into two sections. One section into which these unfortunate dependent persons in need of the provisions of this bill would be benefited, while in the other section these benefits would be lacking. I am sure that such was not the intention of that great humanitarian leader, President Roosevelt, or of this able committee which has presented us this legislation for consideration. Yet, my colleagues, I call your attention to the fact that there is a grave likelihood that just such a thing would happen. Under the provisions of this bill it is made mandatory that before the aged and others who are beneficiaries of this legislation may come under its provisions the several States of the Union must have legislation which must be approved by the Federal authorities, and that this State legislation must make provisions for matching the moneys appropriated by the Federal Government. In other words, under the bill under consideration it is essential that before a dependent and penniless Mississippi person can be the recipient of a dollar of this Federal appropriation the State of Mississippi must enact its own social-security legislation and match dollar for dollar every dollar that is granted by the Federal Government to such person. In theory and at first blush this might appear fair and equitable enough. But in prac-

tice I fear that it will not work. May I call the attention of my colleagues from other States like situated with Mississippi that there is a grave danger that their aged and needy citizens will likewise not profit by the enactment of this legislation. This is an unfortunate situation, yet it is true. It must be apparent to him who thinks, to him who has knowledge of the financial and economic status of our country, that all States of the Union are not equally prosperous and therefore not equally able to contribute to those who are so badly in need of the provisions of this legislation.

In some States the soil is more productive than in others. In some States the natural resources, minerals, oils, timber, and fertility of the soil—and consequently the ability to produce wealth—is more abundant than in others. And I am sure that it is not necessary for me, proud as I am of the accomplishments and heritage of my Southland, to call your attention to the fact that your New England States were settled long before an ax had blazed a tree or a plow had turned the soil in the South. Moreover, it is not necessary for me to call your attention to the fact that this particular section had just begun to come into its own when it was swept by the devastations of the Civil War, when that section, outnumbered in men and in wealth, enriched the history of this country by a demonstration of fortitude and display of courage and arms the like of which has never before nor since been witnessed in the world. And yet, Mr. Chairman, because this particular section, as well as other sections of our country, have not been able to overcome all of these adversities and inequalities, the dependent and aged people whom this legislation should help, and who under the nature of things reside in these less wealthy sections, are told that unless their States, in many instances already overburdened with taxation, will make provision for matching each dollar that the Federal Government puts up, they cannot enjoy the fruits of this legislation. This legislation is humanitarian in its aspects and in the goal sought to be reached. This inequality and this discrimination should not exist. For frankly I seriously doubt that the State of Mississippi can appropriate sufficient funds to come under the provisions of this legislation if enacted as now written.

Foreseeing this, some weeks ago I called this matter to the attention of the Ways and Means Committee, and my statement to that effect now appears of record at pages 1084-1085 of the printed hearings before the Ways and Means Committee on this bill. Mr. Chairman, at this point I ask unanimous consent to incorporate that statement in my address. The statement follows:

Mr. Chairman and gentlemen of the committee, I am intensely interested in the Economic Security Act now under consideration by your committee. I am naturally interested in anything that tends to the betterment and the economic stability and comfort of the aged. President Roosevelt assured the Seventy-third Congress that he would recommend social legislation of this type. The people of the country as a whole, both young and old, are intensely interested in the problem. I have read with meticulous care and increasing interest the bill of the distinguished gentleman from North Carolina, Mr. Doughton, the chairman of this committee, which proposes to put into actual operation legislation seeking economic security and comfort for the aged, the unemployed, and the unfortunate cripple. The theory of this piece of legislation is beautiful, but I am very much concerned about its practical operation. We are all agreed that some legislation looking to this end is desirable. This committee has had many plans submitted to it, some most fantastic and impractical, some more practical and logical. But I desire to discuss briefly one feature of the legislation introduced by your distinguished chairman, as I feel that that particular bill in some form will be the one most likely reported by your committee.

The point that I want particularly to call to your attention is the provision which requires that the States must contribute an equal amount to that provided by the Federal Government up to \$15 per month. As I understand the bill, the Federal Government will contribute to the aged people over 65, who can qualify thereunder, an amount up to \$15 per month, provided the State or other subdivision of the Government of which that particular aged person happens to be a resident will contribute an equal amount.

This means that before the unfortunate aged person who is in need of this pension can receive the benefits thereof, or even the amount contributed by the Federal Government, the State or other subdivision of the Government must contribute a like amount.

I want to say in all frankness and candor to this committee, who I believe are really desirous of reporting out and enacting

into legislation a bill that will be practical and workable, that this will not work. It may work in some States, but there are many others in which it will not work. This for the reason that the States are unable financially to meet the requirements. I can best illustrate this by taking my own State of Mississippi for example.

According to the census of 1930, Mississippi had 77,443 persons who are over 65 years of age. By the time this law is enacted there will be a very little variation in the figures. If anything there will be an increase. It is estimated that, of this number, approximately 13,000 are on relief. I have no definite way of arriving at what percentage of the 77,443 would apply for a pension, but it is reasonable to assume that a considerably larger portion would apply for the pension than applied for relief. I think it would be fair to assume that somewhere in the neighborhood of 75 percent would apply for that pension. If the State matched the \$15 provided for in this legislation, which is the maximum the Federal Government would provide under the bill, for 75 percent of the aged over 65, Mississippi's contribution would amount, in round figures, to \$10,500,000 per annum.

Mississippi is not a comparatively wealthy State. Its total revenue receipts for the general fund in 1934 were only \$14,000,000. The people in our State are already taxed by the State to the point where taxation has become onerous and burdensome in its efforts to carry on its school systems, road building, and other necessary expenses. It is quite obvious, therefore, that the State of Mississippi could not function under the set-up of this legislation and its dependent aged would be cut off from any benefits whatever. I am satisfied that the picture presented above, so far as Mississippi is concerned, is true in many other States of small, comparative wealth.

Now, what I desire is some practical form of legislation. Thirty dollars a month is small enough, but if the people of many of our States are to be denied the privilege of sharing in the contribution of the Federal Government because of the financial inability of the subdivisions of the Government to contribute as substantially as the Federal Government, we are faced with a serious dilemma.

It might also be pointed out that although the old people of a State that cannot match the Federal funds will not share in the benefits of the bill, the people of that State will be forced to contribute, in the form of taxes, to the payments to the aged of the other and more fortunate States. This will be taxation without benefit.

I think that old-age pensions and the care of crippled children should be recognized as a national problem. Therefore, if this committee concludes that it is impractical to make as much as a \$30-a-month contribution to the needy aged by the Federal Government, the provision requiring the equal contribution by the State or other subdivision of the Government should be eliminated from the bill. And these needy persons in this aged class, who have contributed so substantially to the upbuilding of this Government, should at least be permitted to enjoy whatever amount in the form of a pension is granted by the Federal Government.

Frankly, if this legislation is not amended so as to cure this evil of which I complain and which must be apparent to all, it is my purpose as a citizen of the State of Mississippi to exert my efforts toward having the State legislature pass such legislation that will conform with this legislation, so that these unfortunate and needy persons in my State may share, to some degree at least, in this most humane undertaking. But, as stated before, I fear that because of the fact that my State is not a comparatively wealthy State it will be unable to do so. And, as stated above, I think that because of its humanitarian aspects this problem should be recognized as a national problem, and the States should not be required to match it. It is a fine thing for the several States of the Union, some of which already have old-age-pension laws, to make this additional provision for their needy citizens. But I am pleading with my colleagues, both from the more wealthy States and with those from the less fortunate States, that you do not discriminate against the needy and the dependent and the crippled citizens of a less wealthy State simply because that person happens to reside in that State.

Mr. Chairman, at the proper time it is my purpose to offer an amendment to this bill, which in substance will provide that State contribution is not necessary for the aged and others sought to be benefited under this legislation to enjoy its provisions. In other words, under this proposed amendment to this legislation the Congress of the United States would say to the several States of the Union:

"We welcome and encourage State laws to supplement the appropriation for the beneficiaries of this legislation, but we guarantee to every aged person who otherwise qualifies under the provisions of this legislation a pension of at least \$15 a month, and to other beneficiaries under the provisions of the bill, Federal care."

Even though successful in securing this amendment to this legislation, I would not feel that the legislation met with all of the hopes and ambitions of those of us who are so intensely interested in this problem. Personally, like many of you, I should like to see the age limit lowered to 60 years, and with a Federal pension of at least \$30 per month. But I realize the critical and serious question of taxation involved. I realize that this is the beginning, and with such an amendment I could rejoice in the thought that the Seventy-fourth Congress would go down in the records as the most humane Congress that ever assembled in the National Capitol.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 30 minutes to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include certain excerpts from the hearings and also a letter addressed to me.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. BUCK. Mr. Chairman, it is my intention this afternoon to speak particularly in regard to the subject matter of titles I and II, old-age pensions, old-age annuities, and proposed substitutes thereto.

I do not think it necessary for me to dwell upon the fact that there is almost unanimous agreement in this House as to the necessity of passing some measure of care for the aged who are needy and infirm. We have long passed beyond the stage of the savage tribes of Africa who, it is said, cast their aged over the cliffs in order to relieve themselves of the necessity of caring for them thereafter. We have passed beyond the stage of the Middle Ages, where the aged and the poor were beggars upon the streets or inmates of the poorhouses that were established in the time of Queen Elizabeth. We have come through the period of private care for the aged, and have come to the time when there has been awakened within us a sense of civic responsibility. The States to a limited degree have already assumed that responsibility. We are about to embark on a policy of Nation-wide aid for the aged. In pursuance of that sense of civic responsibility your Ways and Means Committee has presented to you this bill which is under consideration today. The committee does not claim that the bill is perfect, but it does claim that it is the greatest and most practical stride forward among humanitarian lines that this Congress and the Nation have ever been called upon to consider. The detailed proposals in this bill have been so clearly and forcibly presented to you by the chairman of our committee that I do not feel there is any necessity of my reviewing them in detail.

Asking the most open and liberal rule that any House has ever had presented to it, we brought the bill here for extensive debate and an unlimited vote on amendments, only to be assailed on the floor of the House with presenting a gag rule. Not only that, our constituents at home were told that such was the case. Permit me, therefore, to state first of all what the parliamentary situation is. It was necessary to bring this bill in under a special rule, because it was not of a privileged character, not to "gag" or stifle anyone, but to liberalize its consideration. Otherwise this bill could only be called up on some Calendar Wednesday when the Ways and Means Committee was reached in the call and there would have then been but 1 hour of general debate; or it might have been called up with the consent of the Speaker under suspension of the rules on some Monday, and then there would have been allowed only 40 minutes' debate and no amendments would have been possible.

If, under the rule which we adopted, the amendments to be offered are held not germane on any point of order, they would not have been germane under the regular rules of the House under any circumstances; and it certainly is not the fault of the Ways and Means Committee if those who desire to amend this bill or substitute another have not drawn their amendments or their substitute in language which will make them germane.

But I will say as a member of the Ways and Means Committee, and I think representing the thought of the majority members that we will not interpose such points of order.

The proponents of some unusual piece of legislation can put up a man of straw—the gag rule—to persuade their followers that they are being deprived of some right; but the fact remains that we are being more than liberal in the treatment of this bill and of any substitutes or amendments thereto.

This is simply a continuation of the liberality which the Ways and Means Committee showed during its hearings, when we even permitted the Communists to present their case and their viewpoint to us. In the case of one gentleman whose name has been mentioned quite frequently in the course of this debate—Dr. Townsend—we even reopened the hearings 4 days after they had closed so that he and his economic witness, Dr. Doane, might be heard before the committee, and on that reopened date we accumulated 29 pages of printed testimony on his behalf before the committee.

In the course of the debate this morning, the gentleman from California [Mr. GEARHART], in answer to a question I asked him, intimated that I was one of those who was endeavoring to give the "raspberry" to the Townsend plan, or, as it is known, the "McGroarty bill." Such is far from the case. I have been engaged in a conscientious endeavor to bring some order out of the chaos and confusion that seems to exist in the minds of those who have been claiming to support the Townsend plan in order that the membership of this Committee may know just what they are to vote on.

Mr. Chairman, I have been the recipient of a great many letters from my constituents; not as many as the proponents of the Townsend plan would lead you to believe, but a good many. I want to say that, so far as the writers from the Third California District are concerned, their letters have, for the most part, been courteous. There have been a few which stepped beyond the bounds of propriety, but only a few. The letters, however, all show that the writers have been misled, not merely as to the aims and proposals of the Townsend plan but as to the number of its supporters. They speak of 25,000,000, 30,000,000, and even 40,000,000 signers of petitions for the plan when they should realize, upon thinking at all, that such a figure is impossible. Certainly the number of letters and petitions that I have received from my district does not indicate any such figure is at all believable.

The writers of these letters have advised me to do three things: First, to study the bill—and I want to report to you and to them that I have conscientiously studied, not only the original plan but all other modifications of it that have been suggested, I think, perhaps more fully than those who have spoken in favor of it here. This afternoon I shall endeavor to discuss some of its latest provisions. Secondly, I was requested to see that a free and full debate and a vote was permitted on the McGroarty bill, and that we are going to have. Thirdly, I was requested at one time to accept the original bill without any change, "just as it is", and later to accept and vote for the second McGroarty bill. That, after conscientious investigation, I cannot do, and I do not believe any of the honest citizens of my district who will conscientiously investigate this plan would vote for it if they were in my place. I have been threatened with political reprisals if I do not vote for it; but, as the gentleman from Wisconsin [Mr. BOLLEAU] stated yesterday, I am perfectly willing to accept that challenge, for I know that I can rely upon the good judgment of the citizens at home when the details of the Townsend plan, its implications and consequences, are explained to them.

During the course of the debate I have interrogated gentleman after gentleman who were proponents of the McGroarty bill, asked them to explain its contents, to describe how it would work, and I must confess I obtained not one answer that was half illuminating other than that of the gentleman from Oregon [Mr. MOTT], who stated what, in

his opinion at least, the bill was not, and I want to at this time thank him for his statement.

I have listened this afternoon to the gentleman from California [Mr. McGROARTY], who was the sponsor of the revised Townsend bill. I heard him state that it was the most scientific and statesmanlike bill that ever was presented to Congress.

Mr. McGROARTY. That is right.

Mr. BUCK. I thank the gentleman. He stated also that that was because it was written for him, and he had nothing to do with it. With all due respect to the beloved gentleman from California—I listened to him for half an hour—he did not explain the bill and had not one word to say in defense of it the whole time. I have, therefore, been forced into making an analysis of this bill myself so that those of you who are going to be called to vote upon it may know something about it. I understand it is to be offered as an amendment perhaps to title I of the pending bill, and then if it is adopted it will be moved to strike out titles II and VIII as a result. This committee is entitled to know what this bill contains and what effect it will have upon the country as a whole. Mr. Chairman, I shall yield at any time during the next few minutes to the gentleman from California [Mr. McGROARTY] if he feels that I have made any erroneous statements as to the facts or principles involved in his bill, but until I have completed this analysis I shall decline to yield generally. Before I conclude, however, I shall endeavor to answer whatever questions may be asked.

The bill H. R. 7154, the revised McGroarty bill, was introduced April 1. It was introduced after the Ways and Means Committee had completed not only its hearings, but had finished its executive sessions and had completed the final draft of H. R. 7260, which you are now considering. The committee was only waiting for the final print to be received in order to formally report the bill. No hearings have been asked on H. R. 7154 before the Ways and Means Committee, and if there continue to be as many changes suggested in it, as many amendments suggested in its language, as there have been during the course of the debate, I predict that no hearings ever will be asked on this bill. They may be asked on the third or fourth McGroarty bill but not on this.

The defects of the first bill appear in the hearings, but nothing about this bill (H. R. 7154) appears there. It has been necessary, therefore, for some one of us to come before you and tell you what this bill presents. It is the third proposal of the plan of the gentleman from California, Dr. Townsend. His first proposal, as the gentleman from Ohio [Mr. Young] told you a few days ago, was for a 10-percent retail tax on all retail sales, to pay a pension of \$200 per month, to be spent within that month, to practically everyone over 60 years of age. It became obvious, taking the largest sales year the United States ever had, that under this plan there could be raised only about \$5,000,000,000. As there are over 10,000,000 aged who would be eligible under the first plan, it would be impossible to finance the project with that set-up. It was revised, therefore, and a second proposal substituted for a 2-percent transaction tax.

At this point in my remarks, Mr. Chairman, I insert the two tables which I have obtained permission to insert, tables IV and V, appearing at page 1103 of the hearings, Dr. Doane's figures.

TABLE IV.—Estimated accumulative effect of turn-over tax at 2-percent rate on physical-goods transactions (monthly basis)  
[Millions of current dollars]

Classes	Value	Tax	Estimated increase in costs due to 2 percent tax
1. Raw materials:			
Farm products.....	484.0		
Forest products.....	20.0		
Fisheries.....	11.0		
Mines, quarries.....	235.0		
Total.....	750.0	15.0	

TABLE IV.—Estimated accumulative effect of turn-over tax at 2-percent rate on physical-goods transactions (monthly basis)—Con.

Classes	Value	Tax	Estimated increase in costs due to 2 percent tax
2. Manufacturing:			
Cost of materials.....	1,820.0		
Plus added tax.....	15.0		
Total cost.....	1,835.0		
First turn-over (tax).....	38.7		
Second turn-over (tax).....	37.4		
Third turn-over (tax).....	38.1		
Total tax.....	112.2	112.2	
Original cost.....	1,835.0		
Total cost.....	1,947.2		6.9
Value added.....	1,690.0		
Selling value.....	3,627.2		
Plus 2 percent tax.....	72.5	72.5	
Total paid.....	3,699.7		
3. Wholesale:			
Sales.....	2,663.8		
Plus 2-percent tax.....	53.3	53.3	
Value goods sold.....	2,717.1		8.7
4. Retail:			
Sales (present value).....	2,173.7		
Plus 2-percent tax.....	43.5	43.5	
Value goods sold.....	2,217.2		10.6
Original aggregate.....	8,750.0		
Total expected taxes.....		296.5	
Consumer collections in addition.....		40.3	
Grand total collections.....		336.8	
At annual rate of.....		4,041.8	

Computed on 1931 basis. All figures from official census and Government bureaus reports.

TABLE V.—Maximum theoretical possibilities under 2-percent turn-over tax

	Selected items as given in table I	All producer and consumer expenditures	All expenditures including Government and institutions	All gross transactions and transfers
Estimated annual 1935 collections.....	\$4,000,000,000	\$6,000,000,000	\$6,300,000,000	\$9,000,000,000
Estimated annual collections on a 1929 basis.....	\$7,500,000,000	\$12,000,000,000	\$12,600,000,000	\$18,700,000,000
Estimated expected increase in prices, percent.....	12	18	20	24
Annual volume of transactions:				
1935.....		\$224,000,000,000	\$242,000,000,000	\$311,000,000,000
1929.....		\$358,000,000,000	\$376,000,000,000	\$493,000,000,000

The first of these tables, table IV, shows that under a 2-percent transaction tax on a selected list of transactions and estimated at six turn-overs from the time the raw material is produced until the finished product is sold to the consumer, \$4,041,080,000 per year might be obtained. The qualified individuals who were to receive these pensions remain practically the same number under this plan. This amount, on the basis of 10,000,000 aged, would have produced, allowing nothing for administrative expenses, approximately \$33.75 per month, or only about \$3.75 per month more than that the pensioner would receive under title I of our bill, assuming each State matches the Government contribution of \$15 per month in full. For that small amount we would upset the business of the country by imposing a multiple sales tax.

Thus it was seen that the second plan could not begin to raise money enough for \$200 per month, and it had to be revised.

The third plan, H. R. 7154, was introduced, the scientific and statesmanlike bill referred to by the gentleman from California. The transaction tax in this bill was based on the figure which estimated that if a 2-percent tax were applied to all gross transactions, including governmental operations, the sum of \$9,600,000,000 per year could be obtained.

A little extra money was thrown in by some minor taxes, which I shall speak about later. Among the transactions which it is now proposed to be taxed are some I shall also show you cannot legally or constitutionally be taxed, so that by no means can even the estimated amount be reached.

H. R. 7154 covers up the fact that there is not yet enough money to pay \$200 a month pension to the individuals concerned by promising to pay what may be collected after all administration expenses are deducted, but not to exceed \$200 a month. What this will amount to, assuming the tax is constitutional, cannot be shown by any table or any figures that have been submitted to the Ways and Means Committee or to your committee. The gentleman from Oregon [Mr. Morr] stated it would bring in about \$50 a month. I do not believe his calculation can be correct or that he has deducted anything for administrative expenses.

Mr. MOTT. Will the gentleman yield at this point?

Mr. BUCK. I yield to the gentleman from Oregon.

Mr. MOTT. I did not have time to go into detail there. It was my idea that, according to the best figures we could get from an examination of the committee hearings, the 2-percent transaction tax would bring in \$4,000,000,000 a year, and if there were 8,000,000 eligibles it would pay them \$50 a month.

Mr. BUCK. If the gentleman will pardon me, on that basis it would bring in \$500 a year to each pensioner, or \$41.66 per month.

Mr. MOTT. It is my idea and the idea of others that the revenue provided by the smaller taxes would be sufficient for purposes of administration. Of course, if it were not, they would have to go into the transaction tax.

Mr. BUCK. The best estimate of administrative costs that can be obtained—and this was obtained, Mr. Chairman, in connection with our own studies of our own bill—is that it would cost for administrative collection of taxes under title VIII and payment of pensions under title II, 8½ percent on a 2-percent rate; on a 3-percent rate it would cost 6½ percent; on a 4 percent, or higher rate, it would cost 5 percent; but those figures do not include any of the cost of policing the recipients to see that they spend the money or checking on the manufacturers to see that they have paid their taxes on anything of that kind. It includes the administrative cost of collection only.

Mr. MOTT. If, as the gentleman says, it is not possible under the proposed bill to pay a pension of more than \$50 a month, I venture to say he does not believe there would be a great deal of policing necessary to see that the pensioners spend the \$50 a month?

Mr. BUCK. I think we would still have to try to make some of this money revolve, although I do not believe it would revolve.

Whatever amount it may be, and I know the gentleman from Oregon agrees with me in this, the rank and file of supporters of the Townsend plan are still under the impression they are going to get \$200 a month. Merely printing the bill in the Townsend Weekly, which the gentlewoman from Arizona assured us has been done, and I have no doubt it has been done, does not educate the reader, and I am frank to say it does not educate a Congressman unless he studies all the implications and provisions of this bill.

Mr. Chairman, I hope the remarks I am making will not be taken as other than constructive. Dr. Townsend said that the first McGroarty bill was revised as a result of suggestions received from an enemy, but I am not an enemy of any particular plan, merely trying to get the best possible practicable, workable relief plan for the aged. I shall be glad to counsel with the proponents of the Townsend plan as I would be with those of the Pope plan or any other plan, and if there is a better plan proposed to be adopted in later years than the one we have considered, let us have it by all means. The gentlemen who drew this bill, and I do not know who they are except by rumor and the statement of the gentleman from California that he is not the author, should realize that the suggestions I am making this afternoon may be very helpful to them by the time they get down to the fifth or sixth Townsend plan.

Mr. MCGROARTY. Will the gentleman yield?

Mr. BUCK. I yield to the gentleman from California.

Mr. MCGROARTY. Is the gentleman trying to be facetious?

Mr. BUCK. Certainly not.

Mr. MCGROARTY. Is the gentleman trying to be funny when he uses the expression "fifth or sixth Townsend bill"? Does he consider that argument?

Mr. BUCK. If the gentleman will pardon me, I said "Townsend plan." Of these we have had three proposals so far, including the gentleman's two bills and an incipient one, or at least a modification of H. R. 7154 from the gentleman from Oregon. Well, I will call the next bill the fourth proposal and let it go at that.

Mr. Chairman, I now propose to enter into a detailed analysis of H. R. 7154. The first section attempts to define the term "transaction", and I say "attempts to define" deliberately, because it says "transactions shall be defined", but it never defines them in the whole bill. That, of course, is a small matter and a question of legal verbiage that no doubt the learned gentleman who wrote the bill can change.

It further says the term "gross dollar value" shall be defined to include the sum representing the total "fair" value of the entire property or service transferred or proposed to be transferred without deducting any amount of encumbrance or offset of any kind. It also attempts to define certain other terms used in the bill. The only actual definition put in is the following, and I must confess it is so scientific that I am unable to understand it:

Barter and/or exchange is defined as a plurality of transactions to the extent of the fair value of the property and/or service transferred or rendered other than money.

I shall return to the definition of "transaction" somewhat later.

Section 2, the heart of the bill, proposes a tax upon the fair gross dollar value of each transaction done within the United States, and provides in addition thereto a 2-percent tax on the fair dollar value of all transfers of property by devise, bequest, or other testamentary disposition now or hereafter taxable under the provisions of the Revenue Act of 1934; and, in addition thereto, a 2-percent tax on the fair gross dollar value of every gift in excess of the fair value of \$500. The continued use of the word "fair" certainly is going to make for litigation should this bill ever be enacted. I am wondering why the distinction between the testamentary transfers and the gifts by the omission of the word "gross" in connection with the former.

Section 3 creates an annuity fund.

Section 4 attempts to describe the qualifications and limitations of possible annuitants, and

Section 10 attempts an additional qualification, that the annuitants must be domiciled within the United States.

Section 5 authorizes the Administrator of Veterans' Affairs to create boards of review. It is interesting to note that section 5 (b) provides that the decisions by such board shall be reviewed by "the State court having general jurisdiction over the area in which that board is situated"—certainly a very unusual procedure giving State courts jurisdiction over Federal business.

Section 6 provides for the apportionment of the taxes collected after administrative expenses are deducted.

Section 8 appropriates money to pay them.

Certainly this makes the bill clearly subject to a point of order if anyone wants to urge it, and I shall not, for our committee has no right to report an appropriation bill, and the House has no right to write an appropriation into this bill. These are the important sections of the bill.

Now, Mr. Chairman, I desire to return for a moment to the definition of "transactions." I think this is the most remarkably broad definition that has ever been presented to Congress, and I have no doubt it was the intention of the sponsors of the bill to so present it. Let us see what "transactions" include. It broadens the original bill's base and includes as taxable every personal service that may be rendered. It makes wage earners subject to a 2-percent tax on everything that they may earn from now until they die.



The bill puts an additional 2-percent tax on transportation down as far as your street-car fare, and on telegraph and telephone. The bill puts a 2-percent tax on amusements and on radio. We are putting a 2-percent tax on advertising and even on education, so far as it concerns private schools and academies.

Let us consider the matter of amusement—take the radio. The tax must be paid by the person who furnished the service or by the legal entity by which the service is furnished on the gross "fair" value of each transaction done. Suppose the radio puts on Amos and Andy—and you or I do not like Amos and Andy—what is the fair gross value to be taxed? Is it what the broadcaster pays the entertainers? Or is it to be based on the fair gross value of the "transaction done", as the bill says? And if the latter, what is that?

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. BUCK. No; not for the moment. The gentleman may like Amos and Andy.

Mr. DUNN of Pennsylvania. I do.

Mr. BUCK. The gentleman might add to the broadcasting company's tax. Further, this bill puts a tax upon executory contracts. If, Mr. Chairman, I contract to sell you 1,000 bales of cotton today or 1,000 bushels of grain or a ton of dried fruit or anything else, even if I receive no deposit, I must pay the United States Government under this bill, at the time of signing the contract, 2 percent of whatever the total proposed purchase price may be. Yet you may die before you carry out the contract, or may default. I am taxed on a hope only. If, Mr. Chairman, I contract to sell you a farm for \$10,000 and receive \$1,000 down as a payment, I still must pay \$200 on the full value of \$10,000 of that farm or real estate, or 20 percent of what I receive—and yet the next year you may default. Should I be lucky enough to secure another buyer on the same terms, I will have to pay another 20 percent.

If there were a mortgage of \$5,000 on that \$10,000 farm, under the specific language of the bill I cannot deduct that \$5,000 mortgage in calculating any tax, but must pay 2 percent on the total value of \$10,000. If, at a sheriff's sale on foreclosure, the property mortgaged for \$5,000 brings \$6,000, the poor foreclosed farmer must pay the Government not 2 percent on his equity but 2 percent on the entire \$6,000.

Mr. Chairman, in the condition of farm-mortgage property in the United States today, this bill ought to have as a subtitle an act to discourage and prohibit the sale of farms. It is the most outrageous taxation curtailment of farm transfers I have yet heard proposed.

We have seen what a 2-percent transaction tax will raise. The gentleman from Oregon said he thought the inheritance tax and the gift tax, if effective, would raise enough to pay the administrative expenses.

On the basis of the returns for the year 1933, the inheritance and gift tax would raise \$16,000,000. The additional one-tenth of 1 percent on the income tax, if effective, would bring in \$100,000,000. I do not think that this comes anywhere near paying the administrative expenses, but let us look at some of the other items.

Mr. MOTT. Mr. Chairman, will the gentleman yield for a question there?

Mr. BUCK. Yes.

Mr. MOTT. Would the gentleman mind telling us what, in his opinion, the expense of administration would be under such a proposal?

Mr. BUCK. As I said a moment ago, according to the best estimate I have been able to obtain from the Treasury, 8½ percent would be the cost of collection without any check-up or any investigation as to whether the manufacturers had paid the tax or not or the recipient of the pension had spent it.

Mr. MOTT. We would appreciate it if the gentleman would elaborate a bit on that matter so we would know why he thinks that is so. Why, in other words, would the cost of administration be greater, in proportion, than the cost of the administration of the income-tax law or other revenue-raising measures?

Mr. BUCK. The answer is quite obvious. We are dealing with the population of the country as a whole in this case, whereas with the income-tax law we are dealing with only a certain selected group who pay the income tax, and according to the figures submitted to our committee in connection with our own bill, there are over 2,740,000 individuals and partnerships and corporations employing workers at the present time that would have to be checked. This does not include the employers of personal service. The McGroarty tax does not depend upon income or anything of that kind. It depends upon sales. It is the most gigantic multiple sales-tax proposition ever submitted for the consideration of the Congress. The administration costs would, no doubt, be vastly in excess of 8½ percent.

Mr. MOTT. I wish the gentleman would elaborate on that as much as he has the time to do so, because I would like to reply to the gentleman on that point if I have the opportunity to do so.

Mr. BUCK. I am going along as well as I can.

There are other objections to the tax features. I know the gentleman from Oregon [Mr. Mott] is a good constitutional lawyer, and I am going to try to give him some food for thought.

In the first place, this bill taxes the States or the political subdivisions thereof, which is prohibited by the Constitution. In the *Indian Motor Cycle case* (283 U. S. 570), cited for the benefit of anyone who wants to look it up, the Supreme Court held that the Federal Government was without power to tax the sale of a motorcycle by a manufacturer to a city for its police service. This prohibition applies to all sales to a city or political subdivision for use in essential government functions.

So that much of your sales tax is going out as unconstitutional.

Mr. MOTT. Mr. Chairman, will the gentleman yield at that point?

Mr. BUCK. If the gentleman will first let me finish my statement, I shall then yield.

Mr. MOTT. I do not wish to interrupt the gentleman, because I know his time is limited.

Mr. BUCK. Secondly, it interferes with the borrowing power of a State or a political subdivision by proposing to tax bonds and other obligations of such State or political subdivision. In specific words, it taxes loans and interest, and the Supreme Court, in the case of the *National Life Insurance Co. v. the United States* (277 U. S. 508), has held that bonds of States and political subdivisions are exempt from Federal taxation on the theory that such a tax would burden the exercise of State authority in connection with its power to borrow money.

So that much of your prospective proceeds goes out.

Now, thirdly, it proposes to tax the salaries of employees of State or political subdivisions engaged in governmental functions, which is prohibited by the Constitution. (*Collector v. Day*, 11 Wall, 113; *Metcalf & Eddy v. Mitchell*, 269 U. S. 514.)

(The time of Mr. Buck having expired, he was yielded 10 minutes more.)

Mr. BUCK. Apparently the bill taxes every gift, even those to charitable or eleemosynary institutions. These are exempt from the present gift tax. It sets up no provision as to how a transfer in trust should be taxed.

For instance, suppose A sets up a trust to B for life with the remainder to C. Does A pay a tax on the whole amount of the trust, or does he pay a tax on B's life interest immediately, and then on C's remainder interest at the time C comes into the possession and enjoyment of the property?

In my brief time I can only begin to cover the defects of this bill.

Oh, gentlemen, I regret extremely that the gentleman from California [Mr. McGroarty] said that this was a scientific and statesmanlike bill, and that no more carefully drawn bill had ever been presented to the House. Why, it is so full of loopholes that you could drive an automobile truck through any part of it. Moreover, it is dangerous.

The bill gives the Secretary of the Treasury broad authority to collect these taxes in any manner he sees fit. No appeal is provided to the Board of Tax Appeals, although such an appeal is granted in the case of the present income, estate, and gift taxes. The general statutes relating to internal revenue do not appear to be applicable, since they refer to a system of assessing, collecting, and refunding taxes by the Commissioner of Internal Revenue and not by the Secretary of the Treasury. Claims for refunds, refunds and assessments are now made by the Commissioner. There is nothing in the McGroarty bill that gives the Commissioner of Internal Revenue authority to do anything in connection with these internal-revenue taxes. There are no periods of limitations prescribed for the assessment, collection, and refund of the taxes.

It looks like an entirely new scheme of collecting taxes and might even be considered an unconstitutional delegation of authority. Let me suggest one more thought to you writers and authors of this bill when you revise it the next time. You propose to put a 2-percent tax on the fair dollar value of transfers of property by devise, bequest, and other testamentary disposition, taxable under the Revenue Law of 1934. Nothing of that kind is taxable under that law. All we have is a Federal estate tax, which is imposed on a statutory basis called net estate, and certain deductions are taken from that. All these items are valued as of the date of death. There is nothing in this bill to show when they shall be valued or to what the tax is to apply, and, moreover, the Federal estate tax is not imposed by the Revenue Act of 1934 but by those of 1926 and 1932. So much for the tax provisions of this bill.

Let us be fair in this matter. The new bill is an improvement over the first by forbidding the payment of pensions to anyone in receipt of an income of \$2,400 or more per year. On the other hand, the original bill prohibited the receipt of a pension by anyone convicted of a felony or the inmate of an asylum or eleemosynary institution. These provisions have disappeared, so perhaps the decrease in the number of pensioners on the one side will be offset by the increase on the other. The bill has also been improved by removing the danger of wholesale inflation that existed in the original bill. It now authorizes the appropriation of no money that is not collected in taxes. While the old people are still being led to believe they will get \$200 per month, it certainly is not provided in the bill.

At least the revision of the bill has had the advantage of bringing out the real import of the Townsend plan. One of its organizers, Mr. A. C. Pearson, of Sacramento, Calif., at a mass meeting in my home town this month said: "If the Townsend plan were a pension plan, it would be ridiculous. It is a recovery plan." Its claim has always been that it is a plan to bring prosperity through imposed heavy taxes and this is honestly set forth in the revised bill. Under it, the taxes are to be collected for 3 months before any one gets a cent in pensions. While there is a doubt as to how much the pension will be and when it will be paid, there is no doubt about what the tax is intended to be.

There are fundamental objections, in my opinion, to the bill that go beyond the question of its tax provisions. It provides for a direct Government grant without State participation, and I consider State participation of vital importance, for without State participation there can be no certainty that the fund will be properly administered on an equitable basis. Moreover, it provides for a flat rate, not taking into consideration the difference in the necessities of the population in various sections of our country and even the difference between urban and rural communities in any one State.

Then there is the thought that has been expressed that this bill would create prosperity by putting into effect a revolving fund. It is beyond me to see how any money is going to revolve further than out of the hands of the original recipients. It will be piled up in the banks or in the hands of those who already control the greater part of the wealth of the United States, and in this connection I read a statement recently made in the State Senate of California

by Senator Culbert Olson. I particularly urge my fellow Democrats of California to listen to their floor leader:

But assuming that the plan could get started without such disastrous results, and the \$2,000,000,000 for the pensions for the first month is provided, the revolving idea of returning that money to the pensioner by a sales tax upon themselves and other consumers cannot be realized. That money cannot remain in circulation, because it will be constantly drained into unspent profits and surpluses and added to the accumulations of that small fraction of the population—said to be about 4 percent—that already owns nearly 90 percent of the Nation's wealth. There is no reason why this privileged portion of our population should oppose this bill. When the first \$2,000,000,000 is thus absorbed, no part of it can longer "revolve" and like absorption of the next \$2,000,000,000 must begin.

The fact of the matter is that the McGroarty bill or bills or whatever may finally come out of them, so far as they may be considered an aid to the aged or a new instrument of economic revolution, places a greater burden on the working man than does the administration bill.

In the tables which I referred to earlier, Dr. Doane, the economic adviser to Dr. Townsend, estimated that the cost of living with the 2-percent tax on selected-item basis would increase from 10.60 percent to 12 percent. On the basis of the same tax on all transactions (table V), it would increase 24 percent. None of us on the committee have ever been able to check the accuracy of Dr. Doane's figures, but for the purpose of this statement I am going to assume they are accurate. That is going to place a tremendous burden on the worker who has already had his pay check docked 2 percent.

To start with, the working man is to be taxed 2 percent forever and not merely up to the age of 60 or 65, and the employer who, under title I of our bill, contributes nothing, but under title II contributes eventually a 3-percent tax toward old-age pensions, contributes nothing under the McGroarty bill. If it were not for the other features it contains, this portion of the bill would absolutely meet every objection that has been raised by the gentlemen on the Republican side who have been so solicitous about the taxation of the employers and their pay rolls.

It might be well to point out here that there is a difference between these transactions or sales taxes and excise taxes measured by pay rolls as proposed in our bill. The latter affects only one production cost, labor. The average labor cost in manufactures is 21 percent (1930 census). The excise tax that we propose, which will eventually be 3 percent on pay rolls from the employer, does not therefore increase costs by 1 percent, but only by twenty-one one hundredths of 1 percent for each 1 percent of the contribution, or a total increase in cost to the employer of sixty-three one-hundredths of 1 percent. A direct sales tax on the price of all transactions costs the employer 2 percent on each item going into the finished product and costs the consumer the cumulative amount of all these taxes.

So the McGroarty bill subsidizes the manufacturers and the chain-store operators, as was so clearly pointed out by my Progressive friend from Wisconsin [Mr. BOLLEAU]. They will pay only one turn-over tax, and in spite of the fact that the gentleman from Oregon [Mr. MOTT] read into the Record a proposed amendment to overcome this, I point out to him that that proposed amendment is unworkable. It would force the manufacturers of the completed article to find out in every case whether the transaction tax on each raw material going into the finished product has been paid. If the seller had failed or refused to pay the tax on such raw material, the manufacturer would have to bear the total burden through no fault of his, and the original seller would escape scotfree.

The amendment is unworkable in every way, and even his amendment does not cover the chain store or the other aggregations of wealth which can operate with just one turn-over.

Mr. Chairman, the little man, the man who has to buy through the wholesaler and the jobber and the manufacturer, who does not control his own raw materials, is beginning to see the light, and at this point I put into the Record, with the permission of one of the gentlemen to whom a copy was sent, a letter sent to Dr. Townsend on April 4, 1935, which reads as follows:

APRIL 4, 1935.

Dr. TOWNSEND,  
Washington, D. C.

DEAR DR. TOWNSEND: We are small business men and we have signed the Townsend plan petitions and would like to see this plan adopted on a workable basis nationally, but we, as small business men, want to be assured that big business is not going to capitalize on the transaction tax.

For instance, as we see it, the small merchant is put at a complete disadvantage, because big business, with their chain holdings, have complete control of many products; in fact, industries from production of raw material throughout the complete course of transaction to the consumer, thereby making it possible for them to carry these products from the raw material through the factories, jobbers, transportation, distributing warehouses to their retail units, and on to the consumer with only one cash transaction, whereas, we smaller merchants must deal through independent institutions. The manufacturer has a cash transaction with the producer; there is a cash transaction between the manufacturer and the broker; the broker and the jobber; the jobber and the distributing agencies. There is also another cash transaction between the distributing agency and the retailer and between the retailer and the consumer.

How in the name of God and little green apples can we, as small merchants, survive and pay 5-to-1 tax; this would break every independent institution before legislation could be brought about constitutionally to remedy such a mistake?

We stand for correction, and any information which you have to offer will be greatly appreciated and carried on.

Yours very truly,

(Signed) WILLIAM SORENSON,

(Signed) LE ROY ATKIN,

614 Lighthouse Avenue, New Monterey, Calif.

Copies sent to President Roosevelt, Senator William G. McAdoo, Senator Hiram Johnson, Congressman John J. McGrath.

If we do not know what will happen to the small manufacturer or the retailer in competition with the chain operator; we can at least see some of the other disadvantages that will occur. Foreign trade is carried on upon a very small margin. Imagine increasing the costs of the finished products, not necessarily by 24 percent, but even by the 12 percent. Passage of this bill would destroy the foreign trade of our country in almost every instance, and certainly in every instance in which we compete with any foreign nation.

The workers between the ages of 21 and 60, whose food and whose clothing and whose very wages will be taxed under this new bill without receiving one penny of the benefit will, if it goes into effect, indeed accomplish a revolution, but it will not be the economic revolution that Dr. Townsend plans, but a revolution against this bill itself. Can you imagine the delight with which the workman who has just had 2 percent of his weekly wages deducted on Saturday night will proceed up town to find that there is a 24-percent increase in the cost of his bread, of his meat, of his tobacco, for remember he is the ultimate consumer who pays at both ends to the fullest.

And so, Mr. Chairman, outside of the tax difficulties, outside of the administrative difficulties, outside of the fact that the payment of these annuities would be made without regard to the economic differences between one State and another or even within one State there remain the two fundamental objections that in the guise of helping the aged you are penalizing the workers, the wage earner, by taxing him unconscionably and you are subsidizing the employer and the manufacturer, and particularly the chain operator, by relieving him from any direct contribution to the aged.

I have been pledged for many years to the enactment of the best and most liberal old-age-pension plan that can be secured. If a better one than our committee has presented can be worked out on some sane and logical lines, I will be for it. If any plan has a fundamental basis of value, rest assured it will be developed, and when it is presented to the Ways and Means Committee and to the House with those sane and logical arguments and proofs, it will be considered there in fairness, as every bill has been considered. If a later plan has more merit, I will be for it, but I will not violate my oath of office to support any plan which is fundamentally unsound and certainly not one which in spite of the declaration of the gentleman from California [Mr. McGroarty] to the contrary I consider to have been presented in possibly the most unscientific and most unstatesmanlike manner that any bill has been presented. I was glad to note that the gentleman from Oregon [Mr. Morr], in response to my inquiry, took the lead

in saying that the old people must not be deceived longer, and I trust that the official organ of Dr. Townsend will now admit that there is no chance of securing \$200 a month pension without wrecking the industry of the Nation.

If not, I shall endeavor to explain even more fully the true state of affairs to my constituents when I return home. The terrific propaganda that has been spread by the proponents of this plan must be faced and must be met courageously by bringing home to the Nation the fact that this House is doing the very best it can for them. We must creep before we walk, and when we take our first step forward it is only a prelude toward our further progress. There may be ways in which longer and larger strides can be taken when the opportunity occurs, but here and at this time the strides forward that we are able to take in titles I and II of this bill are greater and of more benefit to the aged than any which have been proposed by any other plan.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield such time to the gentleman from Oklahoma [Mr. JOHNSON] as he may desire.

Mr. JOHNSON of Oklahoma. Mr. Chairman, for almost a week we have listened to the debate on this important social-security bill. This afternoon we listened to the matchless address delivered by my personal friend Dr. SROVICH, of New York. In my opinion, it is one of the greatest speeches delivered on the floor of this House in many a day.

The gentleman who just preceded me, Mr. BUCK, of California, has also made a very valuable contribution to this discussion. And, at the beginning of this debate, we heard the Chairman of the Ways and Means Committee, as well as other able members of his committee, explain the provisions of this bill, which is in fact three or four bills in one, as it proposes to legislate on several different yet somewhat related subjects.

I find this bill a sort of meager dole to the aged, wrongly called "old-age assistance" or "old-age security."

Let me say at the outset that a bill that provides maximum Federal participation of only \$15 a month and requires the State to match in whole or in part, as this bill does, in order for the citizen to receive a mere pittance should not be classed as old-age security. [Applause.]

Other provisions of the pending bill relate to unemployment insurance, Federal assistance to the States for crippled children, vocational rehabilitation, child and maternal welfare, and public-health services. Still another provision provides for old-age benefits, or old-age insurance. This is separate and apart from the old-age-security provision and would not be placed in operation until 1942. Funds would be provided by contributions of those who participate. All of these are gestures in the right direction; but if I know anything about the sentiment of this House, few Members are really satisfied with many of the provisions of the pending bill.

It will not be my purpose to discuss this bill section by section, nor to go into the many provisions of the bill, but to confine my remarks largely to title I, which has to do with old-age security.

Just a year ago this week, in discussing the Dill-Connery old-age-pension bill that had then been reported to this House for consideration, but which never came to a vote, I expressed my views briefly on the subject of old-age security. As pointed out then, I have been deeply interested in this subject for many years. I also mentioned the fact then that the first speech I ever made on the floor of this House was on the subject of pensions. In discussing the Dill-Connery bill, I said in part:

I submit that we are facing a problem that society alone, through the government set up to protect the weak from the strong, and to enable us to enjoy the fruits of "life, liberty, and the pursuit of happiness", can adequately meet.

I am no new convert to this theory. I have been advocating protection for our aged for many years, even during the era of "rugged individualism", when this problem had not attracted the attention of the public and when it was opposed by many well-meaning persons.

I also pointed out in that speech that an increase of 11 percent in the income-tax rates would alone provide the

necessary funds for the modest pensions proposed in that bill. I suggested at that time that this House should materially increase the estate tax, gift tax, corporation tax, and surtax or excess-profits tax. It is absurd to say that this great, rich Government cannot adequately take care of its aged men and women, who, through no fault of their own, find themselves without means of support.

As stated a moment ago, the pending bill is a gesture in the right direction, but it is at best only a gesture. If given an opportunity, I propose to offer several amendments to this bill. Frankly, I am getting tired of having our committees hand us these bills with a solemn warning that the measures must be passed without the changing of the dotting of an "i" or the crossing of a "t."

You may recall that when the committee recently brought in the McSwain bill, proposing to curb war profiteering, which in its original form overlooked conscripting the financial resources of the country or conscripting anything except the young manhood of America in time of war, we were solemnly told that we should accept that bill exactly as written, and we be unto the Member who had the audacity to try to amend it. But I took the same position on that bill as I do on this. It will be recalled that this House took charge of that measure and put teeth in it. This body made a real, constructive, drastic, and far-reaching measure out of that bill before it was sent to the Senate. In my judgment, we ought to operate on the pending measure in a more drastic manner than this body did on the McSwain bill. [Applause.]

Mr. Chairman, I have introduced a bill (H. R. 2802) that was prepared in collaboration with the Old Age Security Association of Grady County, Okla. I have no pride of authorship, but it is much more fair and more equitable than title I of the pending bill.

At least two of my colleagues from Oklahoma, Representatives ROGERS and GASSAWAY, have bills pending before the committee, both of which are more liberal, more progressive, and much fairer to our aged citizens than is this bill. But neither of these bills has had favorable action by the committee.

The Lundeen and the McGroarty bills have been discussed at some length on the floor of this House. Both have splendid provisions, and both have their weaknesses. But let me call your attention to the fact that if the Lundeen bill were passed, it would be financed by that class able to pay and would not heap additional burdens on the backs of the working class. Section 4 of the Lundeen bill reads, in part, as follows:

Further taxation necessary to provide funds for the purpose of this act shall be levied on inheritances, gifts, and individuals and corporation incomes of \$5,000 a year and over.

This provision should be broadened to include the taxing of stock exchanges, as provided in my bill, and substituted for or added as an amendment to the appropriate section of the pending bill. This Congress cannot afford to pass this bill without providing some means of financing it. I think it is generally conceded that the \$49,750,000 provided in the pending bill to finance old-age-security provisions for the first year is entirely inadequate.

The weakness of the Townsend plan, that has been changed and modified several times, and which is now estimated will pay \$50 a month instead of \$200, is undoubtedly its sales-tax provision for financing it. The proposal of a tax of 2 percent on every transaction is not only impractical but would play into the hands of the special interests and add additional burdens on the poor. I have consistently fought a Federal sales tax for years; but even worse than a general Federal sales tax is a turnover sales tax as proposed in that bill. Canada tried that to its sorrow and soon abolished it. As I pointed out on this floor in speaking in opposition to the sales tax as advocated by Herbert Hoover in 1932, there is no question but that such a tax is ultimately passed on to the consumer. A general sales tax is robbing Peter to pay Paul, and when Peter and Paul are both poor men, both ground down by heavy personal and real estate taxes, as well as by tribute paid the tariff-protected corporations, low wages, and starvation prices for farm products, I

hope that some other way can be found to raise the revenue needed to take care of our obligations to our needy and deserving old people.

On the other hand, the McGroarty plan, as modified, has some splendid provisions and represents the progressive ideas of millions of people who are determined to do something worth while for our aged citizens.

The bill I have submitted to this Congress for consideration would lower the age limit to 60 years, with a further provision that dependent citizens over 50 years of age, who are disabled and unable physically to provide a living for themselves and families, should receive Federal assistance. Neither provision can be found in this bill.

My bill provides for a minimum pension of \$30 a month, but there is no minimum provided in this bill. This measure, if passed, will not pay a dollar to our old people unless the States wherein they reside match the Federal Government on a 50-50 basis. I submit that if the Federal Government owes a duty to care for our needy and dependent old people it should not be contingent on where those citizens happen to reside. In other words, if a State is bankrupt or for any other reason failed or refuses to do its duty by our aged citizens, why should the Federal Government hide behind the cloak of the State's failure to participate in this program?

Mr. McFARLANE. Will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield with pleasure to my distinguished friend from Texas.

Mr. McFARLANE. Is the gentleman satisfied with the piece of legislation now pending before us?

Mr. JOHNSON of Oklahoma. No; not in its present form. I will say for the gentleman's information that the gentleman from Colorado [Mr. MARTIN] has given notice he will offer an amendment to pay pensions to residents of the nonparticipating States for 2 years, pending the States' decision to participate, and I believe the gentleman from Mississippi [Mr. COLMAN] stated today on the floor that he proposed to introduce a similar amendment. I, for one, propose to support such an amendment.

I realize full well that the word has gone out that this bill must not be amended and that it must be passed in its present form, but I give notice now that I propose to offer and support a number of amendments in an effort to make it a fair and just measure. The bill in its present form is a misnomer. It is not all it proclaims to be in its title. It will not accomplish all the things we had hoped for during the present session, yet it must be said it is a progressive and forward step for the cause of over 6,000,000 citizens who are 65 years of age or older and who thus far have been forgotten by this Government.

The pending security bill, in its present form, although very much inadequate to meet the present deplorable situation, is, of course, better than nothing. It is at least an opening wedge to real security legislation in the future. It marks the dawn of a new day for the millions of aged, dependent, and helpless citizens who have played an important part in making this great country what it is today. I predict now that some time in the not far distant future the Congress of the United States will awaken to its full duty and discharge its full obligation to our old and honored citizens. [Applause.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. COLDEN].

#### THE RIGHTS OF AGE

Mr. COLDEN. Mr. Chairman, no question under consideration before Congress has a wider appeal than old-age pensions. The depression has brought the tragedy of age to public attention as never before. The aged of this decade have not only been deprived of a just share of the fruits of their labor but of employment. They have been stripped of their savings of years by unsound economic conditions, by the dust storms of speculation that swept our country and the consequent failure of banks, building and loan associations, and kindred institutions. The substitution of mechanics for the manual efforts of a very large portion of our

population, and the machine age demanding the alertness, speed, and the energy of youth, has lessened the demands on age and experience.

Our aged people, once young, filled with hope, spurred by ambition, played their part in the achievements of a great Nation. It was their ranks that conquered the wilds of our country, that felled its forests, that delved in its mines, that plowed its fields, that reaped its harvest, and planted its fruits and consummated the economic development of our Nation, the richest on earth. Robert R. Doane, the economist, is the authority for the statement that in 1929 the United States possessed about 45 percent of the entire wealth of the world.

These millions who are suffering today not only produced the wealth of this country but they also carried the burdens of war. These aged served the flag, many offered their lives, their strength, their bodies to the ravages of disease and to the shot and shell of the battlefields. And these who have contributed so much to our country, to its prosperity, its wealth, its safety, its welfare in peace and in war, their voices must be heard, their needs must be noticed, their welfare must be regarded.

In considering the aged and the forgotten, let us remember the wife and mother, who have performed an essential and primary part in the upbuilding of this great Nation. Think of the hardships and the privations that wifehood and motherhood entail, a life of drudgery in millions of instances, with but few opportunities to share the comforts, the dreams, and the luxuries of life; those who have borne the soldiers and the workers of the Nation, who nursed them in their infancy, who guided them in their youth, and who served and blessed them throughout all their years. Have we so far forgotten the principles of Christianity, the brotherhood of man, the obligation of one human being to another, not to respond to the necessities of wifehood and motherhood? If we can pay pensions to policemen, firemen, and other employees, why not the mothers and fathers?

One of the first questions that arises is: How much can we pay? The amount of \$200 per month has been called "cockeyed", and others declare that \$15 is an insult and a pauper's dole. I have always advocated as generous a pension as we can afford to pay.

In the study of this urgent problem one cannot avoid the relationship of a fair old-age pension to the income that is annually received per person in our country. To pay a pension far in excess of the individual's capacity to earn is unfair to those who must pay it. Many pensions are granted on a percentage basis of the earnings of the beneficiary, such as policemen and firemen and retired officers of the Army and Navy. Others, like veterans' pensions, are based upon the degree of disability. In order to arrive at a fair conclusion let us consider not only the wealth of this country but also its annual income.

#### OUR INCOME FOR 20 YEARS

For a period of 20 years, beginning in 1910 and ending in 1929, the average income per person per year in current dollars was estimated at \$511.25 per year, or about \$42.60 per month per person. Based on the purchasing power of the dollar for 1913, considered by economists as a normal year, the average income per person for the United States was \$347.80 per year, or about \$29 per month. A thoughtful consideration of old-age pensions must lead to the inevitable conclusion that the income of all over a period of years must govern to a large extent the amount that can be paid for any purpose, however beneficent it may be. Since the average income of all the people of the United States for a period of 20 years has been but \$29 per month, can we justify an old-age pension of \$200 per month?

#### THE FARMERS' INCOME

One of the groups in our country intensely interested in all public expenditures is our farmers. About 30,000,000 people, or nearly 25 percent of our population, lived on the farms in 1929. According to the estimates made, the average income per person on the farms throughout the United States was \$273, or \$22.75 per month. California is quite fortunate in this respect, for the income of the farmers of our State

was estimated in current dollars at \$1,246 per person for the year, and stood at the top of the list, with an income of a little more than \$103.83 per month. South Carolina stood at the bottom of the list, with approximately one-tenth of the income of the farmers of California, namely, \$129 for 1929, or \$10.75 per month per person, and these farmers, with this meager income, must contribute to any sort of pension plan, whether it be \$15 or \$200 per month.

In 12 Southern States farmers averaged but \$162 per person, or \$13.50 per month, for 1929. In only 11 States did the income of the farmers exceed \$500 per year, or \$41.67 per month. New York farmers had an income of a little less than \$500, and the farmers of Iowa and Missouri did not reach \$250 per person per annum, or \$20.83 per month. These incomes include rental value of houses and food raised and consumed by the farmer, and 1929 was a prosperous year compared with the 3 years that followed. On the other hand, the residents of the city enjoyed a larger income of approximately \$900 per capita per year, or about \$75 per month. Of course, the city residents pay more for rentals and more for certain foodstuffs than the farmer.

#### DISTRIBUTION OF INCOMES

The same source of authority for the statistics just quoted, namely, *Our Capacity to Consume*, published by the Brookings Institution, states that the family—a fraction over four persons—income averaged \$1,700 for the year 1929. It also gives information that 6,000,000 families, or 21 percent of our population, had an income of less than \$1,000 per year; that 12,000,000 families, or over 42 percent of the population, had incomes of less than \$1,500; that 20,000,000 families, or 71 percent, had an income of less than \$2,500 per year; that 2,000,000 families, or 8 percent of the population, had more than \$5,000 per family per year; and that 600,000 families, or 2.3 percent of the population, had an income of more than \$10,000 per year for a family of 4; also that 1 percent of the families with the highest incomes had as much of the entire income of the country as 42 percent of the families with the lower income. All of these figures disclose the fact of a most serious maladjustment of the incomes of those who produce the wealth of our country. And these figures were based on incomes in 1929 which were about twice the national income per year during the depression. Where in justice should we place the burden of taxes for the aged? Would you place it on the back of the millions with inadequate incomes or upon those with extravagant incomes who revel in the riches produced by the workers?

#### MANY UNABLE TO SAVE

One of the serious phases of the distribution of wealth of the United States is that millions of our people are able to save but a very small amount because their income is consumed by living expenses. Those with the higher incomes, therefore, are able to accumulate most of the savings of the national wealth, and thereby increase their wealth from year to year entirely out of proportion to the average population. The figures show that in 1929 the savings of the 10 percent having the highest income were 86 percent of the total savings of that year, while the 80 percent of the population with the lower incomes were able to save but 2 percent of the entire savings of the country. One and six-tenths of the depositors in the banks of the United States own 65 percent of all the deposits in the 15,119 banks operating under the Federal Deposit Insurance Corporation, was the testimony of Leo T. Crowley, Chairman of the Board of the F. D. I. C. on February 21, 1935, before the House Committee on Banking and Currency.

#### THE PRIVILEGED FEW

The American Monetary Reform Association furnishes the figures that for 1929, 1.82 percent of the income-tax payers received 85.7 percent of the entire taxed income, based upon the returns made to the Income Tax Department of the Government; also that 513 persons in 1929 had a net income of over \$1,212,000,000. These 513 persons had an income equal to the entire harvest of wheat and oats from an acreage of over 101,000,000 acres. This acreage is almost the same as the entire acreage of California, including the mountains, the deserts, and the rivers. The privileged few who

gained their great fortunes by the exploitation of the many, including those reduced to penury, are the ones to bear a major part of the burden that society owes to the aged. The rugged individualism that has grasped the wealth and income of our rich resources should restore to the ragged individualism it has produced at least sufficient compensation to relieve its unfortunate victims from the destitution of age.

#### GROWTH OF CORPORATIONS

The Modern Corporation and Private Property, an illuminating volume by Berle and Means, in discussing the concentration of wealth in America, discloses that the American Telephone & Telegraph Corporation had assets of \$5,000,000,000, and 454,000 employees, in 1929; that the assets of this company are more than those of 21 States of the Union. This same interesting study also states that in 1800 there were but 335 profit corporations in this country, 219 of which were turnpike, bridge, and canal companies, and only 6 manufacturing companies; also that in 1930, 14 railway systems operated nearly 87 percent of first-class railway mileage, and nearly 82 percent of the entire mileage; that in 1919, 99 percent of the workers in copper were employed by corporations, 98 percent of the workers in iron ore, 97 percent of the workers in lead and zinc, 89 percent of the workers in oil and gas, and 92 percent of the workers in factories were employed by corporations. In 1930, 200 corporations had over \$100,000,000 each, and that 15 corporations had a capitalization exceeding \$1,000,000,000 each. Berle and Means also state that in 1930, 200 corporations, 42 of which were railways, 52 public utilities, 106 industrials, had assets of more than \$81,000,000,000, or practically 22 percent of the entire wealth of the country at that time. The same authority also states that these 200 corporations, less than seven one-hundredths of 1 percent, control nearly one-half of the corporate wealth of the United States, and that 2,000 persons control one-half of the industry of the country. Not only should these powerful corporations be curbed in their ruthless disregard of the rights of the individual, but heavy income and inheritance taxes should more uniformly distribute this wealth and power.

#### THE PRIVILEGED TWO HUNDRED

Berle and Means further state that these 200 corporations in 1919 had assets of nearly \$44,000,000,000, or an increase of 68 percent in the preceding 10 years; that in 1929 their capitalization was over eighty-one billions, or an increase of 85 percent in the preceding 10 years. In the preceding 10 years, including 1928, 44 railways increased their assets from eighteen billions to twenty-three billions, or 24 percent; that 71 industrial corporations increased their assets from fourteen billions to twenty-three billions, or 58 percent; and that 35 utility companies increased their assets from six billions to eighteen billions, or 300 percent. These 150 corporations increased their assets from thirty-nine billions to sixty-four billions, or 63 percent, in 10 years previous to 1929.

Some of these masters of industry continue to draw immense salaries, while the investors, including the widows and the orphans, are deprived of dividends. Investors are swindled by one hand and the consumers are exploited by the other. At every attempt to control securities, to regulate exchanges, to fix fair returns, to eliminate useless and parasitical holding companies, to throttle the monopolistic and greedy corporation, the country is flooded with propaganda designed to paralyze the public with fear and to destroy confidence in Congress.

#### THE NATIONAL WEALTH

In 1912 our total national wealth is estimated to have been slightly in excess of \$186,000,000,000 and amounted to about \$1,950 per capita. In 1922, the total national wealth was \$321,000,000,000, or \$2,918 per capita. 1923 was the peak of our wealth with \$400,000,000,000 in national wealth, and \$3,048 per capita. In 1929, the year of the stock exchange debacle, the national wealth was about \$362,000,000,000, and estimated at \$2,977 per capita. In 1932, the national wealth had dropped to nearly \$247,000,000,000, and amounted to \$1,981 per capita. The 200 giant corporations with assets of eighty-one billion in 1930 was equal to over one-half of the

national wealth in 1932. Senator BURTON K. WHEELER, of Montana, recently made the statement that 96 percent of American citizens own but 15 percent of the wealth, and that one out of every six persons in this country is dependent. The unfortunate part in this picture is the unhappy distribution of this wealth by which a few are overrich, and, as rugged individualists, clamor for more and more, and the increasing millions of wrecked and ragged individuals without wealth, without employment, without income, whose opportunities to pursue life, liberty, and happiness are growing less and less. But with an average of about \$2,000 in wealth and an average income of \$29 per month, what is a reasonable pension for the aged?

#### THE BIG PROBLEM

Fundamentally, the big problem in this country is to curb the greedy concentration of wealth and to enable the average citizen and the forgotten man to obtain and enjoy a proper share of the wealth he is producing. To correct these abuses of the concentration of wealth involves all our citizenship and undoubtedly will require long and arduous labors on the part of those who assume the task.

In view of this menacing picture, what can be done to restore the economic rights of the people of this country? Fortunately the demand for old-age pensions and the other requirements of the social-security plan—old-age benefits, unemployment insurance, and the care of dependent children and the physically incapacitated, offers a program of relief and a method of curbing greed and the prevention of the overaccumulation of wealth in the hands of a few.

The income tax, the inheritance tax, gift tax, and a sales tax on luxuries, supplemented by elimination of special privilege in banking, control of the currency, participation by workers in the dividends of corporations, and similar policies, afford a plan to equalize wealth throughout this country and to provide funds for a generous social-security program, including the old-age pension, and stands in striking contrast to the transaction tax which would perpetuate and augment our present vicious system of the overaccumulation of wealth and afford no means of reform.

#### THE TOWNSEND PLAN

The transaction or turn-over tax as proposed by the Townsend old-age-pension plan has a fatal defect in that its burdens falls on the consumer. It was brought out in the hearings that the transaction tax is merely a multiplied sales tax. One of the examples of the working of the transaction tax was developed by wheat and bread. An example was taken of a farmer producing 1,000 bushels of wheat at an assumed market value of \$1 per bushel. The following table used by its proponents shows the pyramiding of the Townsend tax plan:

Farmer sells \$1,000 worth of wheat and pays.....	\$20
Buyer sells wheat for \$1,100, pays.....	22
Miller sells wheat for \$1,200 to jobber, pays.....	24
Jobber sells wheat for \$1,300 to retailer, pays.....	26
Retailer sells flour for \$1,500 to baker, pays.....	30
Baker sells to consumer at 10 cents a loaf and at 72 loaves from each bushel, pays.....	144
<b>Total tax.....</b>	<b>266</b>

Consequently, in a turn-over of six sales from the farmer to the consumer the 1,000 bushels of wheat has paid a transaction tax of \$266. Breaking down this tax, it amounts to nearly 27 cents, or, to be exact, \$0.266 on each dollar of the original price of the wheat. But this does not tell all the story. The farmer is a consumer as well as a producer. He buys fertilizer, which adds a tax. He hires help to plow and harvest and must add 2 percent to the wages or take it from the worker. He pays for cutting and threshing, and more tax is added. It must be hauled to town by truck and shipped to the city market by rail, which adds more tax. It is estimated that it costs 15 cents per bushel to ship wheat to market from the railway stations of the Dakotas, Kansas, and adjoining States. That amounts to an item of \$150 and \$3 more tax which the Townsend table does not include. The burden continues on storage, drayage, and delivery all the way from the seed bin to the housewife who buys bread

and who must take it from the wages of the head of the family. Since the worker and the farmer must consume practically all of their wages and earnings, the transaction tax on necessities would be a tremendous burden to both.

#### THE INDEPENDENT DEALER

In the Townsend computation on the 1,000 bushels of wheat the grocer on the corner is overlooked. The independent grocer buys from the baker. Let us assume he pays the baker 7½ cents per loaf. In this case the baker receives \$5,400 and pays \$108 tax, which added to above tabulation makes a grand total of \$374, or over 37 percent of the selling price of the wheat:

	Tax
Farmer pays on wheat.....	\$20
Buyer pays on wheat.....	22
Miller pays on flour.....	24
Jobber pays on flour.....	26
Retailer pays on flour.....	30
Baker at 7½ cents a loaf.....	108
Grocer at 10 cents a loaf.....	144
<b>Total.....</b>	<b>374</b>

But the chain store can own its own mill and its own bakery because of its large volume of business. The chain-store buyer bargains for the wheat and the mill consigns the flour to the chain store.

Chain store or mail-order house:

	Tax
Farmer pays.....	\$20
Chain store or mail-order house.....	144
<b>Total.....</b>	<b>164</b>

#### CHAIN-STORE ADVANTAGE \$210

In this instance the farmer pays \$20, the chain store pays \$144, making a total of \$164 as against the \$374 costs to the independent grocer. Thus the transaction tax would tax the independent grocer \$210 more than the chain-store organization. What would result to the small merchant under such a system? The example of wheat and bread can be applied to canned vegetables and fruits, boots and shoes, clothing, and other articles too numerous to mention. The transaction tax would be an unfair discrimination in favor of both the chain store and the mail-order house.

But someone may say that the success of the chain store would lessen costs to the consumer. Such is not the history of big business and monopolies. As soon as competition is crushed, as soon as the small operator closes his doors, the great captains of industry and commerce control the field and fix prices at a point to yield the greatest profits, and the interests of the consumer are disregarded. Monopolies in nearly every instance have wrong huge profits from the public, as the growth of corporations already cited clearly discloses. The only apparent remedy from trust and corporation control is in the cooperatives, public ownership, and operation for use and not for profit. Until that era arrives, the small merchant and dealer affords the backbone of competition to keep prices at a reasonable base.

Any casual analysis of the sales tax unfolds that it is a method of taxation that bears heavily upon the poor man. Undoubtedly much of the propaganda in favor of the sales tax is prompted by those who have wealth and large incomes and have the greedy desire to shift their taxes to someone else.

#### LESSON FROM THE CALIFORNIA SALES TAX

Again, as to the sales tax, let us examine the question as applied to the State of California. A 2½-percent retail sales tax in California takes \$2.50 out of every \$100 earned by the worker and the farmer. All of those who are obliged to use their income for living expenses are taxed \$2.50 per \$100. Now, let us consider the revenue side of this retail sales tax. It has produced a little less than \$50,000,000 per annum in California. California has about one-twentieth of the population and more than that ratio of buying power as to the entire United States. Therefore, if the 2½-percent retail sales tax were applied over the entire United States, it would produce about 20 times as much as now paid in to the State of California, or approximately \$1,000,000,000.

The original Townsend old-age-pension plan of \$200 per month would require somewhere from eighteen to twenty-four billion dollars per year, according to the various estimates, without including the cost of administration, which would also be a tremendous cost.

Let us take \$20,000,000,000 per year as a fair cost of the Townsend plan. In order to secure \$20,000,000,000 you would be obliged to multiply the retail sales tax of 2½ percent by 20, or levy a 50-percent retail sales tax throughout the United States, in order to produce \$20,000,000,000. So, it is quite evident that breaking down a 50-percent retail sales tax to its numerous turn-overs, the 2-percent transaction tax proposed by Dr. Townsend would fall far less than the amount required for his plan of \$200 per month pension.

The much-advertised Robert R. Doane, the economist, testified before the Senate hearing on the Townsend plan that his estimate was that a 2-percent transaction tax would produce about \$4,000,000,000 per annum. The Senate hearings developed the information that a similar and modified tax of 2 percent imposed in France, with a population of 36,000,000, produced but \$301,000,000 per year. That Germany, with a similar 2-percent turn-over tax on 64,000,000 people, produced \$249,000,000 per annum. No facts were developed that anything like the twenty billion amount required by the Townsend plan would be produced by a 2-percent transaction or turn-over tax.

#### THE REVISED TOWNSEND PLAN

Undoubtedly, the failure to produce any substantial evidence that the plan would produce the required revenue prompted the second Townsend bill, introduced April 1, after House hearings had concluded. But the revised bill also included the vicious and destructive multiplied sales tax that must fall on the consumer. The second Townsend bill threw the \$200 per month provision out of the window, but sought to deceive the Townsend followers back home by inserting "not exceeding \$200 per month." A belated attempt was made to revise the bill the third time, but the transaction tax and other objectionable features remained.

#### A TAX OF \$650 PER FAMILY

Dr. Townsend filed a statement in the hearings before the House Ways and Means Committee on his first bill in which he estimated the entire national income for 1932 and 1933 approximated \$40,000,000,000 for each year. Thereby Dr. Townsend admitted that his plan of \$200 per month pension would absorb about one-half of all the income of all the people of the United States for those 2 years. Taking the peak year of 1929 it would absorb one-fourth of the entire national income. Dividing the \$20,000,000,000 proposal by an estimated population of 125,000,000, you would have an average tax of \$160 per person or a burden of about \$650 per family per year. Such a system of taxation, added to our present groaning burdens of taxes by the city, county, State, and Nation, would not produce recovery, but prostration, stagnation, and ruination as we have never experienced.

If the Townsend plan had based its revenue requirements upon a graduated income, inheritance, and gift tax, and a sales tax on luxuries, it would, in my estimation, be a much more practical program. Not only would it provide a considerable revenue, but it would have a tendency to curtail and to control the menace of great wealth in this country, but in no event could it produce anywhere near \$200 per pensioner per month.

I was reared on the theory that thrift is one of the virtues of our economic and social life. I have always had an abhorrence of debt and have always had a feeling of disgust for those who live beyond their incomes and fail to pay their bills and debts. If we were able to pay a pension of \$200 per month to the aged, it would remove the incentive for millions to save. They would be compelled to spend their earnings as soon as received. It would be unlawful to conserve income for sickness, burial, or other emergencies. Many would live for today and would lose sight of tomorrow. What effect this would have on our economic and social order affords food for speculation.

## DO TAXES ENRICH?

Can any people become enriched by taxation? The answer is evident. Nations and individuals are enriched by toil and the production of wealth. Any system of taxation is a drain upon the wealth of the country. The transaction tax falls particularly heavy on the workingman with the small income. The taxes are a loss to his family budget and we must not overlook the fact that the 1930 census records there were more than 10,000,000 persons over 60 years of age and there were also over 36,000,000 children under 15 years of age, who have undeniable claims upon the wage earners and the farmers of this country.

## THE CHILDREN AND GRANDCHILDREN

I share in the sympathetic and emotional appeals for the aged by my colleagues, but I venture the prediction that when my big-hearted and philanthropic colleagues realize that the payment of a \$200 pension to the aged by a transaction tax means the reduction of the meager fare, the scant clothes, the insufficient housing of a great part of our 36,000,000 children under 15 years of age, that they will pause and reconsider. I refer again to the rather tedious statistics in the beginning of my remarks that furnish the startling information that the average income of all the citizens of our country for our most prosperous 20 years was but a paltry \$29 per month. Out of this pitiful income has been wrung the huge fortunes of the favored few. Out of the remnants of this income of \$29 monthly we are to squeeze out of the milk of babes, out of the necessities of children, out of the toll and sweat of underpaid millions, billions of dollars by the vicious transaction tax. Where is the grandfather and the grandmother who would take a crust or a penny from the grandchild? When the aged of this country realize the iniquity of the transaction tax they will arise against it and demand that their pensions be not paid by the poor but by the riches of the privileged few by whom they have been exploited.

## OTHER SERIOUS OBJECTIONS

Dr. Townsend argues that his system of revolving pensions would bring recovery and prosperity, but this would be counteracted by the fact that he also sets up a revolving tax. Every producer that sells his product, every merchant that sells his goods, every owner that rents his house, every doctor, dentist, pastor, lawyer, every newspaper on each advertisement and each subscription, barber, baker, and candlestick maker, must set aside 2 percent of every transaction, including every fee and collection, to be paid to the Government at the end of the month. According to the Townsend program it would require 4 months' time from the date of collection to the date of the disbursement, or the immense sum of nearly \$7,000,000,000 always held out of the channels of trade and commerce. This process of retaining and holding taxes, freezing billions of our money which would only be released when the Government paid it out to the pensioner, would disastrously reduce our circulating mediums and produce ruin and not recovery.

Another fallacy of the Townsend plan is based upon the velocity of money. It was urged in the hearings that under this plan the dollar would be quickened into rapid action and that there would be a turn-over of 528 times instead of 34 times per year, as at present. Thus it was assumed that each dollar would earn \$10.56 per year in taxes at the 2-percent rate. It is conceded that velocity of money is an important factor, but only a flight of fancy would imagine its turn-over to be 528 times in a year, 44 times a month, 11 times a week, and nearly twice a day. It must be noted that wages and salaries are paid weekly or monthly, rents, water, gas, telephones, and ordinary bills monthly and dividends quarterly, or perhaps yearly. The farmer's income from sales occurs less frequently. All of these factors enter into the velocity of money, and apparently have not been considered by the proponents of the Townsend plan.

## THE "BRAIN TRUST" AND THE BONEHEADS

I have little patience with those impetuous citizens who demand that I vote against the social-security bill submitted by the administration. This bill was prepared after consulta-

tion with 9 outstanding groups and 116 individuals who have been students and experts of the problems involved. It has had the aid of some of the best minds of the country. When it came to Congress, hearings were had in the Ways and Means Committee of the House, 1,141 pages, and in the Finance Committee of the Senate, 1,354 pages, a total of 2,495 pages. Over 170 pages were devoted to hearings on the Townsend plan. Few bills presented to Congress have had such careful consideration. The above committees are made up of the most outstanding, ablest, and experienced Members of Congress.

I have even less patience with those who endeavor to malign the social-security measure by charging it was written by "brain trusters" and college professors. After centuries of effort to build a system of education, I am one who believes our American school system from the little white temple at the crossroads to the great universities, inclusive, is the crowning glory of our country. The teacher, the college professor hold an independent position in that he does not draw his daily bread from the great banks or from the pay roll of great industries that use propaganda to warp and distort the minds of men. The school, the college, the university is the training ground for independent thought and action, and is one of the great factors that carries us forward on solid ground. The teachers and the professors hold the destiny of America in their hands.

Among the proudest moments of my American citizenship were those when I witnessed oriental children in Hawaii and the Philippines eagerly sharing the blessings of American education. The Army and the Navy planted the flag, but our teachers planted the seed of modern civilization in their lives. Others have pioneered in the pursuit of commerce, industry, and wealth, but the underpaid teacher has marched onward and forward, carrying the banner of education and culture and America's best traditions and inspired our youth with patriotism, industry, and Christian concepts. Shame on those who detract, impugn, and slander the teachers and professors of this land to which they have contributed the essence of its civilization and its noblest ideals. Paraphrasing a retort of the esteemed ROBERT DOUGHTON, Chairman of the Ways and Means Committee, in the Seventy-third Congress, I believe the approval of the "brain trust" is much to be preferred to the carpings of the "bone trust" which makes so much noise and does so little.

## CHISELERS AND PEANUT PROFITEERS

I have listened to statements and read others made by proponents of the Townsend plan that are so far removed from veracity and have such a small grain of truth that one must come to the conclusion that some of the promoters have abandoned all landmarks of fact and are dreaming of phantoms and fancies and fiction, or are irresponsible chiselers plying a shell game and preying upon the dimes and quarters they can wring from the pockets of the poor, the aged, and the credulous. Some of the most vicious and loudest of these offenders are evidently peanut profiteers and are criminally exploiting and victimizing their followers and supporters. They are not only exploiting the innocent at home but inspire flagrant threats and attacks against Members of Congress who are trying to be fair to all. The best that can be said for the Townsend organization is that it has focused attention on a great public need, and it has made a creditable contribution in this way. It is to be regretted that the Townsend plan is so fantastic and based upon the transaction tax, one of the most vicious methods of taxation that the mind of man could devise.

## THE SOCIAL-SECURITY BILL

The social-security bill before us goes much further than pensions for the aged, to be paid by the Federal Government and the States. It sets up a Federal system by which the employed of the great corporations of this country may establish benefits for themselves without direct contribution of the State or of the Nation. In this plan the Government assesses, collects, invests, and disburses the funds that are contributed by the worker and the employer. It provides for benefits of from \$10 to \$85 per month.



Another important provision in the social-security bill provides for the security of children who are dependents. The report on the social-security bill states that more than 40 percent of all persons on relief, approximately 9,000,000 individuals, are children under 16, children who are denied the necessities required for sound bodies and sane minds. It is proposed under the social-security bill to aid the States in making provision for these unfortunate children. The social-security bill further provides additional aid for maternity and infancy welfare, for vocational rehabilitation for crippled children, and also for the further participation of the Federal Government in public-health service.

#### HOW MANY DOLLARS PER MONTH?

There is no limitation in the bill being considered by Congress as to the amount that may be contributed by the State for old-age pensions. For instance, California may pay \$15, \$25, \$50, or more per month, to which, then, the Federal Government will contribute not to exceed \$15 per month for each individual pensioned. If I remember correctly, the present California old-age-pension law is based upon a contribution of the State and county and amounts to a little more than \$20 per month. By revising the California law to comply with the Federal requirements the total amount would be in excess of \$35 per month. But the California Legislature must revise the present law before this can be realized.

In some States the counties are enabled by law to pay pensions, and the same is true of municipalities. Many cities now pay fire and police pensions, and there is no fundamental reason why this pension system should not be extended to the aged citizens in those cities and counties which may desire to establish such a system.

#### CRITICISM OF PRESENT BILL

Current criticisms of the present bill are that it will be slow in getting under way and that the amount provided by the Federal Government for old-age pensions is inadequate. The proposed appropriation of \$15 per month by the Federal Government alone is admittedly insufficient to provide for the necessities of the aged individual. There are many who believe—and there are good reasons advanced—that the Federal Government should make the entire appropriation for the old-age pensions, and that the amount should be much larger, and do it now.

Undoubtedly from year to year there may be opportunities to provide additional revenues and to increase the Federal appropriation, but the general policy implanted in this bill provides for State participation for the very purpose of bringing home to the people of all of this country the burden of all pensions for the aged, and benefits for the worker and the children that somewhere, somehow, the Government, both National and State, must reach into the pockets of the people for the funds that are to be appropriated and bestowed. So Congress is faced with two propositions: First, the most pleasant experience of providing for the aged, the workers, the mothers, and the children; and, second, the painful experience of saddling upon others an additional burden.

This bill, which may have imperfections and which may not meet all requirements of individuals and which may be disappointing in some provisions, will be subjected to revisions and amendments, to supplementary legislation that will improve it and adjust it to the needs of the years that follow. The important point to consider is that a system for the promotion of social security and of human welfare has begun. It is like laying the first stone of a great structure.

#### THE NEW DEAL AND ITS LEADER!

The first pronouncement of the new deal was laid down in the Democratic national platform of 1932. That platform contained but a suggestion of human-welfare legislation, but it planted the seed in the national mind and it directed attention to a national necessity. It remained for President Franklin D. Roosevelt, the inspirational leader of the new deal, to elaborate and to give vitality and potency to this great movement. In his message to the Seventy-third Congress the President emphasized his purpose to contribute to the necessities of age and to other social welfare measures.

The social-security bill now before Congress is the fulfillment of the suggestions of the Democratic national platform of 1932 and of the humanitarian vision of our great President. It is the most important human welfare measure submitted to an American Congress in the 152 years of our history. It is the crowning effort of the new deal. It is a thrilling privilege to be a Member of Congress at this session and have the opportunity of working with the President, the Ways and Means Committee, and the Members of Congress in supporting this great measure to a fruitful conclusion. President Roosevelt has kept faith.

#### MY OWN BELIEF

I believe firmly in a pension for the aged and for social security in all of its phases. I believe in unemployment insurance to protect the workers of this country. It is an obligation of society to provide for the widowed mother, the dependent child, the physically handicapped, and for the public health and particularly for maternal care. Our civilization demands that these obligations be met in a generous manner. The present bill is the first step.

I believe that the outline of taxation that I have given will not only permit the increase of the amount of the pensions and benefits provided under this bill for social security, but it will also be a reasonable method to bring about the redistribution of wealth and to lessen the danger and menace of accumulated fortunes. I reemphasize and repeat my former declarations, that I favor the most generous program of old-age pensions and social security that we can secure and for which we are able to pay. I have given this subject thoughtful study, I have spent many hours in its consideration, and I refuse to yield to threats or to surrender my honest convictions or to play politics with the misfortunes and afflictions of age.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Connecticut [Mr. MERRITT].

Mr. MERRITT of Connecticut. Mr. Chairman, a very wise and respected clergyman in the town where I live used to say that in order to do real charity it was necessary to combine with a soft heart a hard head. I think that, in this bill before us, it is well to remember that combination, because however good our purposes are, and I am sure everyone wants to help along old people who are in distress or anybody who is in distress, a bill which affects the whole country as this does should have longer and more careful consideration than this bill has had.

I notice a great many gentlemen whose opinions are entitled to great respect, and who have studied this bill, differ radically as to its provisions and as to its wisdom. It is a matter of such magnitude and has such national effect that it should have greater study. This question has been considered in many countries. A great many States have old-age pensions now. I think it would be much wiser to wait until they have greater experience on which to build.

It is true also that many large industrial concerns have retirement provisions which are working well. Personally I believe that all provisions of this sort should be initiated and controlled by the States themselves for the reason that in a country of as great extent as this, and with as great variety of population, it is not possible for one general law, operated by one committee in Washington, to do equal justice, and place as little burden on the community as if each State decides for itself what it should do.

The President already has in his control, under a recent act, sufficient funds for all immediate relief. That is another reason why I think this provision for old-age pension and all the pension system in this bill could well be deferred.

Now, reverting to what I said before about tempering our good intentions with reason, let us consider calmly and without any bias or any political tendency, the provisions of this bill. I certainly have no desire to criticize anybody for what has been done, but let us see if we can agree on what the general conditions are. I should say that as far as unemployment is concerned, the measures thus far begun and the millions which have thus far been expended, have not greatly improved conditions. About as many men, if not more, are out of work now as have been at any time. I

suppose these enormous expenditures which the President is prepared to make under the recent legislation, may help. He may be able to put a certain number of men at work, but I think you will agree that no real break in our troubles can be made except by the extension of business which will re-employ men, and make real production for exchange. That is the only way to produce real money, by making exchanges which are advantageous to both sides.

As we all know, the banks are full of money, both paper money, if you want to call it such, and credit money. People sometimes criticize the banks because they say they are not liberal enough; they will not lend. I know, as every business man knows, that they are only too anxious to lend. I know that the managers of all banks are lying awake nights trying to find ways in which to use their money and their credit. Why is it they are not lending? Simply because responsible men do not come forward to borrow. The reason for that is that responsible business men do not have confidence, either in present conditions or in what is going to follow.

The banks would be delighted to lend to responsible men if they wanted to borrow.

What is the reason for this lack of confidence? I suppose primarily it is that business men have seen the public debt increased by leaps and bounds until now it is greater than at any time in the country's history. Every year great deficits are piling up. They have seen this enormous appropriation which has just been made for the President. But we do not find that the administration makes any reference now to balancing the Budget. That was a part of the story in the beginning, but it seems to be lost sight of now with no fear at all of the consequences. I am sure you will all agree that a government, no more than a private individual, can continue spending more than its income without losing its credit. If and when the credit of the United States becomes at all questionable, the only way out of paying these enormous expenditures is by paying its debts in paper money. Then you have paper inflation, and when that once gets started history teaches us that it is not possible to stop it. What causes me anxiety and I think what causes a great many other men anxiety is the fear that these enormous expenditures will not stop, for once people become accustomed to them and build their lives on them you cannot stop them.

It would please me very much if the Members would take the time to read an address which was made by the distinguished Chairman of our Judiciary Committee, the gentleman from Texas [Mr. SUMNERS], in New York recently where he referred to the growing dependence of States, municipalities, and individuals on the Federal Government, and voiced the fear that it would result in a destruction of the independence and initiative which has been the great cornerstone of progress in this country. This, I think, is the most fundamental difficulty with bills of this nature.

The gentleman from New Jersey [Mr. EASON], in making his speech the other day, said we were reversing the old saying of the great President Cleveland, that the people must support the Government and not the Government support the people. More and more now in any kind of trouble, whether it be State or individual, we turn to the Government at Washington, to lead us out and help us out. I think this is a great danger inherent in this bill. I shall not pretend to discuss the details of the bill because so many men have discussed and will discuss it who are better informed on it than I, but I notice in the bill itself and in the report accompanying it, that it becomes an increasing load on industry starting with some \$200,000,000 and rising in about 7 years' time to a load of \$1,000,000,000, and in 8 years more to a load of nearly \$2,000,000,000.

Then I see in the report also, but under another clause, an additional burden of \$800,000,000 or \$900,000,000. Many of us have come to regard the Government of the United States as an independent entity which somehow or other by law can create value and scatter it around, but all of us in our hearts and minds know really that the only way we can

create value is by work, by producing more than is consumed. Then we get real exchanges and real value.

To saddle this bill on industry, by whatever name the method is called, State taxation, Federal taxation, Federal contribution, or by some other name, is to unload on industry in the course of 10 or 12 years an overhead burden of between \$3,000,000,000 or \$4,000,000,000. This can be raised in only two ways, it must come from reduced wages or increased prices. We have all seen the effect of increased prices in the operation of the increased price of cotton which has caused enormous imports to come into this country and has made our exports fall off tremendously.

It seems to me, therefore, Mr. Chairman, that the fundamental and very important objection to this bill as a whole is that in times such as now exist where the debt is excessive—we have not begun to feel the effects of it yet for we have been paying the interest on the debt by new borrowings. But we cannot keep this up indefinitely; we shall be forced to increase the taxes which already are heavy—we cannot load up business with a further overhead of \$3,000,000,000. The load will not be for this year or for next year, but will continue indefinitely. The business men see it in advance, and you can well appreciate that confidence is not going to be inspired by legislation which imposes additional burdens; it will be further destroyed, and I say it is a heavy responsibility for this House to pass a bill that is going to press particularly heavily on industry. In the case of small manufacturers who are in the red—and I know a lot of them—a great many will be put out of business.

So I say we ought to stop, look, and listen before we enact any such bill. For the reasons which I have enumerated, I for one, am not able to support it. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. DIRKSEN].

Mr. DIRKSEN. Mr. Chairman, the other night it was my good fortune and good privilege to attend a dinner where the President of the United States observed very pointedly that sometimes we cannot see the forest for the trees; and I suppose we experience a sense of bewilderment when we seek to deal with legislation that is involved, controversial, and complicated. It is always refreshing to be able to dip back in the history of our own country, particularly the legislative history, in the hope of getting a sense of direction and a balanced viewpoint. As we scan the debates of other generations and review the dire prophecies of ruin and destruction that were made, when controversial matters were pending, and then note how blithely the Nation went on its way to greater heights of prosperity, there springs from the past much comfort and consolation.

This is not the only Congress that has dealt with controversial legislation. In fact, all legislation of any consequence has been controversial. There was a time, for instance, when the Congress was considering the child-labor bill, introduced by Senator Beveridge, back in 1906, of which Woodrow Wilson, then Governor of New Jersey, remarked that it was obviously absurd. Ten years later that same Woodrow Wilson, then President of the United States, put the lash on Congress to pass the Keating-Owen Child Labor Act which was infinitely more drastic than the Beveridge bill. It indicates too plainly how times change and what changes of sentiment and reaction arise in our national life. What a debate raged around that measure. How they painted it as an agency of national destruction, and how it was fought by debate and editorial, but, somehow, the Nation carries on.

The same thing is true of the direct election of Senators. When it was considered more than a generation ago, stalwart and dignified Senators contemplated such a measure with horror and denounced it as an attempt to destroy the very foundations of government, but somehow, we lived through it and here we are, for better or for worse.

When the Boy Orator of the Platte came thundering out of the West to take up the cudgels in behalf of the income tax, it was regarded with a species of horror. It almost crept into the Constitution, and then crept out again. A

generation later it had so permeated the consciousness of the people that Taft and Roosevelt placed their sanction on it, and in 1913, or thereabouts, it became a part of our organic law. Despite the doleful pictures of destruction that were painted, here we are, accepting the income tax as a matter of course and, on the whole, doing a forthright job of paying that tax before the statutory due date.

The same thing prevailed with respect to civil service. Back in 1888 one of the so-called "civil-service reformers" came to the Coliseum in Chicago to talk on civil-service reform and was greeted by an audience of only three people. He and his kind were dubbed "man milliners" and "carpet knights." They made little headway. Patronage mongers and those who subscribed to President Jackson's—or was it William Marcy Tweed's—gospel of "To the victor belong the spoils" felt that these reformers were trying to destroy the Nation. Then a bullet fired by a disappointed office seeker found the heart of a President, and almost overnight we had civil-service reform. And while we may cherish some doubts about abuses therein, the fact is that we have a civil-service system, and we accept it as a matter of course.

Everybody remembers the days when enactment of workmen's compensation legislation by the States was regarded as the handiest way to destroy industry, but somehow industry was not destroyed and the States did carry on despite opposition.

There must be a strange, invincible kind of force that brings such salutary measures into being and inscribes them on the statute books, despite all opposition and despite any gloomy prophecies as to whether they will or will not destroy the Nation.

Whatever that force is, it has, indeed, triumphed over all obstacles down through the centuries to raise the estate and condition of mankind. It is a far cry from the day when Peter the Great, the Emperor of Russia, could, without regard for human rights, feed his people to wild dogs or break them on the torture wheel to today, when life and liberty are carefully safeguarded in the law. It is a far cry from the day when farmers who lived in France under Louis the Fourteenth could not so much as frighten away the deer and other animals that came to eat the bit of wheat or barley that stood between them and starvation to this day, when wide-spread attempts are made to ameliorate the condition of the farmer. And by the same token it is a far cry from the day when man lived in a state of industrial squalor to today, when an effort is being made to aid him.

As we survey these advances in the condition of mankind and these improvements in our political, economic, and social condition, discounting, of course, temporary set-backs that may have been encountered, do we not wonder what strange force has carried us along? What strange force has overcome all resistance?

I presume that everybody for himself has tried at some time to evaluate that force.

To me it appears as a kind of collective morality that carries us along. A morality which, despite editorials and articles for and against a measure, despite what we may say and conjecture here in debate, seeks to translate into reality such ideals as sanctity of life and liberty and the pursuit of happiness. Our own forefathers, founders of this Nation, wrote them into the Declaration and the Constitution.

But pursuit of happiness seems to have remained just that, judging from the misery and distress that abounds in the land. It has been a pursuit in which the average citizen has not had a decent chance to catch up with happiness, and more and more it seems to dawn on us that the matter of effecting happiness for our people is one of the basic objectives of government.

A bit of intriguing information suggests itself in that connection as one dips into history. Back in the days when Watt and Stephenson were perfecting the steam engine and giving birth to the industrial revolution which has completely altered human destiny, there was in England a celebrated preacher named Reverend Townsend. He stood in the pulpits of London and freely declared that it was ordained of God Almighty that there should be menial and

servile people in this world, grovelling in squalor and misery to do the servile tasks of humankind. Think of a man of the cloth, standing in the temples of the Lord and apologizing for conditions of destitution and despair. It is a far cry from that Reverend Townsend of 1781 to the gentle and gracious Dr. Townsend of today, who seeks somehow to do something in behalf of the aged, the indigent, and the unemployed, and whether we agree with his philosophy or not, it constitutes a most illuminating sidelight on the different approach which we take to social problems.

But this strange force that carries mankind upward and onward over momentary obstacles is the force that in my humble judgment seeks to carry us on to a fundamental goal of happiness, and that goal can be achieved, only as it receives proper assistance from constituted government.

With that as a background, let me address myself very briefly to title I of this measure dealing with assistance to the States in the payment of old-age pensions. Here, too, we must stand back and get a detached perspective in order to properly evaluate this measure.

I can remember out of my own experience as a boy—and I was 6 years of age when Theodore Roosevelt first succeeded to the Presidency—that somehow nobody feared the poorhouse. My father died when I was not quite 6 and left a mother with five children, if you will indulge me this personal allusion. She managed to provide us with an education. We had enough to eat, and scattered over all was a kind of quiet contentment. In fact, it was a kind of pastoral contentment. Life was more leisurely and more considered. As for fears of the poorhouse, I recall that we had an old gentleman in our neighborhood who spent his days in the poorhouse and was brought back by the family during the summer months. I remember as a child, marching up and down in front of that home when this old gentleman sat out in front, and looked at him as a kind of curiosity, as someone to be placed in a museum. But we were not afraid. There was not that quality of speed about life such as we have in this day and age. Everybody seemed to get along.

I think it is exemplified in the past generation by such men as William Dean Howells, and John Muir, and John Burroughs, and Huxley and Ruskin, whose profundity we somehow miss today. Their profound thoughts seem properly associated with a leisurely, unhastened, secure age.

Why has that contentment passed away, if we assume that it has? What has happened. What strange thing has altered our thinking and our economics and our industrial civilization to bring us so many social problems.

I believe it all started with the birth of the machine age at the turn of the century. I do not decry the machine age, because it has brought vast benefits, but it has also brought many problems. Had we properly made the necessary compensations as we went along, we might have been saved much of the travail of today. In that machine philosophy, we worshipped standardization, speed, and mass production to the point where it resulted in the problems which now engage our attention.

The very mention of speed recalls to mind the incident I used to tell of an automobile that was parked near a filling station at Waterloo, Iowa. A little boy occupied the rear seat when a kindly preacher came along and said, "Whose boy are you?" To which he responded, "My father is a judge in Waterloo and he is also president of the Rotary Club." Then the preacher asked, "Who is your mother?" The boy answered, "My mother is president of the law-enforcement league and she is also president of the ladies' aid society." Then the preacher asked, "And now young man, what are you doing in the rear seat", and the boy said, "Oh, mister, I have to stay back here and watch for speed cops." [Laughter.]

Ours is a speedy generation and youth quickly absorbs that idea of speed.

Next is the element of standardization. As good an illustration as any is a cigarette factory such as they have in Louisville where hundreds of girls, dressed precisely alike in blue smocks with their hair dressed just the same, are engaged in the production of cigarettes. All individuality is blotted out. The only thing that counts is a sense of dis-

cipline and automatic capacity for such a task. Machines are standardized, production is standardized and speeded up, and nothing is permitted to divert or distract from the processes. Only agile fingers and a responsive sense of discipline.

[Here the gavel fell.]

Mr. TREADWAY. I yield the gentleman 3 additional minutes.

Mr. DIRKSEN. Similarly, with speed and with standardization, came the development of mass production. Mass! Bigness! Those are the things which seem to count. We have even gone so far as to translate that idea into our colleges, seeking by mass philosophy to overwhelm students and faculty and everybody else. Our college catalogs have become so thick that they look like abridged editions of a Sears, Roebuck mail-order catalog. It is part and parcel of the mass idea. Even in sports, we see it exemplified. College football games are no longer a success unless there are forty or fifty thousand people as spectators. It makes little difference how many collar bones might be broken in the fray, it is the mass size of the crowd that counts.

That same philosophy is applied to our whole civilization and particularly industry. Everywhere one can see huge machines, automatically operated which now displace human hands. In the production of shoes, the bottling of milk, the production of tin cans, or cigarettes, or what not, it is everywhere the same. Machinery displaces hands and brings despair in its wake. I noted only last week that one of the great problems in Pennsylvania is the bootlegging of coal, resulting from the use of steam shovels in strip mines, thereby depriving miners of a livelihood. These huge shovels, strip away 40 feet of overburden, to expose the coal seam, then dig up the coal, load it into trucks and make unnecessary several hundred pairs of miners brawny hands and arms. To make a skimpy living, they are from necessity constrained to dig coal from company properties and sell it for a few cents, and this industry has been called "bootlegging" coal.

The point of all this is that gradually we have displaced millions and placed them on the unemployed lists. High-speed industry has become selective and from a huge reservoir of labor can now select the young rather than the old, because they are a better risk and because insurance premiums on young men with agile fingers and nimble brains are much cheaper and result in savings. We have, therefore, a large number of aged who would find it difficult even in normal times to secure a job but who in depression times find it impossible to secure employment. What shall be done with them. They must live. They must eat. They must preserve their self-respect. They must be regarded as folks who made their contribution to the advancement of society and now become society's problem. This is nothing more than a reasonable, fair, and civilized approach.

In such places as Africa age presents no problem. When the aging member of the tribe can no longer unerringly send an arrow into the heart of a water buffalo and bring in his share of food, he is unceremoniously escorted to the water's edge, where the crocodiles are thickest and pushed into the water. It is their simple, childish, uncivilized way of solving this problem but we, by virtue of our identity with a country which heralds its advancement to all the world, must solve it in a sound, fundamental way; and that way is through the agency of adequate old-age pensions.

In my judgment, we have paid far too much attention to and put too much emphasis on the method rather than the adequacy of the pensions, but if a measure is enacted which provides for inadequate and niggardly pensions, that problem cannot be considered as solved either today or tomorrow or 20 years hence. It must be adequate for the proper maintenance of life in a respectable way.

The Department of Agriculture tells us that the retail price of food has gone up about 29 percent since 1933. That is tantamount to say that the real value of the dollar has gone down. It will buy 29 percent less than it did 2 years ago. In other words, a \$50 pension in 1933 would only be a \$35 pension in 1935. Moreover, if we are going to be con-

sistent in our attack on the 50-cent dollar, we must make proper allowance for that fact in computing pensions; and, as for myself, I can only say that the present provision is altogether inadequate. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. MORITZ].

Mr. MORITZ. Mr. Chairman, I believe today is an epochal day in the history of humane legislation. No person or party could be responsible for this legislation except those who are progressive minded. Ten years ago anyone who proposed legislation for an old-age pension would have been considered a radical, but at the present time conditions have changed.

Now, I would be very sorry if what the gentleman from California [Mr. MCGROARTY] said should come to pass. He maintained, and I think he is correct, that those States that cannot raise the money to pension their aged will not obtain an old-age pension from the Federal Government. I want to say that the State of Pennsylvania, one of the richest States in the Nation, is at the present time bankrupt. It can scarcely pay the salaries of their own employees. I hope we are not going through an empty gesture in this legislation, but that the old people will get their pensions which they deserve. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. HEALEY].

Mr. HEALEY. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and include therein a resolution passed by the General Court of the Commonwealth of Massachusetts, and also a statement by Lincoln Filene.

There was no objection.

Mr. HEALEY. Mr. Chairman, we have, in my opinion, under consideration one of the most important bills ever considered by this or any other Congress. It will mark a new era in our social and economic life.

Before discussing its provisions I would like to pay a tribute to the liberality and democracy of the Democratic leadership of this House in bringing up this legislation under such a liberal and wide-open rule. Under the provisions of this rule ample time has been allotted for debate and every opportunity provided to offer amendments. Certainly there is little room for complaint from any quarter. I believe that, under its terms, the adherents of the various plans supporting legislation of this character will have their day in court.

The Ways and Means Committee, which has reported this bill, under the able leadership of the distinguished gentleman from North Carolina, has considered this measure for many weeks. Its final draft represents the deliberate judgment and profound thought of a large majority of that great committee. The committee merits the thanks, not only of the Members of Congress, but also of society in general, for their painstaking efforts in their treatment and consideration of this bill.

During the closing sessions of the last Congress, on June 8, 1934, President Roosevelt, in his message to Congress, announced that—

Next winter we may well undertake the great task of furthering the security of the citizen and his family through social insurance.

Hence, I am looking for a sound means which I can recommend to provide at once security against several of the great disturbing factors in life, especially those which relate to unemployment and old age.

Since this message the biennial congressional elections have intervened, and throughout the length and breadth of this Nation, social legislation was a major issue. That the electorate of this country gave overwhelming approbation to the plan as outlined in that message is conclusively evidenced by the preponderant majority of Democrats sitting in this House and the Senate. The conclusion is inescapable that the American people issued a mandate to Congress to pass legislation conforming to this plan.

Conditions in every section of our country call out for the immediate enactment of such legislation. The trends of the day indicate a marked increase in the percentage of older

persons in the population of almost every community. The present organization of industry and commerce, with its scientific machinery and high-speed system of production, has shortened the period of gainful occupation. Persons over 60 years of age, and even under that age, may no longer find opportunity for occupation in industry with a resultant increase in the dependency of aged persons. The depression has swept away the life's earnings of even the most prudent persons who, through the exercise of thrift, frugality, and economy, had laid aside a competence for their old age. Through the failure of supposedly sound banks and the collapse of investments, they have been left with scant hope for the future and thrown on the bounty of the community.

To institutionalize these aged persons in poorhouses, with the consequent opprobrium associated, is repugnant to our enlightened sense of social justice. It has been demonstrated that this method is unsound, expensive, and wasteful.

Aside from the humane aspects of old-age pensions, we have discovered that a minimum buying power, especially in times of depression, is an economic necessity and particularly in view of the growing number of older persons in every community such a course will prove to be not only a wise but a sound one.

The provisions of this bill respecting old-age pensions require that the States assume their responsibility toward the aged persons within their borders. It provides that the State governments will be required to match the \$15 monthly per person furnished by the Federal Government with at least an equal amount. This will not prevent the States from contributing a larger sum if they so desire. In other words, the minimum pension contemplated under this act is \$30 a month—but it may be more if the States decide to contribute a larger amount than \$15 toward the pension. Old-age pension laws are already in force in 29 States. My own State, the Commonwealth of Massachusetts, has an old-age pension law in actual operation providing average payments of \$24.50 a month. Consequently, by the enactment of this legislation, old-age pensions in Massachusetts will be increased to a minimum of \$30 a month and, if the State decides to continue its present payments, they will amount to \$39.50 a month.

There may be a desire on the part of many members for a more generous old-age pension, and experience may demonstrate that larger pensions will be desirable. But certainly \$30 a month is better than no pension at all. The important thing is that we have, as a nation, recognized the humane principle of old-age assistance. We have the opportunity to inscribe into the laws of this Nation this great social measure and, in the light of experience, there will be ample opportunity for liberalization and amendment.

Many plans have been advanced having kindred objectives and I have given considerable sympathetic study to them. I sincerely respect the motives and purposes of their authors. However, we have before us a concrete plan which has involved a great deal of careful preparation and profound thought. It is capable of being placed into speedy operation and will extend much-needed relief throughout the Nation. I am confident that the fullness of time will develop the proper lines for expansion and amplification. This bill has been subjected to the most rigid and exhaustive study of the Committee on Ways and Means and embodies the fruits of their deliberations. It comes to us with the approval of our great liberal leader—a great progressive—who has devoted his every energy and all of his talents to the alleviation of the distress which has been visited upon our people.

I have not heard much criticism from members of the minority party concerning the old-age-pension feature of this bill. They are fully cognizant of the universal sentiment of the American people in favor of this subject. However, during the long continuance of their leadership, no such progressive measure was ever espoused by their administration. This great social reform has come about, as have so many others, through the sponsorship of the party now in control of the affairs of our Government. This measure has, however, afforded a target for the sniping and sharp-

shooting of some members of the minority party—and, in fact, they have gone far afield from the subject matter of this bill in leveling their attacks upon the present administration. They have chosen as their especial target the unemployment-insurance feature of this bill upon which to level their assaults. They assume to be the sole champions of industry and bewail the fact that the tax to be levied upon industry to create reserves for the payment of unemployment insurance will impede industry. They have failed, however, to calculate the terrible national economic loss caused by the unemployed millions in our country. As usual, they do not progress with the trend of the times and cleave to short-sighted policies of the old order. They refuse to envisage the power of unemployment reserves to stabilize purchasing power and act as a balance wheel in times of rising unemployment. They fail to visualize the tendency of unemployment insurance toward stabilizing and insuring steady, year-round employment.

Forward-looking and progressive industrialists have, however, realized the benefits of job insurance. They realize that a minimum purchasing power must be provided at all times in order that their own industries may not be strangled for lack of consumers' markets. They now appreciate that in our modern complex industrial organization, a minimum purchasing power must be maintained at all times and that this can be accomplished only through the medium of unemployment insurance. Industrialists have discovered that it is a false philosophy to exploit the worker and, when he is no longer useful, to throw him on the charity of the community. They understand that it is cheaper to build up reserves to maintain the worker in a position where he will not be dependent upon others than it is to pay their proportionate tax to maintain him on public relief.

The objection has been made that we are not ready to act on unemployment insurance as yet. It is urged by some that further and more protracted study be given to the whole question of unemployment compensation before we take any action. In this connection I quote from a statement recently made by Lincoln Filene, a liberal and forward-looking merchant of Boston, Mass.:

It is said that we should have further study of this whole question of unemployment compensation before we take any action. I am impatient with this position. It may be that some individuals require further time to study the question and to make up their minds, but this is not a subject which has been at all neglected, and the essential basic studies necessary to give us the information on which to form a considered opinion have been made. For 15 years, under the leadership of John R. Commons, of Wisconsin, there has been thorough and painstaking research into the whole question. In the East the Seven-State Commission on Unemployment Insurance, appointed in 1931 by Franklin D. Roosevelt, then Governor of New York, made studies and investigations of its own. In my own State of Massachusetts a special commission on stabilization of employment, appointed by the Governor in 1931, also studied the underlying principles which should be written into an unemployment compensation law, and the legislature now has before it the King unemployment reserve bill, based on these investigations. The State of Wisconsin is the first to have an unemployment-compensation law, and although it is still early, preliminary reports of experience under this law are available.

Mr. Chairman, I would also like at this point to incorporate as part of my remarks a resolution recently adopted on the passage of unemployment legislation by the General Court of Massachusetts.

THE COMMONWEALTH OF MASSACHUSETTS,  
OFFICE OF THE SECRETARY,  
Boston.

Resolutions memorializing Congress in favor of the passage of national unemployment-insurance legislation

Whereas there prevails in the United States of America a grave condition of economic insecurity, more especially among the working classes; and

Whereas it is apparent to all students of economics that this condition is likely to continue in a greater or lesser degree; and

Whereas the governmental agencies have been forced to assume the responsibility which properly belongs to industry, namely, to provide work and wages for the employable workers of the Nation; and

Whereas millions of employable workers, without fault on their part, are without employment and are thereby forced to undergo the humiliating necessity of relying upon public-welfare agencies or private charities for the necessaries of life; and

Whereas any change made by one State and not joined in by all States would inflict an unfair burden upon the industry of the State making the change: Therefore be it

*Resolved*, That the General Court of Massachusetts favors the immediate enactment by Congress of suitable legislation creating a national compulsory unemployment-insurance plan providing for a fund to be made up of contributions by both employer and employee from which, in times of unemployment, worthy unemployed workers may be adequately paid for a portion, at least, of the periods of their unemployment: And be it further

*Resolved*, That copies of these resolutions be forwarded forthwith by the secretary of the Commonwealth to the President of the United States and to the presiding officers of both branches of the Congress of the United States and to the Members thereof from this Commonwealth.

In house of representatives adopted March 27, 1935.

In senate, adopted in concurrence April 1, 1935.

A true copy.

Attest:

[SEAL]

F. W. COOK,

Secretary of the Commonwealth.

I am sorry that time does not permit me to dwell on the other features of this bill. However, they are all integral parts of our social and economic situation and should, in my opinion, be treated in one comprehensive plan.

Mr. Chairman, this is one of the most important steps we shall take in this Congress. It will mark a new era in our methods of dealing with social problems. It will carry out the promises and pledges of the Democratic Party and its great leader, Franklin D. Roosevelt. I am sure that it will win universal approbation and the high regard and lasting thanks of the American people for the Congress which enacted this great humane legislation.

Mr. MORITZ. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD and include therein a radio address by the Rev. James R. Cox, The Shepherd of the Jobless.

The CHAIRMAN. Is there objection?

Mr. TREADWAY. I reserve the right to object. Who is the Reverend James R. Cox?

Mr. MORITZ. He led the jobless army to Washington, and was once a candidate for President.

Mr. TREADWAY. Is not that a request that should be made in the House rather than in Committee?

The CHAIRMAN. The Chair thinks not, because the gentleman from Pennsylvania did, making a request after seeking to revise and extend his remarks, and now wants to include this radio address.

Mr. TREADWAY. I think I shall object to that being done in the Committee. This is a speech by an outside person, not a Member of Congress. I feel constrained to object under the circumstances.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. SOUTH].

Mr. SOUTH. Mr. Chairman, someone has correctly said that a statesman is one who is thinking about the next generation, while a politician is one who is thinking about the next election. If that statement is true, I do not believe there is any scarcity of either in this country, as has been clearly demonstrated in the consideration of the Economic Security Act, and more particularly that part of the proposed law which deals with old-age pensions.

I have spent a good deal of time, as I presume most Members of Congress have, studying the provision of the bill now under consideration and studying the hearings before the Committee on Ways and Means. This legislation, in my opinion, is one of the most forward-looking steps which has been taken by our Government during its entire existence. There is no doubt but that our problems are social as well as economic. There is no doubt but that our country as a whole has become decidedly old-age pension minded. This has resulted in part, I am sure, from agitation of measures, some of which are unquestionably unreasonable and unworkable. If such agitation and propaganda was necessary, however, to sell this country on the question of old-age pensions, it has, in my opinion, been fully justified.

I want to commend the able chairman of this committee, Mr. DOUGHRON, and his associates, for the very splendid and statesmanlike work on their part in giving us the bill which we are now considering. I do not think it is a perfect bill,

but I do think it is a reasonably constructive one when considered in its entirety.

I hope to have the opportunity of voting for an amendment which will eliminate item no. 7, in section 2, page 3, providing that, "if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States", since such provision will result in practically no benefit to the Government and could be the source of much annoyance and trouble on the part of those receiving such benefits. It is my belief also that this relief should be administered uniformly throughout the country without regard to what the various States may do, and without requiring any participation by such States. To attempt to administer it otherwise will mean that thousands of deserving individuals, who are just as much entitled to relief on the part of the Federal Government as are those in the States who qualify under this act, will be forced to suffer from poverty and want, just as they are doing now. I want to stress the fact right here, Mr. Chairman, that we are not granting relief to States; but that we are attempting to grant relief to individuals, and a suffering individual in Arkansas, Mississippi, or Texas is just as much entitled to this help as is an individual similarly situated in Pennsylvania, New York, or California. It is not justice to the individual to penalize him because his State is either unwilling or unable to meet the requirements imposed by this bill, and every Member of this House knows that this is what will be done unless that provision is eliminated. If \$15 is the maximum amount which the Federal Government is able to pay each person, then let the Federal Government pay not to exceed \$15; and if the States want to pay an equal amount, a smaller amount, or a greater amount, they will, of course, have this privilege. I believe, too, that the age limit should be 60 rather than 65. If these changes are made, the appropriation for the fiscal year ending June 30, 1936, which is approximately \$50,000,000, should be some \$150,000,000, because it is admitted that less than one-half of the needy and deserving can qualify during the first year as to State requirements; and, of course, lowering the age limit will call for additional money. It is infinitely more desirable that such people actually receive \$15 per month than that they be promised \$30, \$50, or even \$200, which they can never receive. It may be correctly argued that the Federal Government will save money by imposing this provision. This cannot be disputed. It may likewise be said that the Federal Government will save still more money by not passing any social-security law at all, but we are not enacting this law for the purpose of saving money; we are enacting it for the purpose of granting relief, a thing which should have been done generations ago.

Mr. Chairman, as I indicated at the beginning of my remarks, the consideration and discussion of social legislation offers the most fertile field imaginable for playing politics. How easy and natural it is in discussing this bill on the floor of the House, or in writing interested constituents, to say that the amount stipulated herein is wholly inadequate. Yet we who have studied this proposed law know that it is about as much as our Government will be able to stand. We know too that \$15 is a great deal better than nothing, and that the amount can be increased from time to time by subsequent Congresses when we are able to provide the money for paying more. A great deal has been said and written during recent months to the effect that each recipient should be paid \$200 per month, and Members of Congress have been told in no uncertain terms that their political future depended upon their supporting such a so-called "plan." The so-called "Townsend plan" is not a plan at all; it is simply a utopian dream. The various sponsors of the bill are not in agreement with each other. Each sponsor's plan is different today to what it was yesterday.

Many people who signed petitions were misinformed; were told that a straight 2-percent sales tax would raise sufficient money to pay each person over 60 years of age \$200.

The chairman of the Townsend Club for Runnels County, Mr. Key, a splendid and intelligent man, who presented a petition to me containing more than 9,000 names secured in his county, assured me positively that a straight 2-percent sales tax would raise enough money to pay \$200 to each person over 60 years of age. But the revised McGroarty bill, H. R. 7154, which is the bill the Townsend advocates are now supporting, provides, in section 2, as follows:

Sec. 2. (a) There is hereby levied a tax of 2 percent upon the fair gross dollar value of each transaction done within the United States and Territories; also, in addition to all other taxes, a tax equal to one-tenth of the tax levied upon all incomes under the provisions of the Revenue Act of 1934, or any amendment thereto; also, in addition to all other taxes, a tax of 2 percent upon the fair dollar value of all transfers of property by devise, bequest, or other testamentary disposition or legal descent and distribution of property, as now or hereafter taxable under the provisions of the Revenue Act of 1934, or any amendment thereto; and also, in addition to all other taxes, a tax of 2 percent upon the fair gross dollar value of every gift in excess of the fair value of \$500.

It is an admitted fact that the transaction tax will, in many cases, amount to more than 10 percent. Even with all the taxes above provided for in such bill, it is admitted by most of the proponents of the measure that it will fall far short of producing sufficient money to pay \$200 per month as originally proposed. Therefore it becomes quite evident that this proposal has not materialized to the point that it may correctly be called a plan.

Members of Congress have been threatened with defeat unless they support the Townsend plan. As for me, I owe no sacred and binding obligations to the people who sent me to Congress to be reelected, but I am under a solemn and sacred obligation to such people to contend for the things which I believe to be to the best interest of our country as a whole, and to oppose such measures as I believe detrimental to its welfare, and this I propose to do.

As Members of Congress we should ever be mindful of the fact that for every Member who shirks his responsibility, who plays politics, who fails to meet every issue squarely and honestly, an additional obligation is placed upon those stalwart and honorable members who are not willing to sacrifice their honor and integrity to make their political fortunes more secure.

I am going to support the Doughton bill. I hope it will be amended as I have indicated. I am for it because it is a sane and sensible plan, and one which can be attained, providing against want and poverty for millions of our splendid and deserving aged people, and I believe they are going to be deeply grateful to this Congress for its passage, with such amendments as Congress may see fit to make. [Applause.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. GRAY].

Mr. GRAY of Pennsylvania. Mr. Chairman, first let me take this opportunity of making the following corrective statement. The other day when the rule was brought in under which this social-security bill is being considered, I voted in opposition to the rule, not because, as the papers carried the item, that I am for the Townsend pension plan, but because I felt that any plan or bill or idea of legislation that any Member of the House thought was worthy of deliberation by the House, is entitled to consideration. Those who favored the Lundeen bill and those who favored the Townsend plan seemed to fear—and their fears were to some extent grounded in good reason—that under House Resolution 197, their measures would not get a day in court. Being an advocate of free and open debate on all questions of relatively important public interest, I voted as I did on the rule in order to show my disposition toward the subject of consideration of the measures, and not necessarily because I favor either the Lundeen or the Townsend plan. The issue on the resolution was entirely distinct from the issue of approval or disapproval of the proposals contained in the bills to which I have referred. My position on those bills will be evident when they are before the House.

It seems to me that we are now debating a bill that is not fundamental legislation. It was disappointing to me when

the gentleman from Tennessee [Mr. COOPER], a distinguished member of the committee which reported this bill to the House, stated in the course of his very eloquent and able address this morning, that this social-security bill is not temporary legislation and is not emergency legislation. It is unfortunate that it is not that sort of legislation.

In some respects this bill may be thought of as being the beginning of the end of everything in national enactments. As drawn, the age requirement is 65 years, or until 1940, a permissible requirement of 70 years. The amount granted by the Federal Government to each State is to be an amount equal to one-half of the total of the sums expended by the State as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and 5 percent of such amount for administering the State plan.

Already, Mr. Chairman, we have a number of other Federal Government pension plans introduced in the session which intend going far beyond the \$30 limit. One large and important and comparatively rich State has a delegation in this House commonly reported to be a unit, with the exception of one member, on a proposition to grant a much larger monthly assistance, with the age requirement at 60 years, which is 5 years under the stipulation in this bill.

There are many things attractive and alluring in such propositions as this, and public support is given them willingly, thoughtlessly, and hopefully. The next session of Congress will see us confronted by endeavors to make the age requirement not 65 years, not 60 years, but 55 years. The next political campaign will see a demand for an increased amount of assistance. As the years go by, the age requirement will be reduced and the amount of the pension will be increased. The candidate who proposes the lowest age requirement and the highest amount of monthly assistance money will, by the very nature of things, receive the largest vote. He will enter the legislative halls of State and Nation committed on those issues, and the end will be not yet, not any amount, not any limit, but birth and blue sky.

Legislation of this character is fundamentally unsound except as an emergency and temporary measure. The idea is wrong. It recognizes a serious condition and attempts to deal with it as fixed and permanent part of our modern life. What should be done is that the condition which seems to justify this proposition as an emergency should be removed as speedily as possible from our existence.

How shall this be done? The remedy itself is plain enough, but the way to achieve it is not so apparent. The way to take adequate care of the aged is to provide a proper return to the man who labors by bone or brain his period of productive years. It will be necessary to change the industrial and economic set-up of this country and to give the laboring man and worker by skill or brawn a living wage, something they have never had except perhaps during a brief period of the late war and shortly thereafter.

If a man be given a living wage during his productive years, he can provide against the vicissitudes of old age by his own thrift and savings. So long as a man who works is given a mere pittance, so long as he has always the wolf at the door, and has always an empty cupboard, it is impossible for him to store up a surplus account upon which he can draw when age creeps upon him and his infirmities reduce and restrict his earning power.

Without a living wage it is and will forever remain impossible for the toiler in office or field or mine or store or factory to take unto himself a wife and family, to raise and feed and clothe and house and educate his children, to pay the necessary medical and hospital bills, to live as he, his wife, and his children should live in his producing term. All odds how thrifty and industrious he may be, without a decent living wage, his living will not be decent and properly livable, and he cannot store up an abundance nor even a comfort for his declining years.

The Government wholesale pensioning plan, except when limited to various degrees of misfortune and the results thereof, is fundamentally unsound, is destructive of initia-

tive, of the habits of thrift and prudence, of courage and persistence, robs the human race of the urge of that necessity which mothers invention, and tends to evaporate the spirit.

It is only an emergence and a temporary measure, and because I so regard it, that I shall support this bill. The enactment of this bill will by no means solve our difficulties, it may for the time alleviate some of our ills.

When we readjust our industrial, business, and commercial life as we should, and give the man who toils and the woman also a proper return for the hours they spend and the muscular force and nervous energy which they exert in their occupation we will be able to reach a proper solution of our problems, but not until then.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. MAAS].

Mr. MAAS. Mr. Chairman, I am very happy that the matter of providing social security has been brought to the Congress. I think it is the most important and far-reaching modern problem of government, certainly for this country. Society has become so organized in this industrial and commercial age that old-age security and unemployment insurance have become essential to the very preservation of our civilized system. The thing that has been tearing at the hearts of men and women, that has been destroying their happiness, is the fear of old age, the fear of dependence when their period of usefulness in industry is ended. Two greatest fears that are at present destroying the pleasure of living for most people are, first, the terror that one will be unable to support a family in decency; that he will be unable to retain the respect of his children, all the more terrifying because he is a victim of a system of industrial organization in the control of which he has no part. The very process of civilization has been crushing the aspirations of the individual, because we are living in a corporate organized society. Then there is the twin fear that when the useful period is over—and that period is ever decreasing in the lowering age of the individual because of the terrific strain of the mechanical age—one must go into disgrace in old age; that one will not be able to hold up his head and provide his own security for old age; yet in this highly mechanized and highly competitive organized society it is impossible for the great mass of people to lay aside sufficient to provide their own security in decency in old age. The competition of life is so terrific today that it is not possible. With the blank earning periods of unemployment, what little has been accumulated is usually dissipated in those periods, so that it is clearly as a recognition of the responsibility of society as it is organized today to the individual that the Congress now turns its attention to providing that security which the individual in the great mass of cases can no longer provide.

In the day of individualists, when the average boy finished school or left home to go to work and accumulate enough to establish his own business, he could control his own destinies and thereby have reasonable assurance of raising a family in some comfort and decency. He had some assurance that if he applied his energy and his thrift he could lay aside a little estate with which to retire after he had educated his children. Those days have gone. General opportunity for that no longer exists. We find ourselves today, when we leave school or home, thrown into a great machine in which we are not even a cog; a machine the running of which we understand little of, and over which we have less control. This machine is the product of the age. It is the product of a mechanized civilization. Business has changed from the period when the individual could establish his own little concern and could grow, when he could provide for his family and his own old age, until today industry and commerce are so organized in great corporations, in great chains, that they have absorbed the business opportunities, and the mass of people must look for a livelihood in the employ of these great corporations. The days when business was local and profits remained in the local community and continued to build up that community

and continued to pay local taxes is gone. The former local business of the individual has now become a mere branch of great national corporations. Profits are drawn out of those communities and taken into a few financial centers.

Mr. MAHON. Will the gentleman yield?

Mr. MAAS. I yield.

Mr. MAHON. Does the gentleman feel that the States should participate in the way of this pension and be required to pay before the Federal Government would make any contribution?

Mr. MAAS. I am rather inclined to agree with the President in his position on that, although I will admit to the gentleman I am in some doubt myself. It does seem to me that if the States do not participate you will have an uneven situation, because what is necessary in one city or in one State to provide security in old age, bears no relationship to the amount needed in some other part of the country. Standards are different. Climatic conditions, the background, the whole thing is different. I am not sure that it will work that way from a practical standpoint, but I think we ought to try it. I believe we should attempt a system of participation, but I do not think we ought to place a limitation upon the participation that we have. In the first place, the \$30, which we assume would be the maximum, \$15 by the Federal Government and \$15 by the States, is not adequate. It is not sufficient, for instance, for those residing in a city, to provide genuine security for old age. I think this problem involved in this bill is more than a problem. I think it is a number of problems. I think the wiser method of legislation would have been to separate the various problems. Old-age pensions is a problem in itself. I believe we ought first to provide an intelligent old-age system. I do not think we can do that by one definite, broad legislative bill covering a number of subjects. The question of unemployment insurance is one which, of necessity, must follow the operation of the old-age pension. If a device is worked out whereby an adequate old-age pension is provided, so that it takes the older people off of the active rolls of employment, it will vitally affect the question of unemployment. If we take the older people off the active rolls of employment, we may not have any serious unemployment. Certainly we are not going to know what the unemployment problem is until we have had in actual operation the old-age pension.

I do not believe we ought to place any limitation on the contribution of the Federal Government. Certainly, though, if we do it should not be less than \$25, which would mean a maximum of \$50, unless the State were willing to go beyond the limit contributed by the Federal Government. I am not so sure that the system of contribution by States will work. I would like to see it tried, though. I would like to see the States placed upon their mettle. I am fearful that if we do not do that, we are going to destroy the sovereignty of States; we are going to destroy the sense of local responsibility; we are going to find that in a short time our States will be merely political, artificial subdivisions of an all-powerful central government. I think that is unwise. I think one of the things that led to the great era of prosperity came about through the cooperation of great individualists, but with a local sense of responsibility. The very industrial organization of this country has conspired to destroy local self-government, and I do not think we ought to carry that on any further by legislation that will kill what little local pride and spirit of independence is left.

I think that State participation certainly should be tried to see if it can work, but I think further that we ought to separate some of the questions that are involved in this bill. I believe we should devote our major attention this session to the most important question of old-age pensions.

Much of what is in this bill now is of necessity guesswork. Not sufficient time has been taken in drafting the bill to first study the effect of plans in use in Europe, as they might point a guide to our problem. Insufficient study has been given to our various State old-age systems. Certainly there is no precedent for the system it is hereby proposed to



set up. Particularly there is no demonstration by the committee that a proper study has been possible of the relationship between the various items of social security proposed in the bill. No intelligent unemployment plan can be devised until we know more about how the old-age plan will work out. No guide to the working out of old-age annuities can be possible until the other two plans have been put into operation.

This matter is so far-reaching in its consequences that haste must be tempered with experience. This is not emergency legislation, but adoption of a fundamental and basic new principle of both economics and government and of a permanent nature.

Because I believe so heartily and feel so deeply upon the subject of social security I shall vote for this bill to register my desire to have society recognize its social obligations to the individual by providing for old-age pensions and unemployment insurance. This does not mean that I am satisfied with this bill as it is presented to the House. I feel the benefits are grossly inadequate to accomplish the real objective sought for. The maximum old-age benefit under this bill—\$30 a month by combining both a State contribution and the maximum Federal allotment—is not sufficient to keep old people in decent comfort, to which they are entitled, after giving a life of service to organized society.

To be effective, the benefits must be sufficient to induce the older people to leave the competitive field of employment to the younger people starting in their active careers of life and to those engaged in raising their families. If the benefits are not enough to do that, the whole plan is a failure and defeats its own purpose. The benefits, on the other hand, must not be so large that they will destroy the individual's ambition and incentive to be thrifty and save for his own security in declining years. If all incentive is destroyed, all ambition for progress will disappear. We would become a stagnant nation. In time there would not be enough national income to provide any social benefits, for old age, unemployment, or any other purpose.

The objective of social-security legislation must not be to supplant all private incentive to the individual to provide his own active and retired security, but to take up the slack for those who are unable to do so.

Since the profits of industry now largely are drained from the local communities to a few financial centers, it is essential that they be redistributed back through the country to keep purchasing power flowing evenly and constantly. Federal revenues are largely from taxes on incomes and, therefore, Federal contributions to old-age pensions is a wise, just, and fair method of taking care of the old people and at the same time preventing unnatural accumulations of great wealth, which inevitably stagnates commerce and destroys employment.

I think the committee has done a fine job in the time it has taken, but on a matter so all-embracing as this, 2 years of study would not be too much. I think the pending bill should not be considered the ultimate word by any means. I think this is the proper time to make the first step and I am very happy to see it being done. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 7260, the social-security bill, had come to no resolution thereon.

#### SOCIAL-SECURITY BILL

Mr. GINGERY. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record.

The SPEAKER. Is there objection?

There was no objection.

Mr. GINGERY. Mr. Speaker, for years as one who has been active in public affairs I have stood on the liberal side of all legislation. I want to take this opportunity to put in this Record, that as far back as 1915 as a member of the lower house in Harrisburg, I fought and saw placed on the statute books the compensation law, womans' suffrage, child labor, and so forth. I also voted for the 48-hour law for women in industry against 56 hours.

Four years ago I was a candidate for the office of State senator, and advocated old-age pensions and unemployment insurance. We now have 20 bills before this House on the subject of old-age pensions.

Many men have very decided opinions on this kind of legislation. It seems to me that they are all serious on this question, and see every day that the aged people must be taken out of industry, and given enough to live on in a way that all Americans call living. There are many great ideas in most of these bills before the House, but it seems to be the old story. Men will not sit down at the table and give and take. Again the old story. The friends of the administration must step in and put their bill over. This bill it seems to me does not go far enough but I must admit that I think it only safe and good business to start small and grow. Correct the faults of this legislation from time to time until we have the best law of this kind on earth.

Many Members have opposed parts of all this legislation before us and it is all in the Record. I still have an open mind and will listen and suggest up until it is time to vote on this bill for final passage. Old-age pensions, unemployment insurance, pensions for the blind are coming and they must come soon.

I have given a lot of time to all bills before the House. I have signed a petition to bring out of committee the Townsend plan, as I feel there is much good in this legislation, which should be incorporated in the administration bill.

lected, but it lays down the principle that these workers must be taken care of, and if the money in the Treasury is insufficient, why, then, let us tax the people.

As you know, HUEY LONG in his wildest dreams did not go so far. He proposes to take from the people of the United States only incomes in excess of \$5,000,000, thinking that \$5,000,000 is enough for anybody. But the Lundeen bill goes further than that. He thinks that \$5,000 is enough for everybody. If necessary to pay \$10 per week to every able-bodied man and woman in the United States, his bill would take it from the income of every person receiving \$5,000 a year or more.

The Lundeen bill fortunately does not contain an analysis as to how much money will be necessary to provide \$10 per week for everybody in the United States, but the most conservative estimate will convince us that if the Government were to embark on this wild program all the money in the Treasury would not be sufficient to carry it out, and that at least \$10,000,000,000 would be necessary for that purpose. But the viciousness of the bill does not lie so much in the amount of money which the Government would have to spend, as in the false hopes which are raised in the masses if legislation of this type is to be launched in Congress.

Another very objectionable feature of the Lundeen bill is the fact that it provides that the Federal Government surrender the administration, control, and distribution of appropriated money taken from the Federal Treasury to persons and organizations outside the Federal service and not under primary control of the Government. If this provision is not contrary to the Constitution it certainly is against good public policy, especially at times like the present, when even Government-controlled expenditures for public relief is subject to unusual observation by opponents to the spending of taxpayers' money for such purposes.

Furthermore, the Lundeen bill carries no legislative provision for any penalties to be imposed upon the agents of the workers handling the funds from which the benefits are to be paid. The Government would have no safeguard against loss occasioned by some dishonest person delegated by the workers to handle the money of the Government to be distributed.

The very persons who might be benefited by this bill, if made a law, should be the first ones to object to this bill for this omission from the bill, if for no other reason, as a safeguard to themselves.

Heretofore, whenever the Government was to spend money, Congress saw fit to make a definite appropriation and decide on the source of revenue and the manner in which it is to be financed. Now we have a novel procedure. The Government is to spend money but no definite program is stated as to how the money is to be raised, except that Congress is to tax everybody so as to obtain the necessary funds. And remember, no appropriation of any kind is made for the spending of the money. No sum is specified which the Government is to set aside for that purpose. But every unemployed worker is to be taken care of; virtually every able-bodied man, woman, and child in the United States, and every person who is unable to work, and we are all to become employees of the Government, or, at least, get on the Government pay roll, and let the "rich" pay, "rich" meaning anybody who earns \$5,000 a year or more.

Now, contrast this bill with President Roosevelt's constructive program for social security which appears in the Wagner bill introduced in the United States Senate, known as S. 1130. This bill starts with an appropriation of \$50,000,000, and an appropriation is to be made annually of \$125,000,000, which appropriation must be apportioned among the several States and giving each State the right, within the framework of the bill, to prescribe old-age and unemployment insurance.

This old-age-compensation question is to be administered locally. That is, every State will provide its own method of administration, and those States which have heretofore given such insurance will be able to enlarge their own program, while those States which have not yet granted old-age insurance will establish a system most suitable to their own particular requirements.

When it comes to unemployment insurance the Wagner bill provides for a definite method by which employers and employees, as well as the Government, will pay in a definite amount of money into a fund which will be known as an unemployment trust fund, and out of this fund unemployment payments will be made should any worker lose his job or be unable to find another.

You see, under the Wagner bill we have an intelligent insurance proposition. Both employees and employers will pay for the benefit which the worker will receive when he loses his employment. The Government is not going to make any gifts to unemployed workers and there will not be any incentive to remain unemployed, since the unemployment return will be much less than the amount which a worker can earn if gainfully employed. We are not going to assure any worker of receiving \$10 a week or any amount per week. It will be a question of paying every employee on the basis which his earning capacity will entitle him to. No minimum or maximum. An unemployed worker will receive as much as he had paid for and as much as his employer had paid for and no more. There will be no drain on the Federal Treasury by reason of any unemployment, nor will there be any special tax imposed upon anyone to relieve people from unemployment.

This is an intelligent businesslike effort to solve the question and there is nothing of the demagogue in the proposed bill which the administration is sponsoring. It is ridiculous to feed our people with false hopes and impossible promises. It is criminal to dangle before the masses of our people the idea that without

#### THE LUNDEEN BILL

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including a radio address I made on the Lundeen bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. DICKSTEIN. Mr. Speaker, under leave to extend my remarks in the RECORD, I insert the following radio address which I delivered March 20, 1935:

To the vast unseen audience on this national hook-up, interested in national affairs and in legislation pending in Congress, but more particularly to residents in the city of New York, and to my own constituents directly, I wish to address my remarks with reference to public discussions which will undoubtedly arise in connection with the so-called "Lundeen bill" which was just reported out by the Committee on Labor to the House of Representatives. This bill represents a type of legislation which should never have been allowed to disgrace Congress, and I do not hesitate to express my severest condemnation of its provisions and the manner in which this bill is seeking to deceive the American people and throw out the bait of communism to the masses.

One glance at the provisions of the bill is sickening in the extreme. What does the bill say? It seeks to provide for everything. It covers unemployment, old age, social insurance, and "other purposes", and the whole bill contains only four sections, section 1 merely gives the title of the act. The bill directs the Secretary of Labor to provide unemployment insurance by giving compensation to all workers and farmers over 18 years of age, in amounts not less than \$10 per week, with \$3 additional for every dependent. This minimum compensation is guaranteed to everybody, and if a worker cannot find employment at \$10 per week, then the Government is to take care of him, make him a Government ward, and pay him the difference between the amount he earns and \$10 per week. The next section gives the Secretary of Labor authority to provide for disability insurance, so that any worker who, because of sickness, old age, maternity, or industrial injury is unable to work, he is likewise to receive \$10 per week; and the following section, section 4 of the act, provides a very simple method of financing this relief. It says all moneys of the United States shall be used for that purpose, but if the moneys in the Treasury are insufficient, then taxes shall be levied on all gifts and all inheritances and all incomes of \$5,000 a year or over. The bill is not only violent as to how this taxation is to be col-

work they can live on the bounty of our Government. It is more than dangerous to tell the masses in my community that the Lundeen bill is a sound piece of legislation. No; and a thousand times no. It is quite obvious that the time for futile promises is past. The Communists throughout the city of New York have made the Lundeen bill their own. They look upon this bill as the panacea of all their troubles. They tell the worker that he does not need to work since the Government will take care of him.

Forgetting the lessons of the past, and forgetting the unpleasant and unhappy experience which other nations have had by giving doles to their unemployed, they wish to create a group of people who will never work but who will live on the bounty of the Government.

I was always in the front ranks of those who believe that the "laborer is worthy of his hire"; who believe that labor should be adequately paid for its efforts. I believe that wages should be adequate to enable the worker to enjoy his life and to reap the benefit of his toil for himself and his family. I believe that the worker should be adequately compensated, adequately housed, adequately clothed, and adequately taken care of, but I do not believe that anyone should be supported by the Government, or should become the ward of our Government.

If pernicious legislation of the type of the Lundeen bill is allowed to continue, it will create a drain upon the Treasury which will eventually destroy this Government. We cannot live on bounties and we cannot create money out of nothing. This country has achieved its standing in the world through the labor of its masses, and only by labor can we expect to thrive and succeed.

I have always been a sponsor of the interest of the masses and the interest of labor. While a member of the State legislature and a Member of the American Congress I always sponsored legislation to help, aid, and assist labor, and was always endorsed for election by the American Federation of Labor as a legislator who has the interests of labor at heart and whose work benefits the toiling masses of our people. I belong to the same class to which my constituents belong, the class which works with brain or brawn, and which earns its living by the sweat of its brow. So I am speaking to you as one of yourselves. I am speaking to you as a friend and neighbor. Do not be deceived by communistic promises. They mean nothing, and if you look upon the record which the Communists have made for themselves in Russia where they have been in power for 11 years you will notice how the working masses have been reduced to slavery and how no one is able to call his life his own. It is clear that this country has progressed because the working masses were taken care of by our people; but we do not propose to make idlers out of our toiling masses. Labor will be adequately rewarded, but labor must realize its obligations as well. And so we must not lose sight of the fact that Communism is no solution of our American labor troubles, and only by constructive legislation, of the type of Senator Wagner's bill, can labor benefit and our Nation prosper.

I feel that I must protest with all the power I command against this vicious Communist agitation in my district against this continuous feeding of promises to our people which cannot be kept and the suggestion that the Government should take care of us all.

In this way salvation does not lie. Communists who parade in front of my house thinking that they will cause me personal discomfort only hurt themselves. I am sure that a good many of those who manage and organize parades in my district are not even citizens and many more are not even residents of my district, so that I must protest and I must object. I am sure that if my neighbors will heed my warning they will remove themselves from all agitation by Communists, and will realize that ours is an American Government for the benefit of all the people.

By constructive legislation we should achieve freedom and prosperity, while by destructive agitation we shall lose all the benefits which years of effort have brought us.

I thank you.

SOCIAL-SECURITY BILL

Mr. HAINES. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record.

The SPEAKER. Is there objection?

There was no objection.

Mr. HAINES. Mr. Speaker, the bill that is now before the Congress of the United States is one of perhaps greater importance than any that we have ever considered, for it goes to the root of much of the economics of our modern-day problems, that of providing security to those of our citizens who have reached an age in life where their opportunities to earn for themselves a livelihood are so limited as to make it impossible for them to do so. In the bill we have titles I, IV, V, and VI granting aid to States for old-age pensions, for the care of dependent children, for maternal and child welfare, and for public health. They carry with them an appropriation that in the aggregate will not be more than \$100,000,000 for the first year. I am, of course, in favor of all of these titles. For many years, years before I ever dreamed of coming to this body, I have been an advocate of a social-security program that would offer help to those of our people who would need such help.

I am happy indeed to have the ambition of my own life realized in the enacting of this legislation, and, while it is not all that I have hoped for, I feel that it is the beginning of a contribution we can make to our people and a program that will greatly benefit those of our citizens today, and even greater benefits to our posterity. I believe it to be the first duty of any government to care for its own, just as much a duty as it is the duty of the citizen to be interested in his or her government. In the bill before us today we make con-

tributions to the States, not in excess of \$15 per month, to aid States in caring for their aged. Now, Mr. Speaker, I do not look upon a pension of \$15 per month by the Government and an equal contribution on the part of the State as being an adequate pension, and I do hope that an amendment will be approved to increase this amount to \$25 per month, with an equal amount to be paid by the State, so that a monthly income of \$50 can be paid to those of our aged folks who are in need.

It seems to me, too, Mr. Speaker, that we should start paying this pension at the age of 60 rather than at 65, for in our modern day of labor-saving as well as labor-displacing machinery men and women are driven out of industry many years before they reach that age, indeed, in many industries in our country employers will not give work to those above 45 years of age, so that in any legislation that we enact here we must, out of necessity, give every consideration to this aspect of our national problem as it relates to the security of our citizens who have reached the age of 60. I appreciate the fine work of our Ways and Means Committee, the many weeks, almost day and night consideration, to write a bill that they believe to be sound, and one that can be financed by our Government without working undue hardships upon the balance of our people, and only because of my deep appreciation and consideration for this hard work on the part of my colleagues can I assent to any legislation that will give less to our people. I represent a fine, intelligent, patriotic district in this House. In my district are men and women who do not want charity, do not want a dole. Force of circumstances, unemployment, the loss of their lifetime savings, have driven many of them to the point of desperation, and for this reason I hope we will enact this legislation and do it with as little delay as possible.

In our program of public works and through the allocation of money authorized by our Public Works Act, I am hopeful that we can put back into the ranks of the employed, those that are now unemployed. I believe that those delegated to administer that act will give first consideration to those who are most deserving, and by this contribution on the part of the Government aid private industry. Unless we give our people a purchasing power, it is sheer folly for us to talk about recovery. I am not one of those who believe that we have so much overproduction, but rather am convinced that we have an underconsumption, and that if we give some purchasing power to our people we can find employment for all who can work, removing from industry the aged, who should be permitted to enjoy the few remaining years of their lives in peace and happiness through an assurance of income to enable them to live comfortably. I say to you therefore, Mr. Speaker, that I hope this House will agree to an increase above the \$15 provided in the proposed legislation and starting these payments to those of our people who reach the age of 60. I am not unmindful of the difficulty many of our States will experience in raising money to meet any contribution authorized by the Federal Government and for this reason would prefer to enact a bill that would not bear down so heavily on these States. While it is true that 28 States now have some excuse of an old-age pension, it is also well known that these benefits are not distributed as they should be and many worthy old folks are now denied participation simply because they are fathers and mothers.

I know many cases, Mr. Speaker, in my own district where old folks are denied pensions in our State because they have children. Unfortunately, Mr. Speaker, these children are unable to care for them, and many of these folks who cannot care for their parents are themselves now receiving relief. For this reason it seems to me that to accept a plan of small taxation on business transactions might produce sufficient revenue to relieve the States of this burden and thus help the States that are now faced with this problem, and who scarcely know where to go to obtain the funds to match the Federal contribution. Of course, no one contends that this legislation is a cure-all, but I do believe that it is the

first step in what shall eventually be an adequate pension for those who are aged and unfortunate. Title III of the bill does not give full and complete insurance against unemployment, but it is the beginning of a fund that will be built up that will furnish sufficient funds for the maintenance of those who will find themselves unemployed, for temporary periods, and I think in the writing of any legislation we are wise in making it temporary periods, for unless we do (and throw down the bars) we will find a great host of our people who will not take a job or work when offered. These are the evils we must guard against. We do not want to put into effect a dole system that will further break down the morale of our people, but on the contrary make men and women work when an opportunity is afforded to them. The temporary benefits will tide many of the unemployed over until they can find a job. That, as I understand it, is the purpose of the bill. I understand that another bill is before a committee in the House now that purports to pay or guarantee a wage to every unemployed person in the Nation equal to that of the wage paid in the industry of which he or she may be a part.

I have heard it stated, authoritatively too, that such an act would cost your Government almost ten and one-half billion dollars annually, and would not safeguard the Nation against the lazy and otherwise indifferent person who will not work, even though offered a job. What we want to do here is enact sane laws, laws that can be administered and financed without placing too heavy a burden upon our people, for, after all, every dollar that we give to others must be taken from the taxpayers. I appreciate the fact that this legislation is new and that through the next few years we can, by experience, profit by any mistakes we make. I for one believe that we will make mistakes, but we are aiming in the right direction, the purposes we have in mind are directed in the interest of our citizens and cannot but help to bring happiness to millions of our citizens who have almost given up hope. We are all patriotic enough, progressive enough in our thoughts, to develop ideas that may contribute much to correct some of the mistakes, if they develop, and for this reason I want to vote for this bill, even though it is not all that I had hoped for.

It has been impossible for me to study this bill as fully as I should like to have done, for the demands upon me are so great that time simply was not available, and I do not fully understand every detail of this legislation, and I believe I am safe in saying that this is true with many of my colleagues, and I say this without any reflection on anyone. A program as great as this one, with hundreds of plans and proposals coming to us, from all over the Nation, it is perfectly obvious that we must, out of all of these proposals, write a bill that will embody many of these proposals that are meritorious, and, of course, some of the impossible proposals we must not, nay, we dare not, consider.

The permanency of the Nation must be our first concern. A nation to have permanency must have security for its people. This administration has done so much for its people to bring about recovery, hence I hope and pray that this may be the one missing link, and through the enactment of this bill we shall have made a contribution that will bring about complete recovery. I have heard it stated, in listening to the debate, that this bill will take care of about four million old people, and through this care for a million or more others through increased purchasing power, thereby giving opportunities for another million or more to find employment that are now in the ranks of the unemployed. I wish I had the time, Mr. Speaker, to take up the other features of the proposed legislation, all of which is aimed in the right direction, for we have a host of children and invalids in the Nation that in the past have been neglected, but through this bill, if enacted, will find some security. I am glad that I have lived to this day and am about to have the realization of a dream, a day in which we will instill in the hearts of men and women, now almost on the verge of despair, new hope and courage.

Through the tax feature in the bill, as I understand it, we will build up a large reserve fund that will benefit future generations and that by the year 1970 it is expected that more than \$32,000,000,000 will be in that reserve fund. I am sure it requires no great imagination to appreciate the good that we are doing today for those yet unborn, but in that day many will honor and pay tribute to the men of today we have had the courage and great love for others to make life more secure, to bring happiness and contentment to our people.

Recently the distinguished gentleman from Maryland [Mr. Lewis], addressed the House in one of the finest addresses I have ever heard. He spoke about human and property rights in such a clear manner that none could fail to understand him, his deep interest in this problem of social security being inspired because of his own personal experience. Those who have had to toil in the past cannot help but be sympathetic to what we are trying to do in this bill before us. In the day in which you and I live, no question is of more vital importance than that of human and property rights. This subject should take precedence over other questions we consider so mighty important. The greatest contribution we can make today is to give an increased understanding to those human needs and human rights. The greatest gifts do not come in handsomely wrapped packages, but come to us "gradually and are the enduring benefits which have made possible the progress of mankind." Intelligent men and students of economics are taking note of how the concept of human rights are taking root today in the minds of our people. We think differently today from that of yesterday, and even some of our more conservative leaders are slowly grasping the fact that the welfare of his fellow man is fundamental. The doctrine advanced by economists today, even by many industrial leaders, would have horrified the leaders of industry of the past.

Even our men of finance are looking at this subject through different glasses, and they are beginning to recognize the need for more consideration to the man who toils and who must earn his bread by the sweat of his brow.

All of us are thankful for the courageous leadership in the person of the President of the United States, and he is the one outstanding figure in our American life today who is leading the way, showing us the way out.

As a result we have more sympathy today for the underdog, and we shall continue to manifest greater interest in him. I believe the individual who does not manifest this interest fails to read the signs of the times.

I am not opposed to big business. I want them to make a profit.

Capital is entitled to its dividend, but must give more consideration to those who toil and those less fortunate. I predict here and now that unless this consideration is given to them we shall continue to have economic strife.

There are many, however, who are seeing the light in spite of the others.

They realize that liberalism is not merely a philosophy, but is the only practical hope for rebuilding our economic structure.

I believe that many of our business leaders are progressing toward social-mindedness, and, even though that progress may be small, it is an advance in the right direction. "The great spirit of Americans should be translated into practical terms of moving ahead", moving ahead toward a finer concept of our fellow man, his welfare, the social security of all our people, all of which is our only hope for permanency as a Nation. To me nothing is more paradoxical than to find so much want in a land of full and plenty. We must overcome this, my colleagues, and it can be overcome by those who believe in the Master of Men. We must learn to estimate prosperity not in terms of statistics alone, but in terms of liberal solution of the problem of human rights. We must learn to look for good will among men and then act the part ourselves, even though we might be accused of playing Santa Claus. Property rights are the right of a man to use and dispose of his property in the way he may desire, and human

rights are the right to life, liberty, and pursuit of happiness. I am sure we will all agree that property or things in themselves have no rights, but we cannot say this of the individual, for when an individual begins to assert his property rights in such a way as to effect the human rights of another individual, that is when the trouble begins, and it is then that we begin to realize its importance.

Slavery was legal at one time in the United States, and a man's ownership of human beings constituted a property right, and against his owner the slave had no right that his owner was bound to respect. Not so long ago men languished in prisons for their debts. Even the great patriot Robert Morris experienced this. Can anyone deny the conflict between the property right of the creditor to collect his bill and the human right of the unfortunate debtor who has lost his liberty? I know there are many men in the United States today who think that they can do with their employees as they see fit; pay them the wages they deem fair; do with their individual business as they see fit or as they please, without consideration of their employees; close the plant at their own pleasure; scrap their machinery or equipment; leave for some other place remote and live in ease and luxury through the toil and agony of those who made their fortunes for them, giving little thought to those who have been thrown out of employment. We all know that a man exercising his property rights in such an event is bringing sorrow and suffering to those who have toiled for him in the past, being deprived of making a livelihood for themselves and their families.

For example, suppose that Henry Ford decided to build for himself a large industrial center, as he did at Dearborn, and had thousands of people settle in that community. These people built homes for themselves; they contribute through taxation to all the municipal improvements, contribute toward churches, schools, hospitals, and so forth; and out of this is a modern city. Now, suppose that Mr. Ford, feeling that he has a right to use his own property in any way he sees fit, announces that he will discontinue his business, tear down his plants, scrap the machinery, or, say, he has some labor trouble and in retaliation moves to some other place many miles distant. Here, my colleagues, you have a conflict between property and human rights. An entire city of men, women, and children, dependent upon that industry, with all the human ties binding people together in a civilized community, are to be subjected to misery and despair. This has happened in the past, and it is frequently heard that unless these property rights have precedence over those of humans they will do just this very thing.

Can one imagine the sorrow and trouble that comes into the lives of those humans who have given the best years of their lives in an industry that has given wealth to the owners, and these owners believe their property rights above those of humans. According to law, this might be justified; but before God it is not. While I believe we have a right that we cherish in being able to dispose of our business or property as we want to, but on the other hand we must not, in the disposal of our property, bring misery and suffering to others. My esteemed colleague and dear friend, Mr. Lewis, has covered this better than I could, but I desire to place my approval on every word he uttered, for we must not forget the objectives of our fathers, in drafting a Constitution, that they had the general welfare of all our people in mind. The conception of rights can only arise when and where men are living together in some sort of society. A man who lives alone on an island need not think of the rights of others. When others join him on that island, he is bound to respect their rights, and his individual and sole rights disappear. It is not many years ago that a man could erect a plant, install machinery as he pleased, employ men at operating these machines, oftentimes risking their lives at dangerous machines because of no protection afforded to them.

Today it is different. That employer must safeguard that machine and take away the danger in operating it. Likewise men and women of yesterday worked in all sorts of unsanitary places, eking out a livelihood as best they could.

As a result men and women did not live so long. Today it is different.

Now we have officials who inspect these plants, these machines and houses where people are employed, looking out for the welfare of those who toil.

That was a step in the right direction, and humanity has been blessed through these safeguards brought about through legislation. Surely we can do nothing less in our social-security program under consideration today. To frighten our people with threats will not do. To try to frighten them by bringing up constitutional violations will not do. The people of this Nation want this kind of security for the aged, the unemployed, the unfortunates, and no amount of this "constitutional bogey" is going to deny it to them. As a nation, we are blessed with everything necessary for our happiness, and we are going to have the courage to carry out the program of our President, who has so clearly shown in his few years his deep interest in his fellow man.

We have had men and women exploited upon the occasion of this economic depression. I think it should be classed as criminal, and mark you, in the not distant future it will be so considered, and I believe that our laws will so declare it to be. For a few thousand of our people to have all of our wealth and the balance of the millions dependent upon them is wrong. If it was ever considered to be right, I say to you that today it is not.

Our public-school system is teaching our boys and girls to think. We are educating thousands of young men and women every day and these are going out into fields of endeavor realizing their worth and demanding their fair share of the reward of their efforts. Mr. Speaker, we must rebuild this economic structure upon more equitable foundations. We must insist that wages be paid to our people that will permit them not only to pay for their actual necessities but to enjoy many of the luxuries so dear to our people. All of this can and must be realized if we are to continue as a great nation. I trust that in the enacting of this legislation we will contribute to our Nation's greatness and that it will bring peace, happiness, and prosperity to all our citizens.

Mr. COCHRAN. Mr. Speaker, a parliamentary inquiry?

The SPEAKER. The gentleman will state it.

Mr. COCHRAN. If a point of no quorum were made and the Members called to the Chamber, in view of what was said by the Speaker on the floor of the House this morning, would we go back into the Committee of the Whole and continue debate on the social-security bill?

The SPEAKER. If a motion to go into the Committee of the Whole House on the state of the Union is made, the Chair will put the question to the House.

Mr. COCHRAN. If we are going to get through with this debate and get the bill passed, those who want to speak on it ought to be here. It is now but 10 minutes after 4. I am always here attending to business, and I am kept in my office late at night as a result. If we mean anything by saying we are going to expedite the debate on this bill and the consideration of the bill, I think the Members should be here and continue the debate.

The SPEAKER. The Chair had something to say on that subject this morning.

Mr. COCHRAN. The gentleman from North Carolina [Mr. DOUGHTON] and members of his committee are in no way to blame for this situation. It is the Members who have requested time and who are not here to speak. They are taking advantage of the kindness of the gentleman from North Carolina. It is a wonder to me that their patience is not exhausted. Sitting for weeks in committee, considering the bill, and now on the floor for days in order to please Members, the chairman has protected them, and they should realize that. I do not desire to criticize anyone, but I do not want it to go to the country that I am not on the floor, attending to business. As Members know, I can always be found here when the House is in session. It is true that we have more mail than usual and more work than usual, but still when the House is in session we belong on the floor, especially those who want to talk on the bill.

#### SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, there seems to be some dissatisfaction and criticism with respect to the way we are handling this bill. As chairman of the committee, I have done everything I know to keep the Members here and I think my colleague, the gentleman from Massachusetts, has done the same thing. Four hours and 20 minutes' time is left for general debate, and it can be finished tomorrow. I do not have any suggestion to make.

Mr. CULLEN. Mr. Speaker, there is no reason why the men who are asking for time to speak on this bill should not be here; there is no apology to offer for them. We are placed in a very awkward position. Four and a half hours yet remain of general debate. In all probability we can finish general debate on the bill tomorrow and then the bill can be read. The only alternative I see, Mr. Speaker, is to move to adjourn.

Mr. EATON. The gentleman has not heard what I am going to say.

Mr. FITZPATRICK. But I know what the gentleman is going to say.

Mr. EATON. If the gentleman will give me the recipe for knowing what is in another man's mind, I would like very much to have it.

Mr. FITZPATRICK. Will the gentleman yield?

Mr. EATON. Not now. In the New York Sun of Monday, April 15, 1935, occurs this statement:

Last Friday a section of the Dun & Bradstreet weekly review was quoted as follows: "During the week there was a complete transformation of sentiment, as the hopes for a rather far-removed improvement were replaced by a realization that the immediate future is to bring the sharpest rise that has been witnessed in business in the past quarter of a century." Today the agency explained the rather optimistic prophecy by sending round this statement: "No significant information justified the inadvertent and unauthorized departure from our policy of not making predictions as to the future business trend which was evidenced in our weekly review of business released under date of April 12, 1935."

Mr. Chairman, I shall confine my remarks in the few minutes assigned to me to one point. We have in this great legislation proposed here two alternatives for the solution of a problem that transcends all political considerations, all sectional considerations. There is no doubt in the world that the time has come when this Nation must face intelligently and, by and by, successfully the problem of taking care of its unemployed and its aged people. In this legislation we have our choice between two general principles. One is that the Federal Government shall intrude upon the States of the Union by or through the force of Federal grants and determine largely the policy of those States and thus make the State the instrument of raising the funds and distributing them for caring for the aged and solving the unemployment problem. On the other hand, I believe, there are to be introduced here one or two substitute proposals in which the Federal Government shall take supreme command, assume complete responsibility for raising and distributing the money. This House will have to decide between those two great general principles in its application to the solution of this problem.

I ask this House to give attention to one problem that seems to be entirely lost sight of in all the vast money-spending legislation under this new-deal administration, and that is the question as to where the governments, national and local, of this country are to find the financial resources to take care of all these responsibilities which we are assuming. I read to you the figures of the census of 1930. We had at that time 122,000,000 people. We had 48,829,000 people gainfully employed. Thirty-eight million of them were males and 10,000,000 were females. We had 210,000 industrial institutions or establishments producing wealth of more than \$5,000 value. The question that I am raising here is the foundation question of our civilization. We have intruded ourselves through the administration and through this legislative body into the front ranks of those seeking a solution of this problem, and unless we face it and go to the bottom of it, which we have not begun to do yet, we are going to destroy the foundation of our civilization.

In 1929, which was the banner year of prosperity, so called, we had 210,000 establishments producing more than \$5,000 worth of wealth each a year. We had 8,838,000 employees in those institutions as wage earners, who earned \$11,600,000,000 in a year. We had in those institutions working on salary 1,358,000 people with salaries of \$3,500,000,000. The total value of the output that year, the greatest in the history of any nation since time began, was something over \$70,000,000,000. Of that, \$38,000,000,000 was cost of material and \$31,000,000,000 was value added by manufacture. In good times or bad times that reservoir of newly created wealth constitutes the only source of spending money, public money or private, for 125,000,000 people.

The question that I lay upon your minds, gentlemen, and upon my own thought as a citizen of this country, regardless of politics, is, What are we going to do with that instrument, the one goose that lays the golden egg, namely, the wealth-producing agencies of this Nation, in agriculture, industry,

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to proceed for half a minute.

Mr. DOUGHTON. I object. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment-compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. EATON].

Mr. EATON. Mr. Chairman, on Saturday last my beloved friend the gentleman from New York [Mr. FITZPATRICK], called attention to a statement by Dun & Bradstreet to the effect that prosperity is headed our way. I rejoiced to hear that, but regret exceedingly that the statement was not well founded.

Mr. FITZPATRICK rose.

Mr. EATON. Oh, I am not going to yield to anybody today.

Mr. FITZPATRICK. But the gentleman mentioned my name.



and finance? What are we going to do with it and what are we doing with it now? The attitude of the new-deal administration, of the majority in this House, and of millions of people today is an attitude of hate and antagonism, and you hear on all sides attacks made on business, big and little, and upon individuals engaged in business. I admit that the industrial leaders of this country have been and are just like the rest of us. I admit that among them have been rascals and thieves and fools, just as there have been among politicians and among every other class in the country; but the great rank and file of men and women in this Nation, who are bearing its burden and are producing the only wealth we have to meet these obligations, are the industrial leaders and farm producers of this Nation—men and women of character, ability, and honor. What is the Government doing? Taxing them beyond belief, regulating them with redtape and bureaucracy and primitive legislation beyond their endurance to support; going into competition with them in business, leaving them unprotected against the competition of starving-wage countries. No business man today has the slightest notion in the world what is going to happen to him tomorrow. He is forced to spend time and money coming to Washington to ask what he can do, if he cannot do this or that, instead of not only being permitted but being encouraged by the Government to stay at home and run his own business.

So I ask this House in all earnestness, not as members of this party or of that, but as citizens of the United States, to begin the study where it must begin and end, namely, in the wealth-producing energies of this Nation. If you are going to put the wealth-producing industries of this Nation under unfair and uneconomic Government competition, under Government control by inexperienced bureaucrats, you are going to kill the goose that lays the golden egg. There is no other source for any dollar used by any government except in the brain and brawn and sweat of some wealth-producing man or woman somewhere in this Nation. [Applause.] Those are the people who ought to have our sympathy and our understanding, and we ought not to stand here and curse them as if they were public enemy no. 1.

Wipe them out and you wipe yourselves out; you wipe government out and finally you will destroy every institution in this land. So I say that the protection and perpetuation of the wealth-producing instrumentalities of this Nation by our Government transcends politics. It transcends partisanship. It goes to the very foundations of our civilization. The function of all industry is to serve society by assuring economic security and liberty to all who deserve it. The function of government is to encourage and protect industry in performing this public service.

I close with a quotation from Lord Macaulay made a hundred years ago:

Our rulers will best promote the improvement of the people by strictly confining themselves to their own legitimate duties, by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment—by maintaining peace, by defending property, by diminishing the price of law, by observing strict economy in every department of the State. Let the Government do this—the people will assuredly do the rest.

So I lay this central thought of industry, rural and urban, upon your conscience and your intelligence and ask that you give it consideration as the very foundation of our civilization. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. MARCANTONIO].

Mr. MARCANTONIO. Mr. Chairman, the day before yesterday one of the superdetectives of this House decided to tackle one of the fairest proposals presented to this House, namely, H. R. 2827, in detectivelike fashion. He went around snooping and finally came here, and in dealing with this bill he hurled the cry of "communism", and then continued to repeat "communism." All he saw around this bill was whisks. He saw a boogey man and he started to run from it, and he appealed to the House to follow his example. That

is the only manner in which this bill has been attacked thus far.

There are two bills before this House which I believe attempt to deal comprehensively with the problem of social security. One is the bill known as "H. R. 7260", which fails to accomplish this purpose, and the other is H. R. 2827, which deals adequately and successfully with this problem. We all agree that unemployment insurance and old-age insurance are inevitable. They are bound to come in America. We must have unemployment insurance and we must have old-age insurance. So therefore the question which comes before this Nation at this time is the method by which social security is to be paid. Are you going to place the burden of caring for the poor on the shoulders of the poor, or are you going to place the burden of caring for the poor on the shoulders of the community as a whole, and especially on those who can well afford it? Under the plan in H. R. 7260, we establish a vicious antisocial system. We establish a system whereby the payment for the care of the unemployed and for the care of the aged is to be met by means of various pay-roll taxes.

I do not believe there is a single man in this House who accepts the statements in the bill to the effect that the tax, in the case of unemployment insurance, is to fall solely on the shoulders of the employer. Anybody who believes that still believes in Santa Claus. We all know that with labor's last line of defense crushed today, with 11,000,000 unemployed, with a charity wage scale being imposed throughout the Nation on all public-works projects, labor has no line of defense against any wage cuts. This 3-percent tax, which you say has been levied on the employer, inevitably must fall on the shoulders of the wage earners of America, because with 11,000,000 potential scabs, labor cannot defend itself against any wage cuts. You cannot escape from it. You are establishing once and for all, if you pass this bill, a vicious antisocial system of having the poor carry the burden of caring for the poor.

I believe that America is the richest Nation in the world. In this Nation, where we have more wealth than any other Nation, I think it is proper we should establish the system proposed under H. R. 2827, whereby in this greatest and wealthiest Nation in the world there should be no hunger, no starvation, and no want, and that the unemployed of this Nation, as well as the aged of this Nation, should be taken care of by the United States of America through taxation, levied on the large incomes of this Nation, putting the burden squarely where it equitably belongs, and not on the poor of the Nation as the Doughton bill intends to do.

The only argument which I believe seems to be more or less appealing which is advanced in favor of H. R. 7260 is that under section 201 (a) it sets up an old-age reserve account and that under section 910, subdivisions (a) and (b), there is set up an unemployment trust fund, and it is claimed that the unemployment trust fund, as well as the old-age fund, will build up a reserve which can be eventually used for the purpose of withdrawing tax-exempt securities. Now, let me quote, not from any Communist paper or from any Communist organization but from the Analyst, which was published by the New York Times on February 22, 1935. There it says, discussing the reserve funds established by this bill:

(1) Financial reserves can be effective only in cases where contingencies can be calculated and determined by actuarial methods and where these contingencies arise in sufficient regularity to permit the arrangement of reserves in accordance therewith. (2) The incidence of depressions is irregular and unpredictable, and hence defies actuarial procedure. (3) Purchasing power cannot be stored up en masse under our money system, which is a system of debt, rather than metallic circulation. (4) The attempt to create unemployment reserve will intensify booms. (5) Unemployment reserves are incapable of mobilization when needed and any attempt to mobilize them will only result in further intensification of depression.

Further, in the last analysis, what do we seek to do with these reserves? On the one hand, we attempt to call in the so-called "tax-exempt bonds", but, on the other hand, we intend to do this by removing whatever little purchasing power the people of America possess. By 1970 we will have

frozen from them the sum of \$32,000,000,000, according to the table which exists on page 6 of the report on this bill.

So all we are doing here is cutting off our nose to spite our face. We cannot do away with the evil of tax-exempt securities by this method. Everybody recognizes that America's problem today is lack of purchasing power on the part of the American workers; they have practically no purchasing power left. When we attempt to remove a further portion of this purchasing power by pay-roll taxation we only accentuate the problem, we do not alleviate it.

Let me read from the report of the committee with reference to the present unemployed. The Doughton bill does nothing for those at present unemployed. The report states:

It should be clearly understood that State unemployment-compensation plans made possible by this bill cannot take care of the present problem of unemployment. They will be designed rather to afford security against the large bulk of unemployment in the future.

So, right in this report we have the admission that under this bill nothing is being done for the present 11,000,000 unemployed. Oh, you may refer to the \$4,000,000,000 work-relief bill, but, Mr. Chairman, after this \$4,000,000,000 are spent in the manner in which it is going to be spent at an average wage of \$50 a month, those unemployed at present will find themselves right back in the position they are today before the expenditure of the \$4,000,000,000.

Mr. Chairman, permit me to say to the Members of the House that the bill (H. R. 2827) has received the endorsement of thousands of labor organizations and of hundreds of organizations affiliated with the American Federation of Labor, of social and welfare workers, and of educators throughout the country.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 2 additional minutes to the gentleman from New York.

Mr. MARCANTONIO. The main argument advanced against H. R. 2827 is that there is no difference between the system set up under that bill and the present system of relief whereby the unemployed workers of this Nation are paid a charity wage, or a charity dole, forcing them to adopt a standard of living based on charity. This argument is fantastic and silly. Under H. R. 2827, however, the unemployed workers of this Nation during their period of unemployment are paid the wage prevailing in their community at the time of their unemployment. In other words, the unemployed worker will receive the same wages he was receiving at the time he was employed.

Mr. CONNERY. Mr. Chairman, will the gentleman yield?

Mr. MARCANTONIO. I yield.

Mr. CONNERY. And there is no tax on pay rolls which, eventually, has to be paid by the workers themselves.

Mr. MARCANTONIO. The gentleman is correct. The only tax levied under H. R. 2827 is a tax on the large incomes of this Nation, where taxation to support this kind of legislation should be placed.

The difference between this bill and relief is that with relief you reduce the American worker to a charity level and lessen his purchasing power, destroy his morale and self-respect, whereas under H. R. 2827 the American worker retains his purchasing power. During his period of unemployment, under the provisions of H. R. 2827, the American worker would retain not only his purchasing power but his standard of living and his self-respect; and, more important than all, he can raise his head high and say, "I am proud to be an American citizen." [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 30 minutes to the gentleman from Arkansas [Mr. FULLER].

Mr. FULLER. Mr. Chairman, this bill from the Ways and Means Committee, H. R. 7260, and known as the "social-security bill", is the greatest humanitarian measure ever presented to an American Congress. Its prime object is to help those who are not able to help themselves and to lend aid and comfort to the aged poor. It provides a pension for those over 65 years of age and in need. At this time there are in the Nation approximately seven and

one-half million over 65 years of age and multiplied thousands are without means of support and dependent upon others. As years go by this number will be increased. The great number of needy at this time is due, to a great extent, to the financial depression through which we are passing. They have contributed their part to the building of the great institutions and industries of this country; they tilled the soil, educated their children, and endeavored to make the world better for having lived in it. Many of them invested their savings in stocks and bonds, the value of which has been wiped out. A great number of these people were able to perform work and make a living, but in these days of unemployment they are without a job. Many of them find that their children, upon whom they could depend for aid and assistance, are in a similar position. Society owes these citizens a reasonable subsistence, compatible with decency and health. Primarily this duty rests upon the respective States, but in this measure the Federal Government proposes grants in aid to the State to assist in paying an old-age pension. Under the provisions of title 1 the Federal Government pays up to \$15 for each individual in need over the age of 65, which amount is to be matched by the States. It provides, however, if the States are desirous and able, they can pay as much more over \$30 as desired. It provides for a uniform plan that the various States of the Union must adopt and that no State which fails to comply with the terms and provisions of this measure can participate. It will be contended by some that the amount the Government is to contribute is too small and that some of the States will not be able to raise the money to match Federal grants.

Mr. LUCAS. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. LUCAS. The gentleman is discussing section 1 of title I wherein it states that a reasonable subsistence compatible with decency and health shall be given to aged individuals. Does the gentleman understand that one must be a citizen of the United States of America before he can obtain the benefits under title I?

Mr. FULLER. No; if a State wants to, it can provide in its law even that aliens over 65 years of age can be taken care of.

Mr. LUCAS. In other words, that is a matter left to the discretion of the States.

Mr. FULLER. It is left to the State legislature; yes.

Mr. MEAD. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. MEAD. As a general rule, however, all the States require that those who receive relief benefits from the State be not only citizens of the State but in most cases citizens of the United States as well.

Mr. FULLER. That is true.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. DONDERO. Must they actually be in need before they can receive these benefits?

Mr. FULLER. Certainly; they must be in need. I cannot contemplate a subdivision of Government paying a pension to anybody in the United States who is not really in need. [Applause.] This Government owes nobody a living, but everybody owes loyalty and fidelity to this Government; and it is only as a social-welfare feature to take care of those who cannot take care of themselves that we make the contribution; it is only to take care of those who are in need of assistance.

Mr. LUCAS. Under title I, section 2, article IV, it is stated:

Provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency.

In the event that the State decided to enlarge the powers granted under this particular section and give the right of the individual who is denied assistance in the first instance an appeal to the local courts, would that, in the opinion of the distinguished member of the Ways and Means Com-

mittee, in any way contravene this section about which we are now talking?

Mr. FULLER. I think not. We made a special arrangement for that by reason of several inquiries being made. Anyone should have recourse when his claim is denied. I think that answers the question which the gentleman asked me.

Mr. Chairman, I would prefer not to be interrupted for a while unless there is some particular question that a Member is particularly interested in.

Mr. TAYLOR of South Carolina. Will the gentleman yield at this point?

Mr. FULLER. I yield to the gentleman from South Carolina.

Mr. TAYLOR of South Carolina. When a board is set up by any State to review on appeal the case of any aggrieved person, will the Board here in Washington undertake to review the findings of that board?

Mr. FULLER. They have no authority to do that. That is left solely and entirely to the States, if the States otherwise comply with the uniform plan set out here, which the States must comply with.

Mr. TAYLOR of South Carolina. That would give leeway for the several States and the Nation to set up different yardsticks or different lines of demarcation to determine the respective needs of their citizens?

Mr. FULLER. They have that right under this bill, but they must adopt a plan as set forth in this bill. The age must be 65, and there are certain residence requirements and a few other conditions. Then they have latitude for themselves. They may up to 1940 make the age limit 70 years instead of 65 years if they so desire.

It should be borne in mind the annual amount to be contributed by the Federal Government will, in a few years, be very materially increased. In my opinion, in less than 10 years it will require an annual appropriation of over \$300,000,000.

Mr. COX. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Georgia.

Mr. COX. Is the gentleman not unduly conservative in estimating the amount that the Federal Government will be required to contribute?

Mr. FULLER. I think not. I think it is more liberal and a larger figure than almost any other Member, especially on the Democratic side of the Ways and Means Committee, would even agree to.

Mr. COX. Does the gentleman accept the records of the States now paying an old-age pension as a basis for that calculation?

Mr. FULLER. Yes; and in doing so this figure would be 5 or 10 times greater.

Mr. COX. Does not the gentleman think he incurs the risk of error in proceeding upon that basis, having in mind, of course, that, with the Federal Government entering the field and obligating itself to pay, the demands will increase and the tendency of the States will be to liberalize their laws and the administration of the laws in order that a larger Federal grant may be obtained? Does the gentleman not appreciate the fact that there is the feeling that it is justifiable to make any sort of a demand upon the Federal Government and that the urge is to get as much from this source as possible?

Mr. FULLER. May I say to the gentleman, briefly, that I think my figures are very liberal. I am convinced that they will cover the situation, and there will not be required any more than the amount I specified. Besides the States will have to match 50-50, and they will not be overanxious to exceed equal matching. Of course, there are Members here who will come to Congress in the future desirous of requiring the Federal Government to pay more.

It is not claimed that this is a perfect bill; all major legislation is the result of compromise. Last June, in a message to the Nation, the President advocated this measure, and subsequently created the Committee on Economic Security, composed of members of the Cabinet and other prominent citizens; after extensive study, covering a period of 6 months, a report was submitted recommending substantially the pro-

visions of this bill. At this session of Congress the President in a forceful message plead for the enactment of this social-security measure. It is generally known that its enactment is more desired by our great President than any pending measure.

For approximately 3 months the Ways and Means Committee has daily considered this measure. The committee has had submitted to it various other old-age-pensions plans, the most prominent of which was the Townsend plan, upon which measure hearings were had. The original Townsend plan, known as the "McGroarty bill", has for its object and purpose the granting of a pension of \$200 per month for all those over 60 years of age, conditioned all the money must be spent every month, and that on the first day of every month the Government was to place to the credit of every pensioner, in a local bank, the sum of \$200. The question of need was never considered, age being the only condition. Under this measure Rockefeller, Morgan, Mellon, Ford, and other millionaires of this Nation could, with their wives, draw \$200 each per month. A man owning the biggest department store or building in a city, with an income of \$500 or more per month, could draw the pension. The wealthiest farmer in a community, with plenty of stock, a bank account, and living in ease and comfort, would be a recipient, as well as his wife, of \$200 per month. No restrictions were made as to how the money should be spent, and Dr. Townsend, who appeared before our committee, stated he was not interested in how they spent the money nor as to whether or not they spent it for liquor, in roadhouses for gambling or immoral purposes.

Children and other relatives could move in and live with their parents and relatives on the pension rolls. All that was required was the 60 years' age limit and the condition that the pensioner should discontinue and refrain from all gainful pursuits. The measure provided that this pension should be paid by levying a tax of 2 percent upon all transactions. Such a measure would kill ambition, stifle and retard thrift, and mean the early doom of our Nation. It is inconceivable that a nation would be required to collect money by taxes to pay a man and wife \$400 per month who in their previous years had never made over \$50 or \$100 per month from their combined labors and at the same time had lived in ease, comfort, and happiness. The tax sought to be levied would not start to pay one-fourth of the \$200 pension. Dr. Doane, an economist, presented as a witness by Dr. Townsend, testified that the national income for this Nation for 1929, the most prosperous year of our history, was \$81,000,000,000 and for the year 1933 approximately \$45,000,000,000, yet in 1933 there was no profit in the national income. The 2-percent sales tax would produce approximately \$1,000,000,000 per year; but he states if the tax were placed upon every conceivable transaction there was a possibility of a maximum collection of \$4,000,000,000 per year. Even this collection of taxes, which was more than the Federal Government collected last year for all purposes, would not be a sufficient amount to pay over \$33 per month. There are today 10,000,000 people in the United States over 60 years of age, which would mean a payment of a pension of \$33 per month per person. His expert admitted that the Federal Government could not stand the financial strain and burden sought under the Townsend plan.

A Mr. Glen J. Hudson, of California, actuary for Dr. Townsend, testified if he were a member of the Ways and Means Committee he would not vote approval of the plan.

Mr. DOUGHTON. Will the gentleman yield?

Mr. FULLER. I yield to my distinguished chairman, the gentleman from North Carolina.

Mr. DOUGHTON. The gentleman recalls that Dr. Townsend appeared, I believe, more than once before our committee and urged very strongly the adoption by the committee of his original bill. He assured the committee that it was sound, feasible, and workable, and had been worked out by experts and specialists. In view of that testimony of Dr. Townsend and the statement just made by the gentleman addressing the committee, in his opinion is a man who would present a scheme so revolutionary, so impossible, and so dangerous as this, if he does change his mind and pre-

sents a revised scheme, capable of advising the Congress of the United States with respect to a great matter like this?

Mr. FULLER. I would hesitate to say. Dr. Townsend apparently is a fine old gentleman, but I doubt his judgment. I know it is not good statesmanship and that nobody except those who are in distress and who want to get something for nothing are going to seriously consider the Townsend plan.

Mr. DISNEY. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Oklahoma.

Mr. DISNEY. The gentleman referred to the national gross income as being \$45,000,000,000. As I remember the figures before the Ways and Means Committee, there were about ten and one-half million people over 60 years of age in the United States. At that rate it would take about \$24,000,000,000 a year to pay the Townsend old-age pension. Is the gentleman going to discuss those figures?

Mr. FULLER. Yes; I have those figures here. Then, too, the Federal revenue for 1933 was less than four billion and the combined State and Federal revenues for 1933 was less than eight and one-half billions.

Mr. DISNEY. Is the gentleman referring to the total national revenue and total State revenue?

Mr. FULLER. Yes. It would cost \$24,000,000,000 annually to pay the pension under the Townsend plan, more than half our national income for 1934. It would mean that our financial structure would be bankrupt, and on account of the tax upon transactions being multiplied and pyramided, which would be passed on to the consumer, the price of the necessities of life would be unbearable.

Realizing the unreasonableness of such a plan, Congressman McGROARTY has introduced another Townsend plan measure which bears number H. R. 7154, under date of April 1. This measure is substantially the same as the original bill with the exception that no one can draw a pension who has a net income in excess of \$2,400 per year. The measure provides that the pensioner shall receive, monthly, so much as the tax will raise, not to exceed \$200 per month. The question of need is not mentioned in this bill. It is now contended by its supporters that this measure will pay \$50 per month for those over 60 years of age. Yet the club members and those who are sending propaganda to Members of Congress are still under the impression that the Townsend plan still provides \$200 a month pension.

To me it is ridiculous to even contemplate paying pensions to parties who have an income of as much as \$600 per year, yet in this bill the \$200 a month theory is carried out and one would be permitted to draw a pension up to \$200 per month if the tax collections were sufficient. One could own a valuable home and have children able and willing to care for him and be eligible for a Townsend pension. I have no criticism for Dr. Townsend; at heart I feel he is desirous of aiding the aged poor.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. FULLER. I yield to the gentleman from Tennessee.

Mr. COOPER of Tennessee. A man might be worth a million dollars and have no income, yet be eligible for a pension under the Townsend plan?

Mr. FULLER. Yes.

Mr. COOPER of Tennessee. In connection with the original Townsend plan or the original McGroarty bill, may I ask the gentleman if it is not true that the gentleman from California [Mr. McGROARTY], the author of the bill, never did appear before the committee in support of the bill while it was under consideration there?

Mr. FULLER. I know he did not appear, although he had every opportunity to appear and we would have been pleased to have heard him.

Mr. COOPER of Tennessee. And the committee set apart a certain day for all Members of the House to appear before the committee who wanted to appear?

Mr. FULLER. Yes; and Dr. Townsend, who also appeared at his own request, asked us please not to cross-examine him and he was not cross-examined on his bill when he was a witness before the committee.

Mr. COOPER of Tennessee. But the gentleman from California, the author of the bill, never did appear before the committee in support of his own bill.

Mr. FULLER. No; he never did. A great percentage of his followers are in distress, many of them upon the relief rolls, being maintained at Government expense, and I am sure they have been misled as to the feasibility of such a plan. However, they have at least done a good work in creating a general public sentiment for an old-age pension.

Mr. COX. Mr. Chairman, if the gentleman will permit, the gentleman made the observation awhile ago that the national income was between \$45,000,000,000 and forty-nine or fifty billion dollars, not a penny of which was profit, and yet the Townsend plan would take \$24,000,000,000 of that income, which would tend to exhaust capital investment.

Mr. FULLER. There is no question about that. When the truth is known and the imported organizers are gone there will be headaches and grief.

The Townsend old-age-pension plan, through its organizers, is doing an injustice to those in distress; they are holding out false hopes with a realization that the plan is not feasible and could not possibly be carried out. No such propaganda has ever equalled that being sent to Members of Congress for this plan. Amongst 200 postal cards which I received this morning there appeared the name of a college graduate, who holds an important position with a good salary as manager of a subsoil erosion project in my district. The card read as follows:

We are not in favor of the President's plan for social security. We want the Townsend old-age-pension plan, and we want it enacted into law this session of Congress.

We instruct you to work and vote for the Townsend plan. (Signed) A Voter.

This is the propaganda we are getting by the freight load every day during the pendency of this bill.

Mr. COX. If the gentleman will yield for one question, there is another plan concerning which Members of Congress have been importuned for a year or more. It is the plan that is embodied in the Rogers bill, which is the measure sponsored by a Dr. Pope. Can the gentleman inform the Committee whether either Dr. Pope or Mr. Rogers ever appeared before his committee in explanation or in advocacy of that measure?

Mr. FULLER. No; we never heard them. They sought no hearing.

Mr. O'MALLEY. Are not the methods used by the Townsend propagandists the same as those used by the utility propagandists against the Rayburn bill?

Mr. FULLER. I do not know whether that is true or not.

Mr. O'MALLEY. It is organized propaganda, consisting of cards and form letters?

Mr. FULLER. Yes; it is along the same line.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. FULLER. Yes; but I shall have to quit yielding because my time is limited.

Mr. DISNEY. Referring to those postcards, did the gentleman receive any postcards that said that Dr. Townsend was ordained of God to bring forth this plan?

Mr. FULLER. I have not received any cards like that, but I have received that kind of letters.

Mr. DISNEY. Other Members have received cards using that language. Has the gentleman given any thought to the idea that if millions of people were drawing \$200 a month to what range would all other salaries or incomes have to go to compare with \$200 a month?

Mr. FULLER. I cannot imagine what would become of the value of our dollar or the stabilization of our Government. It is really not serious enough to consider, because I anticipate that, outside of home consumption and outside of being desirous of trying to help these poor people, there are very few people on the floor of this House who, deep in their hearts, have any idea that there is any real merit in the Townsend plan.

Mr. DISNEY. Following my previous question, the present dollar would be worthless if we had the type of system that I suggested a moment ago.

Mr. FULLER. It would; and, as I said, our Nation would be bankrupt, and I honestly believe there is no question about it.

Mr. HUDDLESTON. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I yield.

Mr. HUDDLESTON. Speaking of "plans", I have heard rumors of still another plan which, it is reported, is being formulated by the Hollywood humorist, Will Rogers. The last I heard of it he said that he was having great difficulty and was beginning to be afraid that he was not quite crazy enough to get up a plan. Does the gentleman know anything about his progress?

Mr. FULLER. No; I have not studied that plan.

In this propaganda we are threatened that if we do not vote for the Townsend plan we are not going to be returned to Congress, and yesterday I was surprised and amazed that one of our lovable characters and colleagues told us he was not attempting to come back next year, but he hoped to come back here and see the vacant seats of men who are at least trying to be statesmen and represent this Government who will be left at home because they voted like statesmen and against giving away a dole of \$200 a month to people who are not entitled to it.

Mr. COX. Is the gentleman prepared to answer the question I propounded a moment ago? Should the gentleman be returned as a Member of Congress if he votes for the Townsend plan?

Mr. FULLER. Well, I do not want to answer that.

Mr. COX. Speaking simply for himself?

Mr. FULLER. I would rather retire to the shades of a quiet and peaceful life and never be recognized for political honor than to vote for such a measure, because I believe my people who sent me here would have absolutely no respect for my judgment or statesmanship.

Mr. MARCANTONIO. Mr. Chairman, will the gentleman yield?

Mr. FULLER. For just one question; yes.

Mr. MARCANTONIO. One of the principal reasons for the gentleman's opposition to the Townsend plan is its sales-tax feature. Will the gentleman distinguish the sales tax from the pay-roll tax?

Mr. COX. May I interject that the gentleman's main objection to the Townsend plan is that, in the judgment of the gentleman from Arkansas, it is crazy?

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FULLER. I want to make my own speech, but I will yield to the gentleman, and then I must continue with my own remarks.

Mr. DUNN of Pennsylvania. May I say to the gentleman from Arkansas that the Members of Congress have received a tremendous amount of mail from the utility officials, and I have been informed, as other Members have been informed, that they say if the Members support the Rayburn bill they will not be returned to Congress.

Mr. FULLER. There may be something in that. I do not know. I imagine that the gentleman from Pennsylvania will vote his own convictions regardless of anything else. God knows that I am sincere and anxious to vote for any reasonable old-age pension to take care of anybody to the amount that the Government can afford to pay. I am willing to increase the income tax and the inheritance tax, and I am willing to curtail the salaries of those in public office.

We are threatened in much of this propaganda if we do not vote for this plan we will be defeated in the next election. God knows I am sincere and anxious to vote for a reasonable old-age pension to take care of the needy, in such an amount as the Government can afford to pay. I am willing to increase inheritance and income taxes for this purpose.

Under the original plan submitted by the President's Committee on Economic Security, the personnel in the States was controlled by the Federal Government, and the provisions of this bill were to be administered by the Secretary of Labor and the Federal Emergency Relief Administrator. The bill has been materially changed, granting to the States the right

to administer the various provisions and establishes a social-security board to generally administer the act.

Title II and its companion title, no. VIII, provide for Federal old-age benefits and levies a tax upon the pay rolls, to be paid equally by employer and employee on salaries or wages up to \$3,000 per year. This tax gradually increases, and at the end of 12 years the employer and employee will each be required to pay 3 percent on the pay roll. This money is paid into the Federal Treasury in an old-age reserve fund, and it is contemplated that in 45 years the reserve will amount to approximately \$50,000,000,000. The Secretary of the Treasury is made a trustee for the investing of these funds in Government interest-bearing securities. It is contemplated as this money is so invested it will wipe out tax-exempt Government bonds and that eventually all of the public debt will be included in this trust fund. The real object and purpose of this title is to buy old-age annuities to be paid monthly after the laborer has reached the age of 65. It contemplates that the money so paid, together with the interest accumulated, will afford sufficient monthly annuity to keep the laborer off the old-age pension rolls in the distant future. In the event of death one's estate recovers the money paid in by the laborer, plus accumulated interest.

Titles III and IX provide for unemployment compensation to be administered by the State. It provides for a 3-percent tax to be paid by the employer upon annual pay rolls. If a State does not participate, it receives no benefit from this tax. In the event a State does participate in the plan, then the employer receives a credit for 90 percent of the tax which he has paid to the State for this purpose. I have opposed the provisions placing a tax upon pay rolls for unemployment insurance and old-age benefit annuities. All business needs relief, the restoration of confidence, and less Federal regulation. I fear the burden is too great at this time for business to carry this additional load. [Applause.]

The other provisions of the bill provide and deal solely and entirely with social-welfare problems in conjunction with the States. The first of these is aid to maternity and infant welfare, particularly in rural areas and in areas suffering from the severe economic depression. It looks after the needy and distressed expectant mother, the welfare of the infant; dependent, neglected, delinquent, and crippled children. Aid is given, and a kind and helping hand is extended to help over the rough and rugged roads of life the 300,000 dependent and neglected children, 200,000 children who annually come as delinquents before the courts, and a great number of the 70,000 illegitimate children born each year. The children of the present are the citizens and rulers of the future, and the tendency of the present minds and conditions promises fundamental changes in the very structures of our Nation. To continue to be a great nation we must look after our children and those who cannot help themselves. [Applause.]

Nearly 10 percent of all families who are on relief are without a potential breadwinner other than a mother, whose time might best be devoted to the care of her young children. It is estimated that there are over 350,000 families on relief, the head of which is a widowed, separated, or divorced mother, and whose other members are children under 16. There are approximately 400,000 physically handicapped children in this country, and in many cases the parents are not able to give them hospitalization, medical, and surgical attention. This bill carries a large appropriation to be augmented by the States for these mothers and children in need.

The bill authorizes a substantial appropriation for the vocational rehabilitation of crippled children, thus thousands upon thousands of these unfortunate crippled children will not only be cured but taught a vocation and given remunerative employment.

This measure carries the greatest welfare features and relief for suffering and distressed humanity that has ever been presented to a legislative body; it carries out the teachings of the lowly Nazarene, and has only been made possible by a fearless, big-hearted, inspired leader whose heart goes out to the "forgotten man." Every thought, every heartbeat, and every action of our great President has been in the interest of the weak and oppressed. [Applause.] No man

can be a good American citizen who seeks to live unto himself or who seeks to profit and accumulate the wealth of the country with no regard to the duty he owes to his unfortunate neighbor. We have reached the crossroads, where it has become necessary for us to realize that no nation can continue to prosper, "where wealth accumulates and men decay." [Applause.]

This cloak of charity spreads out over every social-welfare activity and in the future years we will hear the praises and the God bless you's from those who have been the recipients of this relief. I realize there are many States, because of financial condition, will not be able at this time to meet all the requirements of this measure. It is to be hoped, however, that revenue will be found in order for the State to follow the example set by the Federal Government. In my opinion it is only a question of a short time until each State will take advantage of the liberal provisions of this measure. If my State cannot enjoy all the benefits of this measure, God forbid I should begrudge a sister State.

It is easy to foresee the great good and happiness this welfare measure will bring to the aged, the helpless mother, the dependent, neglected, and crippled children. In visualizing I can see the expectant mother, weak from worry, overwork, and undernourishment, back in the rural district in a little cabin on the mountain side, where the unexpected stranger is met by the friendly bark of the farm dog and where hospitality reigns supreme, joyously explaining to her ragged and tired husband at supper time how the welfare workers have promised relief before and during childbirth.

I can see the dependent and neglected boy who never knew the love and guidance of father and mother as he grows to manhood extolling the grandeur of his country and the loyalty due the Stars and Stripes.

I see the crippled boy, sad and unable to play with his brothers and the neighbor boys as he recovers from medical and surgical treatment, and scales, round by round, the steep ladder of success.

I can see the careworn, dejected widow shout with joy upon returning from the neighbor's washtub after having received assurance of financial aid for her children. I see her with the youngest child upon her knee and the others clustered by her, kissing the tears of joy from her pale cheek as she explains they can now obtain clothes and books, go to Sunday school, and attend the public school; and as they prepare to retire I can hear her offering thanks to Him from whom all blessings flow.

I see the old gray-headed father and mother, bowed by the weight of many years of honest toil, dance with joy and appreciation upon receipt of their first pension check which saves them from the poorhouse.

Certainly, a nation which sends its messengers to the rural and most isolated parts to render aid to those in distress and embarks upon such a welfare work, cannot help but live and prosper. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield one-half minute to the gentleman from California [Mr. DOCKWEILER].

Mr. DOCKWEILER. Mr. Chairman, I rise to make a very important announcement. Within the hour the *American Clipper*, owned and operated by the Pan-American Airways, landed at the Hawaiian Islands. [Applause.] In approximately 17 hours and 37 minutes she spanned the air from Alameda, across the bay from San Francisco, to land in the harbor of Honolulu at 1:27 p. m., eastern standard time. The day of wonders has not ceased. America should be proud that the indomitable pioneering spirit still exists. I compare this feat of the modern clipper ship with the feats of the early days when the Americans sailed the Seven Seas in their clipper ships. It is comparable, my friends, with the discovery of America by Christopher Columbus. [Applause.]

Mr. BACHARACH. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. LUNDEEN].

Mr. LUNDEEN. Mr. Chairman, it is difficult for me to understand the frame of mind of Members who sit in this House and vote for huge sums of money for adventures into foreign lands. On Armistice Day, November 11, 1928, President Coolidge said that when the last veteran and last dependent of a veteran of the World War has disappeared over

the horizon, we will have expended on the World War more than \$100,000,000,000. There was no quibbling about that—"saving the world for democracy"; but when anyone comes in here to speak for the workers of America—and that includes men who work at the desk as well as men who walk behind the plow or work at a lathe in a shop—then we begin to talk about whether we can afford it or not, and where we are going to get the money.

#### REHABILITATION

It is not just the past war, but it is the rehabilitation that came after the war. I opposed the loan of \$10,000,000,000 to the kings of Europe on this floor. I sat in a seat here with some gentlemen who are here today, when lords and dukes and earls and counts, bespangled and bemedaled—Lord Balfour and the Japanese and all the rest. I remember when Members rose in their seats to do them honor and shook their hands and applauded them. I refused to rise to honor foreign royalty on this floor; they came here to talk us out of our money and for no other purpose. To honor them was supposed to be good Americanism, but when anybody talks for unemployment insurance for the 15,000,000 Americans now unemployed and the aged, they are denounced as radicals. Call us radicals if you will; we will keep on fighting for the aged and unemployed. We will not give up the ship. We will fight on.

The administration bill, if I am correctly informed, does not pay a red cent to a single man unemployed at the present time, and if I am mistaken I want to be corrected, and I hear no correction. Not a nickel for those who are now unemployed. How are we Congressmen going back home to face our constituents, and what will we say to them when this bill is passed and signed and becomes a part of the statute books, when these 15,000,000 unemployed ask, "Where do we come in?" and we must reply, "You don't come in. You 15,000,000 unemployed, you are left out in the cold."

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. LUNDEEN. Yes.

Mr. COOPER of Tennessee. The gentleman of course understands that this bill is not intended to take care of those now unemployed. That is what we passed the \$4,880,000,000 bill for. This bill seeks to set up a system in this country to take care of unemployment in the future, and I think the gentleman will agree with me in the statement contained in the report accompanying this bill if unemployment insurance had been enacted into law in this country about 1922, by the time the depression hit us in 1929 we would have had about two and a half billion dollars on hand then for unemployment insurance, and that certainly would have greatly assisted in sustaining the purchasing power and improving business conditions and the general welfare of the country, as well as caring for those entitled to consideration.

Mr. LUNDEEN. I wish to say to the gentleman that when we, back in 1922 and many years before that, advocated just that—we were denominated radicals, and we were told we should not do that sort of thing.

Mr. COOPER of Tennessee. The gentleman knows that neither his party nor my party were in control during that time.

Mr. LUNDEEN. Possibly so. History would read different today had a great national labor party been in power in 1922.

Mr. MARCANTONIO. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. MARCANTONIO. What is going to happen to these unemployed after the \$4,000,000,000 has been spent at an average wage of \$50 a month, which will do nobody any good?

Mr. LUNDEEN. I thank the gentleman for his statement. I wish to say that while I voted for the \$3,000,000,000 in the last Congress and the \$4,880,000,000 in this Congress, because of the relief measures contained therein, I wish to remind the Members on this floor that the reemployment under the \$3,000,000,000 was very disappointing. I see gentlemen nodding their heads. They know it was disappointing. I hope I am wrong, but I am afraid that employment under the \$5,000,000,000 bill is going to be dis-

appointing and that it will have no appreciable effect upon the 15,000,000 now unemployed.

PLENTY OF MONEY FOR THE NEXT WAR

With reference to this frame of mind which seems to exist among distinguished gentlemen here who frame legislation for this country, permit me to say we have plenty of money for the next war. I ask, where is it going to be fought? I suppose in Europe, Asia, and Africa. We appropriate a billion dollars for that; but if someone comes here and presents a bill, such as I have, providing for \$10 minimum for the unemployed and \$3 for each dependent, they are greatly horrified, but they have a billion dollars for the next war.

A BILLION DOLLARS FOR THE NEXT WAR

I say I would not spill one drop of the blood of an American soldier comrade of mine for any wealth invested by international bankers across the ocean in Europe, Asia, or Africa. Let those millionaires and billionaires who invest their money abroad go and protect their own money. [Applause.]

Mr. DUNN of Pennsylvania. Will the gentleman yield? Mr. LUNDEEN. I yield.

Mr. DUNN of Pennsylvania. Will the gentleman please tell me where we are going to get that money for the next war?

Mr. LUNDEEN. The gentleman asks where we are going to get the money for the next war.

Mr. DUNN of Pennsylvania. The gentleman asked the question and I would also like to know that. We do not seem to have enough money to take care of the aged and unemployed. I would like to know where we are going to get the money for the next war.

Mr. LUNDEEN. I will say that we always find sources of revenue when it comes to protect international bankers and wealth invested beyond the seas. That is not good Americanism. That is good Europeanism, and I want none of it. I do not believe in that kind of Americanism. I believe in the Americanism that takes care of the workers of America and the people in the United States, the development of projects and resources within the boundaries of this country. That is good enough for me. [Applause.]

Mr. MARCANTONIO. Will the gentleman yield further? Mr. LUNDEEN. I yield.

Mr. MARCANTONIO. As far as getting money for the next war is concerned, until a State adopts a plan of unemployment insurance, every penny which is collected by the pay-roll tax in that State goes into the general Treasury of the United States, and such funds so collected may even be used to build battleships, and yet this is called an unemployment-insurance bill.

Mr. LUNDEEN. I thank the gentleman again for his statement. In the last \$3,000,000,000 bill the administration reached in and took \$238,000,000, if I am correctly informed, and laid it down in battleships, to fight whom? What nation is there to invade this great, powerful country? Who is going to invade us? It is a war against someone else on other continents. I am going to speak for a moment before it is too late. I protested once before on April 6, 1917, and I want to protest again today, before it is too late. Some day you will find it is too late.

Mr. CONNERY. Will the gentleman yield?

Mr. LUNDEEN. I yield.

Mr. CONNERY. During the last 4 or 5 years we have had testimony on old-age pensions, unemployment insurance, the 30-hour week, labor-disputes bill, and so on. In all those hearings we held it became very clear to our committee, did it not, that there could be no prosperity in the Nation without the farmer being prosperous and the industrial worker being prosperous at the same time? We found that out, did we not?

Mr. LUNDEEN. That is true. The able and distinguished Chairman of the Labor Committee is always right.

Mr. CONNERY. And the Lundeen bill, which I am offering tomorrow as an amendment to this other bill, is the only

bill which takes care of the farmer and the industrial worker in the United States, is it not?

Mr. LUNDEEN. That is true. We take care of them, and we do it now—not in the dim, distant future.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. LUNDEEN. The moment that we provide \$10 a week and \$3 per dependent, that is something to horrify some gentlemen on this floor. I do not say all of you, but some folks here seem to be very much disturbed about these figures. In Saturday's RECORD I presented for the attention of the Members of this House the sources of revenue and the cost of this bill and based upon 10,000,000 unemployed the net cost is \$4,060,000,000, as given by Prof. Joseph M. Gilman, economist of the College of the City of New York; and based upon 14,021,000 unemployed, the net cost is \$5,800,000,000. That is not a large sum compared with the huge sums we are putting into armaments and into foreign adventures. I say it is time to turn back to Washington and Jefferson and Jackson and Lincoln and take care of these people in these United States who built this country and made America what it is today. [Applause.]

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. LUNDEEN. Yes; I yield.

Mr. SAMUEL B. HILL. Will the gentleman give us the figures upon which that estimated amount was based, or put them in the RECORD?

Mr. LUNDEEN. I will say to the able gentleman from Washington that those figures are already in the RECORD as of Saturday, April 13. [Applause.]

CONSTITUTIONALITY

Concerning the constitutionality of the Wagner-Lewis-Doughton social-insurance proposals—H. R. 4120 and H. R. 7260—I am surprised that able lawyers on this floor have not taken up that question more in detail.

One of my colleagues here stated to me the other day that someone maintained to him that H. R. 7260 is "absolutely probably constitutional", and that well illustrates the state of mind of Members on the constitutionality of the pay-roll tax and other features of the administration bill dealing with taxation, rights of States, and the rights of individuals and employers.

For that reason I have requested permission to insert a statement on the constitutionality of H. R. 2827 and the administration bill as given to the House Committee on Labor, and found on pages 245 to 270 of the Labor Committee hearings, February 4 to 15, 1935, Seventy-fourth Congress, first session, on unemployment, old-age, and social insurance. This statement is made by Leo J. Linder, able counsel of the New York Bar.

STATEMENT OF LEO J. LINDER

Mr. LINDER. Mr. Chairman and gentlemen of the committee, I am here to speak to you on the constitutionality of the Lundeen bill. Since I come here before you as an expert, I presume I should, within the limitations of modesty, state my qualifications very briefly.

Mr. DUNN. Yes; we want them.

Mr. LINDER. I shall state briefly that I am a member of the bar of the State of New York, a member of the bar of the United States Supreme Court, that I have practiced, tried cases, and argued appeals before the appellate courts of very many States besides the State of New York, and that I have briefed and argued questions of constitutional law before the highest court of our land, the United States Supreme Court. About 2 months ago the International Juridical Association, an association of lawyers of which I am a member, requested me to make a study of the constitutionality of the constitutional questions involved in the Lundeen bill, H. R. 7598.

Mr. DUNN. That is the old bill.

Mr. LINDER. Yes. The request was also made that if I came to the conclusion that the bill was constitutional, I should then draw a brief establishing the constitutionality of the bill. I made a very careful study of the decisions, the texts, and all of the other authorities to which lawyers resort in determining constitutional questions. At the termination of my study I became thoroughly and completely convinced that the bill was unquestionably constitutional.

Of course, my research with respect to H. R. 7598 is equally and perhaps more applicable to H. R. 2827, because H. R. 2827 is with-

out question an improvement on the other bill, because it simplifies many of the constitutional questions there involved.

The statement that I am going to read you very briefly states the affirmative argument supporting the constitutionality of the bill, and then, after stating that affirmative argument, deals with various objections that might possibly be raised to the constitutionality of the bill, such as the question as to whether the bill involves an unconstitutional delegation of legislative power, the question as to whether it is unconstitutional by reason of the indefiniteness of the appropriation contained in it, the question as to whether the bill involves any violation of due process, and, finally, the question as to whether the bill involves the violation of State rights.

The affirmative argument establishing the constitutionality of this bill is really very simple. This bill provides for the appropriation of Federal moneys out of the Treasury of the United States for the payment of compensation to the unemployed, the sick, the disabled, and the aged. It is thus simply an exercise of the appropriating power; that is, the power of Congress to spend money. The bill does, indeed, do more than provide for appropriations; it provides for the setting up of administrative machinery. But the appropriating power of Congress necessarily carries with it the incidental power to provide administrative machinery for disbursing the moneys appropriated and for insuring their proper application to the purposes sought to be achieved by Congress.<sup>1</sup>

What limitations are there on the power of Congress to appropriate Federal moneys? The Federal Government is a government of enumerated powers, that is, powers enumerated by the Constitution. Some constitutional lawyers have, therefore, argued that Congress may only expend moneys for the execution of the specifically enumerated powers. Upon some such argument an appropriation for social insurance would be unconstitutional, since the Constitution does not enumerate any power to provide social insurance for the people of the United States. The argument is, however, wholly unsound, for it ignores the fact that one of the enumerated powers set forth in the Constitution is the power to "lay and collect taxes, pay debts, and provide for the common defense and the general welfare of the United States."<sup>2</sup> To limit this power to spend moneys for the general welfare, to the power to spend moneys for the execution of the other specially enumerated powers, is to rob the general welfare clause of its meaning and thus to violate an elementary principle of constitutional construction.<sup>3</sup> Such distinguished constitutional authorities as Washington,<sup>4</sup> Madison,<sup>5</sup> Monroe,<sup>6</sup> Hamilton,<sup>7</sup> Calhoun,<sup>8</sup> and Justice Story,<sup>9</sup> have definitely repudiated the conception of an appropriating power limited by the other powers. Our highest authority, the United States Supreme Court, has in the famous Sugar Bounty case<sup>10</sup>—I will not here take the time to read the citations, all of which are set forth in the footnotes to the brief—definitely upheld appropriations by the Government in payment of purely moral obligations, entirely beyond the scope of the other specifically enumerated powers and has, indeed, held that an appropriation even out of "considerations of pure charity"<sup>11</sup>—the words "considerations of pure charity"<sup>12</sup> are a quotation from a United States Supreme Court opinion—cannot be reviewed by the judicial branch of the Government. Congress itself has uniformly and consistently exercised its appropriating power for any purpose which it deems for the general welfare and irrespective of whether the purpose comes within the specifically enumerated powers or not.

Consider the appropriations which Congress has made. Congress has spent millions—I should say billions—for the purchase of Louisiana from France, of Alaska from Russia, of Florida from Spain; Congress has made outright gifts of millions of dollars to the individual States;<sup>13</sup> it has appropriated billions of dollars for agriculture;<sup>14</sup> and for internal improvements;<sup>15</sup> it has appro-

riated the moneys of the Nation to aid destitute foreigners suffering severe calamities, as in the case of the Santa Domingoes in 1794;<sup>16</sup> and the citizens of Venezuela, who suffered an earthquake in 1812;<sup>17</sup> it has, in the last 2 years, appropriated billions of dollars for emergency relief to "needy and distressed people";<sup>18</sup> it has appropriated billions for the setting up of a Reconstruction Finance Corporation;<sup>19</sup> Home Owners' Loan Corporation;<sup>20</sup> and the Federal Housing Corporation<sup>21</sup>—not to mention all the other characters of the "alphabet soup."

None of the enumerated powers would justify these expenditures. You can look in vain through the Constitution for any specific enumeration of any power to do any of the things which I have just enumerated. Yet surely no one would presume to say that Congress exceeded its power in making the Louisiana Purchase, or in setting up the Geological Survey, which has increased the natural resources of the Nation, or that Congress should never have contributed to the country's educational needs.

It is thus entirely clear when you consider it that, wholly without regard to the enumerated powers, Congress may use Federal moneys for any purpose whatsoever which it deems will accomplish the general welfare. Surely it could not be said that a bill which will provide a system of unemployment and social insurance for millions of unemployed, sick, disabled, and aged is less for the general welfare than any of the bills which have just been mentioned. When Congress passes this bill, it will thereby declare that, in its judgment, this bill is for the general welfare, and no court has the power to substitute its judgment on that question for that of Congress.

The fact is that the Supreme Court of the United States has itself stated that it has never in its entire existence attempted to set any limitations to the power of Congress to appropriate moneys.<sup>22</sup> On the contrary, the Supreme Court has explicitly declared that the exercise of the appropriating power is not at all a subject for judicial consideration.<sup>23</sup> The Supreme Court has appreciated that if individual taxpayers were permitted to harass and obstruct the Federal Government with questions as to the propriety of national expenditures, that this would render wholly unworkable the whole machinery of the Federal Government. There is a historic case in which a taxpayer tried to stop the Secretary of the Treasury from paying out moneys for the construction of the Panama Canal.<sup>24</sup> Certainly there you have as good an example of an expenditure and an appropriation beyond the enumerated powers of Congress as is possible to find, and solely justified by the general-welfare clause. The United States Supreme Court declared that the taxpayer could not interfere. The Court pointed out that the taxpayer could not show—and this is the technical reason—any "direct injury", since he could not point to any property belonging to him which was directly affected by the way the Federal Government spent its money. After all, the money in the United States Treasury appropriated might very well be interest on the foreign debts, or the proceeds of the sale of governmental property, and no taxpayer could point to any specific tax or any specific moneys paid by him which was used for the appropriation in question.

As I read this, it comes to my mind that only recently the United States Government made a neat little profit of over \$2,000,000,000 on the devaluation of the dollar. That profit constituted part of the funds of the United States. So long as this bill contains simply a general appropriation—and that is all it does contain, because the language of the bill as I have it here is that there is appropriated out of the Treasury of the United States money sufficient to enable the consumption of and the effectuation of this bill—but where you have an act of Congress which appropriates moneys generally out of the Treasury of the United States without any reference to any earmarked moneys, no taxpayer can point to any specific moneys of which he has been deprived by virtue of any tax laid upon him. And since no taxpayer can point to any such specific moneys, he cannot technically, as the United States Supreme Court said, show any direct injury.

The United States Supreme Court, however, went much further than this technical argument with respect to the matter of direct injury. The Court declared explicitly that the question of the purpose for which Congress may use moneys is a legislative question, not a judicial one.

I would like to read you a few quotations from treatises on constitutional law, which definitely establish, with the aid of the authorities there cited, this proposition. Pomeroy, in his monumental text on constitutional law, declares:

"What expenditures will promote the common defense or the general welfare, Congress may alone decide, and its decision is final."

<sup>1</sup> Act of Feb. 12, 1794, ch. 2.

<sup>2</sup> The act of May 8, 1812, ch. 79; 4 Eliot's Debates, 240.

<sup>3</sup> Emergency Relief and Construction Act, 1932, 47 Stat. 709, July 21, 1932, c. 520.

<sup>4</sup> Jan. 22, 1932, c. 8, 47 Stat. 8.

<sup>5</sup> June 13, 1933, c. 64, 48 Stat. 128.

<sup>6</sup> National Housing Act, no. 479, 73d Cong., approved by President June 27, 1934.

<sup>7</sup> *Mass. v. Mellon*, 262 U. S. 447, 487-488; in *Field v. Clark*, 145 U. S. 649, *United States v. Realty Co.*, *supra*, and *Mass. v. Mellon*, *supra*, the Supreme Court refused to pass on the question of the propriety of the exercise of the appropriating powers.

<sup>8</sup> *Mass. v. Mellon*, *supra*.

<sup>9</sup> *Wilson v. Shaw*, 204 U. S. 24.

<sup>1</sup> The Constitution of the United States, art. I, sec. 8, cls. 1 and 18; Willoughby on the Constitution of the United States, ch. 3, sec. 62, p. 105.

<sup>2</sup> Constitution, art. I, sec. 8, ch. 1.

<sup>3</sup> Chief Justice Taney in *Holmes v. Jennison*, 14 Pet. 538, 570, 571; Story Commentaries on the Constitution, 5th ed., secs. 812, 913.

<sup>4</sup> Story on the Constitution, 5th ed., note to sec. 978.

<sup>5</sup> The Federalist, p. 41; Richardson, Messages and Papers of the President, vol. 2, 485, 568.

<sup>6</sup> Annals of Congress, 17th Cong., 1st sess., vol. 2, p. 1839; Richardson, op. cit., vol. 2, p. 165.

<sup>7</sup> Hamilton's Works, Lodge's edition, vols 3, 294, 371, 372.

<sup>8</sup> Eliot's Debates, 2d ed., vol. 2, 431, note.

<sup>9</sup> Story on the Constitution, vol. 1, secs. 922 to 924; see also Pomeroy Introduction to Constitutional Law, sec. 274, 275; Hare, American Constitutional Law, p. 155; Willoughby on the Constitution of the United States, sec. 269; Burdick on the American Constitution, sec. 77.

<sup>10</sup> *United States v. Realty Co.*, 164 U. S. 427.

<sup>11</sup> *United States v. Realty Co.*, *supra*, p. 441, 4.

<sup>12</sup> In 1837 Congress, finding that there was a surplus, appropriated \$20,000,000 to be paid to the individual States in proportion to their population; Congress made a second appropriation of this nature in 1841.

<sup>13</sup> Orfield Federal Land Grants to the States, pp. 37, 41, 48, and 67; the acts establishing the Bureau of Animal Husbandry, Weather Bureau, Bureau of Plant Industry, Forest Service, Bureau of Biological Survey, Bureau of Crop Estimates, etc., etc.

<sup>14</sup> The Geological Survey, Bureau of Mines, Department of Education, road building.



Hare, in his early text on American constitutional law, puts the matter as follows:

"The question of for what purpose Congress may use its powers of taxation (and thus ultimately for appropriation) is a legislative question, not a judicial question."

Therefore I think it is perfectly clear that this bill is not only constitutional as a constitutional exercise of the appropriating power, the power to spend moneys for the general welfare, but there is no legal way by which the propriety of the exercise of this power can be questioned by anybody.

That is the affirmative argument in support of the constitutionality of the bill. It seems to me to be entirely irrefutable.

Mr. DUNN. The word "welfare" there makes it constitutional, does it not?

Mr. LINDER. The words "general welfare" and the fact that Congress has the power to appropriate moneys for anything which Congress regards as for the general welfare. That is right.

Mr. DUNN. Thank you. I wanted to have that statement substantiated.

Mr. LINDER. I proceed now to the negative part of this argument; that is, the answer to objections which have been or can be raised.

The most serious objection which can be raised, it seems to me, is the question with respect to whether this bill involves an unconstitutional delegation of legislative power. While the bill does, indeed, invest the Secretary of Labor with large discretion, this does not render the bill unconstitutional. The United States Supreme Court has, again and again, sustained delegations of power to the President, Cabinet officers, and Commission. The Court has recognized that Congress might very well find it impossible to do more than to "lay down an intelligible principle to which the person or body administering the bill is directed to conform."<sup>20</sup> The Court has appreciated the practical difficulty of fixing precise and definite standards in advance of the complex contingencies certain to arise and has recognized that Congress might "from the necessities of the case, be compelled to leave to the executive officers the duty of bringing about the result pointed out by the statute."<sup>21</sup> Thus, the Tariff Act of 1922 was held constitutional by the United States Supreme Court, although it vested the President with the power to raise or lower the tariff upon any imported article whenever it was found that the American products were at a competitive disadvantage with those imported from abroad.<sup>22</sup> I dare say you can search high and low in an effort to find an example of a broader power of administrative discretion than that which was here regarded as constitutional, lodged in the President. But if that is broad, consider the broad power which was held to have been constitutional, delegated to the Commissioner of Internal Revenue by the Revenue Acts of 1918 and 1921, which authorized the Commissioner to adjust the very rate of excess-profits tax. Again, in another case an act of Congress, which gave the Secretary of the Treasury, on the recommendation of experts, the power to fix and establish standards of purity, quality, and fitness for consumption of certain commodities imported into the United States, was held constitutional.<sup>23</sup>

In the recent "hot oil" case<sup>24</sup>, handed down by the United States Supreme Court about the beginning of January this year, the United States Supreme Court declared that the "hot oil" control clause of the N. R. A. was invalid as an unconstitutional delegation of legislative power. But, in that case, no "primary purpose" or "primary standard" whatsoever was clearly stated. The legislation there considered is wholly distinguishable from this bill, for here in the Lundeen bill a primary purpose is stated, and it is clear that the Secretary of Labor is not invested by this bill with anything more than a properly constitutional "administrative discretion." Indeed, when you consider it, the discretion invested in the Secretary of Labor under the Lundeen bill is narrow, for the beneficiaries who are to receive the compensation are named, the minimum compensation is prescribed, the maximum compensation is ascertainable, and the nature of the compensation is fixed. Certainly the discretion here vested in the Secretary of Labor is far less wide than that vested in the Secretary of Agriculture by the Agricultural Adjustment Act of 1933.<sup>25</sup> In the A. A. bill the Secretary of Agriculture was granted the power—and I now quote from the statute—"to provide for rental or benefit payments in connection with crop reduction in such amounts as the Secretary deems fair and reasonable."

Mr. HARTLEY. On that point, has that question been tested yet?

Mr. LINDER. No; not the A. A. A. Of course, I present the A. A. A. only because I am presenting this to a congressional body that found it thoroughly constitutional to pass the A. A. A., which provides for this extravagant area of administrative discretion, should have no difficulty in passing a bill which said that the Secretary of Labor is empowered to pay compensation, the minimum level of which is fixed, the maximum level of which is ascertainable, to persons who are definitely described in the act. Here in the A. A. A. the Secretary of Agriculture is given the power to provide for benefit payments in such amounts as he deems fair and reasonable. The Lundeen bill does not do that. It does not

<sup>20</sup> *Hampden v. United States*, 276 U. S. 394.

<sup>21</sup> *Buttfield v. Stranahan*, 192 U. S. 470, 496.

<sup>22</sup> *Hampden v. United States*, supra.

<sup>23</sup> *Buttfield v. Stranahan*, supra.

<sup>24</sup> The "hot oil" decision, *Panama Refining Co. v. Ryan*, 79 L. Ed. Adv. 223, Jan. 7, 1935, Sup. Ct. Rep. —, but see Carpenter on the Constitutionality of the N. R. A., *Southern California Law Review*, Jan. 1934, p. 125; Cheadle on the Delegation of Legislative Function, 27 *Yale Law Journal*, 892.

<sup>25</sup> May 12, 1933, c. 25, 48 Stat. 31.

say the Secretary of Labor is given the power to provide for such compensation as he or she deems fair and reasonable at all, because there is a minimum stated. But the A. A. A.—I refer to that only because I am speaking to a congressional body—has this argument: The direct argument is that the area of discretion which is vested in the Secretary of Labor is narrow, and that it is narrower than the area of administrative discretion which was held constitutional in the various cases that I have cited. It would be proper argument, arguing from precedent as one would have to argue before the United States Supreme Court, that you have held the Tariff Act which allowed the President to adjust the very rate of tariff wherever he found that the domestic product was at a competitive disadvantage—you held that constitutionally there is no limitation on the discretion there, except the President must determine whether the domestic product is at a competitive disadvantage. You held it perfectly proper—if you are arguing to the United States Supreme Court—for the Congress to enact a bill by which the Commissioner of Internal Revenue is authorized to adjust the rate of excess-profits tax.

Mr. DUNN. Pardon me; you are referring to the reciprocal tax, are you not, that was passed last year?

Mr. LINDER. No, no. This is the 1922 act. I am referring to the tariff bill which came before the United States Supreme Court for consideration in Hampton against United States. In Hampton against United States, the United States Supreme Court said that it was perfectly legitimate for Congress to vest the President with such discretion. When I wrote this brief originally, I inserted in the brief this statement, that the United States Supreme Court has never in its entire history invalidated an act on the ground that it involved unconstitutional delegation of legislative power. But I had to take that sentence out of this brief because lo and behold, to the everlasting astonishment of every constitutional lawyer in this country, without question, the United States Supreme Court in the "hot oil" case a month ago held that section of the N. R. A. which gives the President the power to regulate the production and the distribution of "hot oil" invalid, because that was, as the United States Supreme Court says, an unconstitutional delegation of legislative power. Mr. Joseph Cardozo wrote a brilliant dissent. He was alone in his dissent. In that dissent he pointed out that this decision was a break with the whole line of decisions in which the tariff act and the other acts were considered.

Therefore, it is necessary for us to consider whether this bill is constitutional within the recent decision of the United States Supreme Court in the "hot oil" case. I say that it is on a much different basis because in the "hot oil" decision the United States Supreme Court was considering a clause in a bill which stated that the President might interfere with and prohibit the transportation of "hot oil" products, without in anywise defining under what circumstances he should do it. The Lundeen bill does set definite criteria and standards, because it fixes a minimum, it determines how the maximum shall be ascertained, and it determines to whom the benefits and competition shall be paid. And since it does that, it cannot at all come within the criticism of the United States Supreme Court in the "hot oil" decision.

Mr. HARTLEY. May I ask another question? I do not want to interrupt your testimony here too much.

Mr. LINDER. That is quite all right.

Mr. HARTLEY. But I am very much interested in your argument. Do you not think we can strengthen this bill by further defining the powers of the Secretary of Labor in this bill?

Mr. LINDER. You could strengthen it further, but it would not strengthen the constitutionality of the bill. The bill is perfectly constitutional as it stands, because you do not need to do any more than fix the minimum, state how the maximum shall be ascertained—and when you say "average local wages", that can be ascertained; there is no difficulty about it, that is purely a matter of statistical determination. A finding can be made as to that, just as in the tariff case it was entirely possible for the President to determine whether the domestic product was at a competitive disadvantage. It is possible to determine it. The criterion is stated and the formula is given on the basis of which the administrator can determine how he should proceed. And insofar as that is done in the Lundeen bill—and it is unquestionably done in the Lundeen bill—the Lundeen bill cannot be attacked on the ground that it involved any delegation of legislative power.

Mr. HARTLEY. Then you do believe that this is as great a delegation of authority and power as was granted in the "hot oil" case?

Mr. LINDER. Not at all, because in the "hot oil" case the President's power to prohibit the transportation of "hot oil" products was not in any wise restricted. He was not told that he could restrict "hot oil" products already brought in, or under what circumstances, or what kind of findings he should make or anything else of the kind.

Mr. LUNDEEN. You might say he was given unlimited power.

Mr. LINDER. Whereas here, the Secretary of Labor is given a limited power.

Mr. LUNDEEN. A restricted power.

Mr. LINDER. Yes.

Mr. HARTLEY. Do you really think the Secretary of Labor is given limited authority in this bill? Do you not think it is rather broad authority?

Mr. LINDER. Do you think it is any broader than the power of the President in the tariff bill to adjust the rate of tariff from nothing to 100 percent, if he so please?

Mr. HARTLEY. No; I agree with you that is a delegation of authority.

Mr. LINDER. Do you think it is any greater than the delegation of power which is involved in the act in which the Commissioner of Internal Revenue is given the power to adjust the rate of excess-profits tax? He is not told whether he is to adjust it at 1 percent or 100 percent. Yet that was held perfectly legitimate. What broader example of administrative discretion could you have than the act which was held constitutional by the United States Supreme Court in which the Secretary of the Treasury was authorized to fix the standards of quality and fitness for consumption of products.

Mr. HARTLEY. May I ask this? Do you think that the decision in the "hot oil" case indicates a possible change in the trend of opinion of the Supreme Court as to the right of Congress to delegate this authority?

Mr. LINDER. I should say that the decision of the United States Supreme Court in the "hot oil" case indicates that the United States Supreme Court will not hold constitutional any act which delegates an administrative power to an administrator without defining and in some wise, in some intelligible way, limiting and restricting that power. I think that any constitutional lawyer who reads the "hot oil" decision will have to say now that if this Lundeen bill said that the Secretary of Labor was to pay compensation to the unemployed, periodically, without saying how much, without fixing a maximum or a minimum, then it would be under the "hot oil" decision and the United States Supreme Court would hold that bill unconstitutional. But I do not think that criticism can be at all urged against this bill in the present form.

Mr. HARTLEY. Do you not agree that that decision was sort of an admonition to the Congress to call a halt?

Mr. LINDER. I have said so.

Mr. HARTLEY. My questions may indicate that I am opposed to a bill of this kind. I am not. I am merely trying to get opinions which will enable this committee to write a bill that is going to stand up after the bill has been put into effect.

Mr. LINDER. I think I would like to extend my remarks on that question a little in this respect: This bill cannot be attacked as unconstitutional delegation of legislative power from a different aspect. This bill is not one under which the President is given the power to tax anything, or the Secretary of Labor to tax anything, or to forbid something from coming into the United States or to forbid something from being transported in interstate commerce.

In that respect it is wholly different than the "hot oil" case; it is wholly different from the tariff case and all the others, because this bill rests on a wholly different basis. This bill is a bill by which Congress spends money. So long as this is a bill by which Congress spends money, the power of Congress to spend money being unlimited within the sole limitation that Congress must regard it as being for the general welfare, in that sense no one can intelligently urge for a minute that this involves an unconstitutional delegation of legislative power. The power to spend money, as I stated before, carries with it the power to set up an administrative machinery for the spending of the money. That is perfectly obvious, that it must. If the Congress has the power to spend \$100,000,000, it obviously must have the power to devise the machinery by which the money is to be spent and to set up the criteria which are to govern and guide the administration of the fund. In that sense a breath of unconstitutionality cannot be attached to the Lundeen bill.

The other decisions and these other cases involve a wholly different set of situations. The "hot oil" case involves the power of the President to stop something from going across the State lines, but we are not stopping anything from going across the State lines. All that is being done here is that Congress is spending money and stating how the money is to be spent.

Mr. DUNN. Attorney Linder, I do not like to interrupt, but this is absolutely necessary. There has been a question come before the committee about this section 2, line 7. Will you read that? There are quite a number here who would like to have that explained.

Mr. LINDER. Section 2, line 7: "A system of unemployment insurance"?

Mr. DUNN. Yes.

Mr. LINDER. Section 2 provides:

"The Secretary of Labor is hereby authorized and directed to provide for the immediate establishment of a system of unemployment insurance for the purpose of providing compensation for all workers and farmers above 18 years of age, unemployed through no fault of their own."

Mr. DUNN. That is the point I want to make. Would this bill, the way it is written, apply to men who are not citizens? That is what I want to find out. That question has been asked. It came up this morning when one of the witnesses said that they would like to have that question answered.

Mr. LINDER. I should say that this bill in its present form would be applicable to any worker and any farmer in the United States, unless there is something in section 4 which would restrict that interpretation. The only thing in section 4 which might restrict it would be line 9 to the end:

"The benefits of this act shall be extended to workers, whether they be industrial, agricultural, domestic, or professional workers, and to farmers, without discrimination because of age, sex, race, color, religious, or political opinion or affiliation. No worker or farmer shall be disqualified from receiving the compensation guaranteed by this act because of past participation in strikes, or refusal to work in place of strikers."

I see nothing in this bill which would make it inapplicable to aliens who are workers and farmers. It seems to me that it would

be wholly improper to restrict the interpretation of this to citizens wholly.

Mr. DUNN. Thank you.

Mr. LINDER. That is not a constitutional question. It is a question of construction of the bill.

Mr. DUNN. Someone made the statement it would be necessary to insert another section to take care of people who are not citizens.

Mr. LINDER. I should state it as my opinion that this bill applies to workers, to anyone who is a worker or a farmer, unless there is some other statute of the Federal Government—it would have to be a Federal statute—which would make it impossible for a person not a citizen to acquire the benefits of any such act. I know of no such statute at the moment. I can say, though, I proceeded to answer the question as best I could, because I did not want to appear to refuse or to be unwilling to answer any questions, but that is not a question which comes within the confines of the constitutional questions which I have been here considering.

Mr. LUNDEEN. And you have not given that any particular study?

Mr. LINDER. I have given it no particular study. It is purely an off-hand opinion on my part.

Mr. DUNN. But your interpretation of the act now would be that they would not be discriminated against?

Mr. LINDER. I should say not. I would say that my off-hand reaction would be that I see no social reason why an alien worker should not receive the benefits under this act. I should say that if there were any doubts in the minds of any Congressmen or in the minds of the constituents of any Congressmen as to it, it might be a very good idea to bring it home to any reader of this bill that no discrimination is intended by providing in the act a provision that no worker shall be disqualified from receiving the compensation guaranteed by this act by reason of his being an alien or by reason of lack of citizenship. I should say that on that ground that it seems to me that an alien worker who by his work and by his toil and by his lifeblood has contributed to the wealth and the welfare of this country is entitled to as much protection as any citizen is.

Mr. DUNN. Attorney Linder, one of the members of the committee stated yesterday that in his district there were many people wanting to become citizens, but the judge before whom they appeared would not grant them citizenship papers because they could not read or write. It is not because the men do not want to become citizens, but some object.

Mr. LINDER. I should say that certainly whether a man can read or write, if he is a worker, if he is a human being, he needs the means whereby to live, and his children need milk just as much as children of a man or woman who can read or write. You are certainly suggesting another reason why it would be outrageous—

Mr. DUNN. I agree with you that we should not discriminate against the unfortunates.

Mr. LINDER. Yes.

Mr. SCHNEIDER. I would like to have your comment on this, Are all the powers delegated in this bill delegated to the Secretary of Labor?

Mr. LINDER. Yes.

Mr. SCHNEIDER. On page 3, line 6, where it says, "Further taxation necessary to provide funds for the purposes of this act shall be levied on inheritance, gifts, and individual and corporate incomes", and so forth, would that power be all delegated to the Secretary of Labor?

Mr. LINDER. Oh, no, no. The Secretary of Labor has no power to tax.

Mr. SCHNEIDER. Who has?

Mr. LINDER. Only Congress has.

Mr. SCHNEIDER. But we are delegating the power.

Mr. LINDER. Oh, no, no. The only proper construction of this language would be that when you say "further taxation" you mean further taxation shall be levied by whoever has the power to levy it. The Secretary of Labor has no power to levy taxes, therefore this must mean that Congress would levy the taxes. I should say the spirit of this act and its clear intention is this: Section 4 starts out by saying:

"All moneys necessary to pay compensation guaranteed by this act and the cost of establishing and maintaining the administration of this act shall be paid by the Government of the United States. All such moneys are hereby appropriated out of all funds in the Treasury of the United States not otherwise appropriated."

That means if it costs \$10,000,000 to pay the compensation under this act, if this act is passed, that \$10,000,000 is a charge on the Treasury of the United States just like the President's salary or the cost of maintaining a battleship is a charge on the Treasury of the United States. If there is not enough money in the Treasury of the United States to pay this compensation, Congress in enacting this bill says that further taxation necessary to provide such funds shall be levied in a particular way. That is, if there is not enough money in the Treasury, Congress should put more money in the Treasury by levying taxes of this kind.

Mr. LUNDEEN. That is a declaration of policy?

Mr. LINDER. That is only a declaration of policy. That is what I was going to say. This is not a tax measure. It is absurd to regard this as a tax measure. As a matter of fact, this language, "Further taxation necessary to provide funds", is stated as a declaration of intention on the part of Congress, wholly without meaning and wholly without significance, because Congress does not levy taxes by using such language. When taxes are levied they are levied with reference to the whole body of revenue acts which are in existence. If Congress were levying a tax bill, Congress

would, considering the whole body of the revenue acts, amend, repeal, or modify existing revenue legislation. It is ridiculous to think that this sentence, "Further taxation necessary to provide funds for the purposes of this act shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over", is language by which the tax is itself levied. The tax is not levied by this. All that Congress is doing here is saying, "If there is not enough money in the Treasury, then we, the present Congress that passed this bill, think, we believe, it is our feeling in the matter, that the way that further money should be provided is by this method." That is all this means, purely a declaration of intention.

Mr. HARTLEY. If this were a tax-raising bill it would not have been referred to this committee, but to the all-important Ways and Means Committee.

Mr. LINDER. That is right.

Mr. HARTLEY. There it would rest in some cubby hole.

Mr. LESINSKY. Absolutely correct.

Mr. LINDER. It is not a taxing measure. If you will bear with me in the course of this argument on the constitutional law, I will cover the whole question of the taxing power and all the rest of it, because I mean to consider all those questions.

I think that the question as to whether this bill involves an unconstitutional delegation of legislative power is pretty much covered, and I think is irrefutably disposed of by the statement that I have made, and the statement that has been elicited by the questions that have been asked.

I want to go on now as to the question as to whether this bill is constitutional or unconstitutional because of the fact that it does not appropriate a specific amount. One might say, looking at this bill, that Congress has not in this bill stated how much is appropriated. Congress does not say that a million or a billion or ten billion is appropriated. Congress says simply, "All moneys necessary to pay compensation are appropriated", and that is all. Now, that is not a constitutional objection. No specific amount is appropriated by this bill. But this does not render the bill unconstitutional. For general indefinite appropriations are common. The first of such general indefinite appropriations was passed when the very first Congress, in 1793, directed that all expenses accruing or necessary for the maintenance of lighthouses be paid out of the Treasury of the United States.<sup>2</sup> Congress did not say that they appropriated a dollar or ten thousand dollars or a million dollars. Congress simply appropriated the money that was necessary to maintain the lighthouses, that is all. Since then, hundreds of statutes containing similar indefinite appropriations have been passed.<sup>3</sup>

In the footnote to the brief there are collated some references that, I think, will fully persuade you that when Congress passes a bill of this kind with an indefinite appropriation it is doing the sort of thing that Congress has been doing ever since 1793 and has done hundreds of times.

From the moment the bill is enacted this general appropriation becomes a charge upon the Treasury of the United States. When it is determined that any individual is entitled to a certain amount of compensation, his claim is a claim on the United States, to be honored by the Treasury just as any matured bond or other obligation of the United States must be honored. In other words, claims for compensation would arise, considering the matter from the standpoint of machinery and mechanics, much in the same way that a claim on a Home Owners' Loan bond would arise. The bond is issued. When it is issued, it becomes a claim upon the United States, to be honored out of the Treasury of the United States by the Secretary of the Treasury when the obligation or the bond becomes due. So you would conceive that the Secretary of Labor, through a proper administrative official, would determine that a particular individual was entitled to \$12.32 compensation; and if that compensation were, according to the terms of the requisition made by the administrative officer, payable immediately, it would become a charge upon the United States Treasury just the same as a bond which has become due would be a charge. Like all other matured claims on the United States, these claims for compensation, when fixed, must be provided for as a part of the Budget of the United States. In other words, the administrative officer would determine how much, if any, compensation would have to be paid; and when he determined it, that would have to be provided for, along with the battleships and the salaries and all the other items of expenditure of the Federal Government. I do not think there is any serious objection that can be raised with respect to the fact that no definite appropriation is made.

I come now to an objection which is the bugaboo of all social legislation. That is the "due process of law" objection. Unlike all other employment and social insurance plans, and also unlike the Wagner-Lewis bill, this bill does not involve the setting up of reserves created by enforced contributions by employers or employees. The only way that any person could regard himself as in any wise deprived of property for the purpose of financing this bill, would be by regarding this bill as a taxing measure.

There is no pay-roll tax here. There is no enforced contribution to reserves. The only way in which any human being, any person in the United States, could be regarded as in any wise hurt or interfered with or burdened by this act would be by the taxes that

he might have to pay if Congress thought it necessary to provide further tax or revenue-raising bills.

The bill provides that "it is the sense of Congress that if any further taxation is necessary to provide funds for the purposes of this act, it shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over."

Even if it can be argued that this is a taxing measure, and I submit that it cannot intelligently be so argued or so regarded, the bill is a proper exercise of the taxing power of Congress. Congress has the power under the Constitution to lay taxes for the "general welfare", subject only to two limitations.<sup>4</sup> In the case of duties, imports, and excises, "this must be uniform." This is not a duty, import, or excise, so the objection of uniformity is not available here. In the case of direct taxes, they must be apportioned according to the census. Neither limitation, however, applies to incomes, gifts, or inheritances since the sixteenth income-tax amendment.<sup>5</sup> If you regard this bill as a tax measure—and I say you cannot so regard it—it would be a perfectly proper tax measure because it would come within, first, the general welfare clause, and, second, the income-tax amendment to the Constitution.

Thus, a tax levied by Congress on incomes, inheritances, and gifts is wholly proper so long as Congress deems it to be for the "general welfare." Once Congress has levied such a tax, the tax cannot be assailed by any taxpayer, since the courts will not review the exercise of the congressional discretion involved in income taxation. The decision of Congress is thus final.

The limitation on the taxing power of the States, "that the taxation must be for a public purpose", is not a limitation applicable to the Federal Government.<sup>6</sup> But even if it were, clearly the purposes for which funds are to be raised by taxation and to be spent under this bill, is a "public purpose." The fact that private individuals benefit does not alter the fact that it is to the public interest that these private individuals receive such public benefit.<sup>7</sup> Finally, what is or is not a "public use" or purpose, has been held by the United States Supreme Court in the famous North Dakota nationalization cases to be a question concerning which the legislative authority is best able to judge.<sup>8</sup> Just as in the case of the exercise of the appropriating power, so in the case of the exercise of the taxing power, where the tax is levied on incomes, inheritances, and gifts, the taxpayer is wholly without remedy. When Congress determines that such a tax is for the "general welfare" its decision is final and cannot be constitutionally assailed.

This brings me to the last objection, that is, the objection on the ground that this bill might violate State rights.

It has been argued that this bill is unconstitutional on the ground that it involves an usurpation of the rights of the States. This argument is based upon the proposition that the power of Congress to regulate commerce and industry is limited to the "interstate commerce power" and that any regulation by the Federal Government of intrastate business and of matters "not commerce" is unconstitutional.

This argument is wholly inapplicable to the present bill. For this bill is not an exercise of the interstate commerce power; it is an exercise of the appropriating power.

This bill does not involve any regulation of intrastate commerce or of matters "not commerce." This bill does not tell any merchant or manufacturer how he is to do his business; it does not involve the setting up of reserves; it does not compel any manufacturer to pay contributions to a particular reserve fund. It does not set up such business relationships as might possibly be involved in the creation of special accounts with employers or employees, based on their contributions to a reserve fund.

In the Wagner-Lewis bill the whole concept is that employers shall contribute a pay-roll tax to a specific fund. There the machinery that is contemplated by Congress is a machinery which will involve the setting up of reserves, of accounts. It might very well be argued that Congress would be going into the insurance business, would be going into an elaborate set of business relationships, something which only the States should do. But do you not see that that has nothing to do with a bill like this, which does not involve any pay-roll tax, does not involve any reserves, does not involve any enforced contributions? This bill simply spends money.

Mr. HARTLEY. On that point, does not this bill indirectly call for the setting up of reserves for the payment of unemployment compensation?

Mr. LINDER. No; it does not call for the setting up of one dime of reserve. All this bill does, as you read the bill, is, it spends money. It spends money by way of compensation to the unemployed, just the way the United States Congress spends money when it provides for a battleship. There is no reserve set up for the battleships. There is no reserve set up for the President's salary or for the salaries of Congressmen. It is there. If it is not there, Congress has to raise the money by levying taxes. There is no reserve at all provided. That is the basic concept of this bill, that the Government has the obligation to provide social security to every human being, every worker and farmer who, through no

<sup>2</sup> *Hilton v. United States*, 3 Ball. 171; *Pollock v. Farm Land & Trust Co.*, 158 U. S. 601.

<sup>3</sup> The sixteenth amendment reads as follows: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

<sup>4</sup> *Billings v. United States*, 232 U. S. 261.

<sup>5</sup> *Noble Bank v. Haskell*, 219 U. S. 104; *Fallbrook Irrigation District v. Bradley*, 164 U. S. 112; *O'Neill v. Leamer*, 239 U. S. 244.

<sup>6</sup> *Greene v. Frazier*, 259 U. S. 232.

<sup>2</sup> Act of Aug. 7, 1793, c. 9, § 1, Stat. 53.

<sup>3</sup> Introduction to hearings before the subcommittee of the House Committee on Appropriations on H. R. 9410, 73d Cong., 2d sess.

fault of his own, is unemployed. The basic concept of this bill is that the Government in recognition of that social obligation to every human being who cannot earn a living through no fault of his own should pay directly to that person money not because any reserve is set up, for no reserve is set up. This bill says, "Let Congress pass a tax statute. Let Congress tax inheritances and incomes and gifts, not by way of any reserve but out of the money that the Congress can create." When you consider that Congress can on occasions raise billions for specific purposes—I understand that Congress spent about \$30,000,000,000 to wage the World War for the United States—Congress can create the money, can get the money. How it gets the money is not the purpose of Congress when it passes this bill. All that Congress does when it passes this bill is, it says, "Compensation shall be paid out of the United States Treasury, and the compensation shall be a claim against the United States Treasury, and it shall be paid out of the United States Treasury." If the money is not there, Congress should raise the money by taxes.

If you consider the bill fundamentally and basically, therefore, you see that it involves vitally a wholly different social conception of the obligations of government and that which is involved in the Wagner-Lewis bill. In the Wagner-Lewis bill the money is to be created by reserves based upon insurance actuarial principles, reserves that are to be created over a period of time. A small amount of money is to be paid upon the basis of insurance principles to workers and farmers when they lose their employment. That is why the Wagner-Lewis bill does not provide for the present unemployed. The Wagner-Lewis bill deals with those who are employed now. It looks forward to the possibility of creating reserves out of pay-roll taxes; it is really gotten out of the pay rolls of the workers and farmers, who would thereby be affected, looking to the creation of those reserves. It does not contemplate the Government spending its own money. The Government is not spending its money in the Wagner-Lewis bill. It is spending the money, it is providing for reserves out of which the insurance should be paid. This bill, however, has nothing to do with the question of reserves. This bill spends money. It spends money the same way that Congress spends money when it provides for the building of a post office or—

Mr. DUNN. Or battleships?

Mr. LINDER. Or battleships.

Mr. LUNDEEN. Only this is for a better purpose.

Mr. LINDER. Yes.

Mr. HARTLEY. Then you say that this bill merely recognizes the obligation that we have to provide unemployment insurance to our unemployed today, and indirectly directs Congress, then, to pass a new tax bill to raise the revenue to pay it?

Mr. LINDER. It does not direct Congress to do it. Suppose that Congress were to pass a bill providing for the appropriation of a million dollars for the building of a post office in Kankakee, or somewhere. Congress then would not be concerned with how the million dollars should be raised. That is a job for the Secretary of the Treasury. The Secretary of the Treasury can inform the individual who is responsible for the balancing or for the preparation of the Budget, and then the individual who is the Commissioner of the Budget can say whether there is money enough or whether there is not.

Mr. HARTLEY. Then you say that this directs the Secretary of the Treasury to raise the money to pay unemployment insurance?

Mr. LINDER. It does not even do that. I mean, it does a very simple thing. It simply spends money. If the money is not there, then it is for Congress to work out ways and means for getting it there; that is all.

Mr. HARTLEY. Did you not say it was up to the Secretary of the Treasury to find money if it was not there?

Mr. LINDER. If I said that, I spoke a little loosely. I mean the Secretary of the Treasury, of course, could not fill the job of finding the money or of getting money. It is up to Congress to tax and to provide the money.

Mr. HARTLEY. Then that gets back to my first question, that we are indirectly directing Congress to get the money in the event it is not there.

Mr. LINDER. After all, it is conceivable that Congress might authorize the President to sell public lands. It is conceivable that Congress might direct the President to devalue the dollar further. It is conceivable that Congress could work out one or a hundred different ways in the light of raising money.

Mr. HARTLEY. In the light of the last few years, it is possible.

Mr. LINDER. That is right. But this is not a tax measure. I think it is important that you gentlemen should conceive it simply as an appropriating measure; just as you do not concern yourselves directly with how the money is to be provided when you pass any other appropriating measure, so you must regard this as an appropriating measure. How the money is to be provided is another question that Congress has to determine. That question I am not going into now, because it has nothing to do with the constitutional-law questions with which I have been concerned. Economists and statisticians, financial experts, and experts on the potential capacities of this country and on the earning power of the people of the country can advise you as to how Congress can get the money. I am not here for the purpose of telling you how Congress can get the money. I am here only for the purpose of persuading you, as I think I can—I hope I can—that this bill is constitutional as an appropriating measure.

Mr. HARTLEY. Then, as I understand you to say, Congress has the right to direct the people of the State of New Jersey and every other State in the Union to pay taxes to provide unemployment

insurance in the event there are not funds in the Federal Treasury?

Mr. LINDER. No; I did not say that. I said Congress had the power to spend the Federal moneys—

Mr. HARTLEY. Yes.

Mr. LINDER (continuing). For any purpose that Congress deems to be for the general welfare. If Congress says that it is for the general welfare of the people of the United States that every unemployed person should receive compensation, Congress has the power to provide for the payment of compensation to those persons. How the money is to be raised is a revenue question, it is a question of the Budget. Money can be raised by the sale of land. It can be raised by the—

Mr. LUNDEEN. Sale of bonds.

Mr. LINDER. Yes; the sale of bonds. It can be raised by various fiscal and other measures.

Mr. LUNDEEN. They are always oversubscribed about seven times.

Mr. LINDER. Congress can provide for the issuance of a new Liberty bond, of course. Congress can provide for the money. But that is really not germane to the question we are now concerned with. The question that we are concerned with here is this: Has Congress the power as a matter of constitutional law to provide for the payment of compensation to the unemployed? The answer is "yes", because Congress has the power to spend money for any purpose Congress pleases, so long as Congress deems it to be for the general welfare.

Mr. SCHNEIDER. Getting back to that question I asked you some time ago, this bill quite specifically directs the Government to raise the additional money necessary by certain methods, inheritance taxes, income taxes, and so forth; not the selling of bonds, and so forth.

Mr. LINDER. It does not direct, though. As Congressman LUNDEEN pointed out, it is simply declaring the intention of Congress. It is simply saying that Congress thinks that the best way of raising money would be by income taxation, inheritance, and gift taxation. This is not the act in which it is doing that.

Mr. SCHNEIDER. Yes; I understand that part of it. However, if this has any meaning in its enactment, it means that the Congress is establishing the policy that the raising of additional money for the purpose of meeting this expenditure will be done by these means.

Mr. LINDER. It is a suggestion.

Mr. SCHNEIDER. Taxation of incomes, inheritances, and so forth, and so on.

Mr. LINDER. There is no question in your mind, is there, sir, that Congress has the power to pass such taxation legislation?

Mr. SCHNEIDER. Oh, no; they have that, of course.

Mr. LINDER. Very well. If they now tax an income to the extent of so much percent, they can jack up the percentage, if Congress so please.

Mr. SCHNEIDER. Yes. Are you familiar with the A. A. A. system of taxation—the processing tax?

Mr. LINDER. Yes. But, you see, there you have a wholly different concept, because there you have something which is a little akin to the reserve-fund theory. The Secretary of Agriculture is given the power, as I stated before, to pay benefits to farmers in such amounts as he deems advisable and reasonable.

The Agricultural Adjustment Act also provides that the Secretary of Agriculture has the power to lay a processing tax on the products of agriculture, which come within the sphere of the Secretary of Agriculture's administration under this act. Then the act also goes on to say that the Secretary of the Treasury shall advance money to the Secretary of Agriculture as a sort of an advance to him for the purpose of paying these benefits to the farmers. And then the Secretary of Agriculture is to lay the processing taxes and it is the intention, stated in the act, that the processing taxes are to make up or to create a fund which is sufficient to reimburse the Secretary of the Treasury for the moneys he has advanced to the Secretary of Agriculture for these benefits. In other words, what Congress was there, in the A. A. A. doing, was to pay money to farmers and to provide the money which was being paid to farmers by processing taxes. That in a way is similar to the Wagner-Lewis bill and the conventional unemployment-insurance bills, where you create pay-roll taxes for the purposes of enabling you to pay compensation. A reserve is created. But, you see, the A. A. A. involves some very serious questions of constitutional law, because it does just that. In the case of the Lundeen bill, no taxpayer whose income tax was jacked up 25 percent or so could come into court and say, "I object to this bill. I think this bill interferes with my constitutional rights. I ask that the Secretary of the Treasury be enjoined from paying out the money by way of compensation under this bill, and the Commissioner of Internal Revenue be enjoined from collecting the taxes." He cannot do it, because he cannot point to any specific dollar which he paid which went for this bill. It is just impossible, because the \$1,500, let us say, that this man paid might have gone for the battleship. It is impossible.

In the A. A. A. when the processing tax is levied and he pays the processing tax, he can point to specific money. He says, "The Government has levied a processing tax upon me which was used to pay benefits to farmers. I think that scheme is wrong. I think that is an improper method of use of money. I think it is improper to tax me for such a purpose."

But he cannot do that under the Lundeen bill.

There is another aspect, also, in which this bill is strikingly different from the other unemployment-insurance bills and from the other social legislation which involves due-process questions.

This bill does not interfere with the conduct of any intrastate business. A farmer who is raising a cash crop, for instance, or who is raising a crop without limitation as to the nature of the crop, and who is taxed by this processing tax, can come into court, and they have come into court, and said, "We object to this processing tax because that is an interference with our business." As a matter of fact, if the sad truth must be broadcast, the A. A. has been held unconstitutional on a number of occasions in the last few months, insofar as it provided for the regulation of intrastate businesses. But the beauty of the Lundeen bill is that you cannot touch it on that point, because the Lundeen bill is not interfering with any business. Nobody can come and say, "I am being interfered with, I am not being allowed to run my business in the way I want to, I am being taxed", because he cannot point to anything—this is not a bill which interferes with business; it just spends money—just as he cannot come in and object to the money that they are using for a post office somewhere, because he cannot say that his money went for that post office; and so he cannot do anything with this, either.

After all, take the taxpayer who so many years back was outraged because Congress was spending money for the building of the Panama Canal. He brought a proceeding, and the United States Supreme Court said, "We are sorry, my dear sir, you just cannot do anything about it, because Congress is just spending money, and Congress can spend money for anything it pleases so long as Congress does this for the general welfare." This is the same situation.

This bill does not prohibit the transportation of any product by interstate commerce. In the Child Labor case the United States Supreme Court said that it was unconstitutional for the Federal Government to forbid the transportation in industry of the products of child labor, because the business in which this child labor was employed was an intrastate business subject only to the management and to the governance of the State; and it was a violation of the rights of the State to prohibit the transportation industry of the products of that child labor.

That argument simply has nothing to do with our present situation, because we are not interfering with the transportation of anything in interstate commerce. We are simply spending money.

A very important decision which has had a tremendous importance in constitutional law affecting social legislation is the employers' liability cases, in which the United States Supreme Court held that it was improper for Congress to regulate the liability of employers to their employees in intrastate business. That may be one of the many Achilles' heels of the Wagner-Lewis bill. These pay-roll taxes may very well be regarded as a regulation of intrastate business. But that does not apply here, because I have said now for the fifteenth or twentieth or one hundredth time you are just spending money here.

The bill simply sets up an obligation of the United States Government to pay out of the United States Treasury compensation. There is a case in the records, in the reports of the decisions of the United States Supreme Court, where a State came in and objected to the spending of money by Congress, for a particular purpose, because the State said that was an interference with the proper province of the States. It is the very famous maternity bill. I think it was the Smith-Townsend bill. It is referred to in the footnotes of this brief. Congress there passed a bill appropriating so much money for the creation of a board of maternal and infant health hygiene, and it provided that so much money should be given to the States provided they set up in each State a hygiene board subject to the rules of and pursuant to the provisions and the general plan outlined in the statutes. The State of Massachusetts, in a case which is known as *Massachusetts v. Mellon*,<sup>42</sup> a very famous case, came in and objected. They said, "When Congress provides for the appropriation of moneys to the particular States, provided they subject themselves to a Federal plan, Congress is interfering with the proper province of the States."

The United States Supreme Court said, "Oh, no; Congress is simply spending money, and in the exercise of appropriating money the power and authority of Congress to spend money cannot be questioned."

I am going to embark upon a line of reasoning here that has certain limitations and certain perils, which I am going to point out, but I would like to present the argument to you because while this argument would not be an argument which I would present to the United States Supreme Court, it is an argument which I have a perfect right to present to a Congressman because it is an argument based upon the sort of bills that Congress has just been passing; although I am not saying that those bills are constitutional.

Even if, however, the exercise of the appropriating power should, by any stretch of the imagination, be regarded as a regulation of matters "not commerce" and of intrastate commerce—I think I have demonstrated that it cannot so be regarded—it does not follow that the plan is beyond the powers of Congress. For it is the present doctrine of the United States Supreme Court that Congress has the power to regulate intrastate commerce and matters that are "not commerce" at all, provided that the burdensome character of these activities on interstate commerce is clear and direct.<sup>43</sup> Thus the United States Supreme Court has held the

Packers and Stockyards Act of 1921 constitutional, although that act gave the Secretary of Agriculture supervision over the commission men and livestock dealers in the stockyards of the Nation and thus enabled the Secretary of Agriculture to regulate prices and practices in matters wholly intrastate.<sup>44</sup>

The Court appreciated that the object of the act was to "free and unburden"—this is the language of the Supreme Court—the flow of interstate commerce.

Again, in another case, the passenger rates of the branch line of a railroad, wholly within the boundaries of a single State, were held constitutionally subject to the control of the Interstate Commerce Commission, by reason of the effect of the intrastate rates on interstate rates and interstate business.<sup>45</sup> The Court has again and again regarded similar—

Mr. HARTLEY. Is this a decision of the United States Supreme Court?

Mr. LINDER. Yes, sir. The *Safety Appliance Act Case* (222 U. S. 20). For further decisions along the same line I refer you to the footnote 43 of the brief.

The Court has again and again regarded similar acts as a proper exercise of the "interstate commerce power."

Certainly, it must be clear—and this is the argument I would like to present as forcibly as I know how to Congressmen—that Congress in 1933 and 1934 has proceeded upon the constitutional theory that it lies within the province of the Federal Government to prevent practices which deter the free flow of interstate commerce and to promote practices which stimulate the free flow of interstate commerce. As a matter of fact, if you will read the preamble to the N. R. A., you will find language in that act which was introduced at the suggestion of a constitutional lawyer, made to Senator WAGNER, which he very gratefully adopted, according to the minutes of a hearing on the N. R. A. just before the act was passed.

Mr. SCHNEIDER. A Senate hearing?

Mr. LINDER. A Senate hearing. In that Senator WAGNER accepted with great gratitude the suggestion of a constitutional lawyer that they should stick into the N. R. A. some language which should indicate that the purpose of the N. R. A. was to deter practices which interfered with the free flow of interstate commerce, and to encourage practices which would stimulate the free flow of interstate commerce. As a matter of fact, the A. A. A. contains language which is even clearer than the National Recovery Act.

The Congress which passed the Agricultural Adjustment Act of 1933 declared that the loss of the purchasing power of the farmers endangered the entire economic structure of the Nation.<sup>46</sup> The mechanism set up by that act was conceived as a device to restore purchasing power. Certainly, if that is the argument for the N. R. A. and the A. A. A. the workers' bill is similarly an effort to remove obstacles to the free flow of interstate commerce. Clearly it provides for the general welfare much more directly than the N. R. A., the A. A. A., the P. W. A., and the other emergency acts which Congress has enacted during the Roosevelt administration.

This bill is an effort to deal with the same problem—the crisis in the purchasing power of the people of the United States. The basic conception of this bill is that the millions of workers and farmers throughout the United States who are unemployed, sick, disabled, and aged, lack purchasing power and that the soundest and most intelligent way to restore that purchasing power is simply and without further ado to give them money. But not to give them money by way of charity or relief, but to give them money as of right, as a compensation for a disability which they suffer, due to no fault of their own and due to the operation of social forces. The basic idea of this bill is that funds should be given to create purchasing power for the masses who must spend the money for the necessities of life and who, in spending the money for these necessities, for milk and for bread and for rent and for things they need to live, will thereby remove obstructions to the free flow of interstate commerce.

Furthermore, a consideration of the advantages of the Federal as against the State or Federal-State social insurance systems will show what the United States Supreme Court terms the "administrative necessity" of a Federal system.

The vast growth of American industry spanning the entire continent and the development of a national economy that is interconnected and interdependent has completely transformed the Nation which was originally the subject of the Constitution. For most purposes of business and commerce State boundaries have ceased to exist. The existence of 48 governmental systems endeavoring to solve problems, essentially national in scope, in 48 different ways has created stupendous contradictions and difficulties. Of course, it is obvious enough that the Wagner-Lewis bill provides precisely that misfortune, 48 different State bills, all different, as different as the ingenuity and the intelligence—or the unintelligence—of the State legislatures can provide. The lack of purchasing power of the unemployed, sick, disabled, and aged is a national phenomenon, national in scope; its causes are bound up with the causes of the national economic crisis.

The administrative advantages in simplicity and efficiency which inhere in a uniform and integrated Federal system, as against the chaos of different plans in different States, are obvious.

<sup>42</sup> *Mass. v. Mellon*, supra.

<sup>43</sup> *Safety Appliance Act case* (222 U. S. 20); *Wisconsin R. R. Com. v. C. B. & Q. R. Co.* (257 U. S. 553); *Stafford v. Wallace* (258 U. S. 485); *Board of Trade v. Olson* (262 U. S. 1); *Colorado v. U. S.* (271 U. S. 153).

<sup>44</sup> *Stafford v. Wallace*, supra.

<sup>45</sup> *Colorado v. U. S.*, supra.

<sup>46</sup> See Declaration of Policy, National Industrial Recovery Act, June 16, 1933, c. 90, 49 Stat. 193.

The Federal system is the only feasible one, because it is only the Nation which can deal with the problem as it must be dealt with. The problem is a problem of mass unemployment, with millions out of work. The loss in purchasing power runs into billions of dollars. Only the Federal Government, with its vast resources and imponderable taxing power, can provide the funds to meet a problem of such magnitude. Many of the States simply do not have the necessary financial resources or adequate taxing power. Their unemployed, however, need compensation no less than the unemployed of the wealthier States, and it is equitable that the wealthier States should contribute to the support and maintenance of the human beings in the poorer States. The incomes earned from Nation-wide industry are, in a large measure, beyond the taxing power of any but the one State where the income is received. Consider a huge industrial plant in the Middle West owned by a corporation domiciled in New York. Its income, earned in the Middle West, is received in New York. It is New York which can most effectively tax that income. Yet when a depression occurs and the plant in the Middle West is shut down, the human beings whose labor contributed to the income received in New York are dropped, and the burden of their maintenance lies in the Middle Western States. The surplus, resources, and continuing income of the New York corporation in New York are not adequately available to the taxing power of the Middle Western State. Only the Federal Government can properly distribute the burden, because only it can effectively reach the income and property of a New York corporation. Thus the taxes paid by the New York corporation may, through the instrumentality of the Federal taxing power, be made available to meet the human needs of the unemployed throughout the country. Clearly it is only the long arm of the Federal Government which can reach out and deal with this problem.

The national emergency legislation which has been enacted during the Roosevelt administration involves an understanding of the national character of our economic problems. Furthermore, this legislation indicates a keen appreciation of the inadequacy and cumbersomeness of the Federal subsidy system. This legislation provides for direct aid to persons, firms, and corporations in the States. The A. A. A. provides Federal moneys directly to farmers all over the country. There is no nonsense requiring the Federal Government to grant subsidies to the States and the States to grant the money to the farmer. The Federal Government deals with the farmer directly. It does so in the firm realization that the price of crops grown by a farmer in Iowa determines his purchasing power, and that even if his crops never get beyond the boundaries of his State and even if his purchasing power is exercised for the purchase of products made within the State, his purchasing power is a matter of direct concern to the entire Nation.

Similarly, the Reconstruction Finance Corporation Act created the R. F. C. to supply Federal money direct to bankers throughout the country. The money was not given to the States to parcel out to the bankers. The bankers, whether their business was intrastate or interstate, whether they did a Nation-wide business or a neighborhood business, were the objects of national concern and were dealt with as such. Similarly, the Home Owners' Loan Corporation was organized by the Government to supply money, in theory, to home owners throughout the country; in practice, to mortgagees throughout the country. Thus "farmers' relief", "bankers' relief", and "home owners' relief" have all been envisaged as Federal problems requiring Federal solution.

There is no intelligent reason why the unemployment problem, which is similarly a Federal problem, and which similarly requires national solution, should not be dealt with in the same way.

We must remember that the bill here considered does not depend for its constitutionality on any consideration of the "interstate-commerce power" upon the argument that the regulation of intrastate business is necessary because of its effect on interstate business. Although I have stated the argument by analogy from the R. F. C. and the H. O. L. C. and the A. A. A. and the N. R. A., I do not at all mean to imply that the constitutional argument is based on that analogy, because I could not be sure of that ground. The N. R. A. has been held unconstitutional again and again and again in the inferior courts of the country—and the citations are collated here—on the ground that it involves an interference with intrastate business. And the Wagner-Lewis bill involves a mare's nest, a hornet's nest of constitutional complications because of all the problems of that character that are there involved.

This bill does not have to depend upon any argument that we are trying to deal with the purchasing power of the Nation; we are trying to stimulate the flow of interstate commerce, because, as I said at the outset, and I repeat, much in the form of a musical rondo, in which you start with the theme and come back to it, it is simply an act by which Congress spends money. It rests upon the same constitutional basis as the Reconstruction Finance Corporation Act and the Home Owners' Loan Corporation Act. The Reconstruction Finance Corporation Act is an act by which Congress spends money for the relief of bankers throughout the country. The Home Owners' Loan Corporation Act is an act by which Congress spends money for the relief of mortgagees who cannot get a dime on their mortgages. The A. A. A. is an act for the relief of farmers directly. I want to withdraw the reference to the A. A. A., because the A. A. A. involves the whole complication of difficulties involved in the processing tax, with all the problems of direct injury and all the rest of it, and due process, that are there involved. Here we have something which

rests for its constitutional basis upon the same basis that the R. F. C. and the H. O. L. C. have.

The Congress which passed, and this is all that I want to say by way of summary. I trust I have made it clear, as an act it rests on the same constitutional basis as all these other acts, as the R. F. C., which spends money. The Congress which passed the Reconstruction Finance Act apparently was convinced that it was for the general welfare, that the banks in this country should be given money out of the Treasury of the United States so the banks could stay in business. The Congress which passed the H. O. L. C. Act apparently was convinced that it was for the general welfare that individuals and corporations owning mortgages affecting real estate should be given bonds of the United States in payment of their mortgages.

When Congress, and this is my concluding statement, when Congress passes this bill, if, as and when it does, it will at last have realized that it is for the general welfare of the United States, that all human beings in the United States who, through no fault of their own, are unable to earn the necessities of life, should receive money so that they may purchase the necessities of life, of living, and in so doing maintain not only their own very lives, but the economic life of the country.

The CHAIRMAN. On behalf of the committee I want to thank you for the valuable information you have given.

Mr. LINDER. If there are any constitutional law questions, I will be very happy to try to answer them, so far as I can.

I am submitting herewith for your convenience a list of citations and am prepared to submit additional citations if it is desired.

Mr. HARTLEY. Did I understand you to say before that we would be strengthening our case by further defining the powers of the Secretary of Labor?

Mr. LINDER. Well, I should say that you would strengthen the bill by an elaboration of the bill, but I should say that the energies of the House Committee on Labor, if it were determined that this bill were sound, should rather be devoted to the enactment of the bill as it stands than to getting into a lot of arguments that would be aroused, and would be involved in the question of definition. The bill in its present form is, I think, simple and intelligent; so simple that even a lawyer used to complicated and technical language can understand it. This bill is so simple it states its method by which it solves this problem, so simply and intelligently that any further attempt at elaboration here and now would involve a diverting of the energies of the committee into collateral arguments on definitions and that sort of thing. I should say I think it would be laudable and it would be splendid if a formal, technical bill in language which perhaps is more technical than this bill should be drawn, and should set up an elaborate administrative mechanism, and so forth; but it seems to me that the problem of the proponents of this bill in the present Congress is to persuade Congress that this idea is right. If you persuade Congress that this idea is right, the formulation of the technical bill is simply a matter for experts. I mean, a matter of definition, and that sort of thing, you can state what is said here more technically, but I do not think you could state it much more intelligently. I think that this bill in its present form is intelligent, is clear, is readable, and most important of all, as far as I am concerned, is constitutional.

#### THE LUNDEEN BILL APPROPRIATES FEDERAL FUNDS FOR THE GENERAL WELFARE

This bill provides for the appropriation of Federal moneys out of the Treasury of the United States for the payment of compensation to the unemployed, the sick, the disabled, and the aged. It is simply an exercise of the appropriating power, the power of Congress to spend money. It deprives no one of his property without the "due process of law" guaranteed by the Constitution. Unlike other unemployment and social-insurance plans, it does not involve the setting up of "reserves" created by enforced contributions by employers or employees.

Since the bill is merely an exercise of appropriating power, it rests upon the same constitutional basis as do the Reconstruction Finance Corporation Act and Home Owners' Loan Corporation Act, which involve merely an exercise of the power of Congress to spend Federal moneys. These acts all provide for direct aid to persons, firms, and corporations in the States. The Reconstruction Finance Corporation Act supplies Federal moneys directly to banks throughout the country. Unemployment and social insurance problems are even more clearly Federal problems. They require similar national solution.

#### H. R. 2827 UNQUESTIONABLY CONSTITUTIONAL

The Congress which passed the Reconstruction Finance Corporation Act, the Home Owners' Loan Corporation Act, and the bulk of the national-emergency legislation clearly conceived that it was for the "general welfare" that individuals, corporations, and banks should be given money out of the Treasury of the United States. When Congress passes

this bill it will have realized that it is for the "general welfare" that all human beings in the United States who, through no fault of their own, are unable to earn the necessities of life, should receive money representing their contribution to production so that they may purchase the necessities of life, and in so doing maintain not only their lives but the economic life of the United States.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, the gentleman from New Jersey [Mr. EATON], whose views and whom I personally admire and respect, and whose friendship I value, very properly presented to the House in taking the position that he has on this bill pertinent inquiries and arguments. During the course of his remarks he asked questions in relation to the taxes imposed upon wealth-producing agencies and the effects he fears will follow therefrom—the fear that it will wipe out business, the effect this bill will have on the very foundations of our civilization, and the responsibilities which the Federal Government under this bill will undertake when the bill becomes law. Had his arguments come from some other Member of the House I would not have been so surprised; but I am, coming as they do from one of the most logical-minded, one of the most humane, and from one whom I consider to be one of the most progressive Members of this body. He well said that this bill and its purposes transcends politics. I agree with him. It is pleasing to me to note that the Republican Party takes no definite position on this bill. There are some who are opposed to certain features, some who are for the entire bill, and some who have objections, as they are entitled to have objections, to certain features of the bill. A Member has the right, if honestly entertaining such thoughts, to be in complete opposition to the entire bill. From the remarks made by the minority Members it is clear that their minds on this legislation transcend mere partisan politics.

I shall address myself briefly, Mr. Chairman, to the pertinent question the gentleman from New Jersey raised, a question which might be titled, "Human rights and responsibilities of government in relation thereto versus property rights and the responsibility of government in relation thereto."

What are the functions of government? Government has two functions—a primary function and a secondary function. The objective of the performance of both these functions is the general welfare of the people, of those with property, and of the unfortunates who are without property and without means, of business, of employer and employee, the general welfare of all our social and economic groups, and as far as possible and as the circumstances require of all of our people.

Mr. EATON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I shall be pleased to yield to my friend.

Mr. EATON. I would not want the gentleman to leave the impression—and I have such an affectionate regard for him I know he would not want to—that I consider property rights above human rights.

Mr. McCORMACK. No; not at all.

Mr. EATON. But I am interested in preserving what wealth-producing agencies we have in the interest of human rights.

Mr. McCORMACK. I am glad my friend interposed his remark, because under no conditions would I want to convey any such impression; and I will state specifically that the gentleman's position is honest and sincere. He has no desire, of course, where there is a conflict between human rights and property rights, to take a position other than that which his conscience prompts him to take. There is an honest difference of opinion between us.

The ultimate object of our Government is the general welfare of our people. Among the people of a nation are the unfortunates, the poor, the sick, the aged, and other persons in a dependent position; each generation has and will have them. Under our economic system, known as the

"profit system", we shall always have the employer and the employee. As a result of this relationship, problems arise which require action on the part of the Government to control and regulate, where the general welfare is involved, whenever abuses arise out of private industry and whenever private industry is unable to control them, the continuance of which abuses would be inconsistent with the welfare of the country. Under such circumstances some agency must step in and assume the burden of correcting such abuses in the interest of the general welfare; and in the past, as we see again in the pending bill, this agency is government itself.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. MAY. I think the clearest expression we have ever had of the function of government was stated in the Declaration of Independence by Thomas Jefferson, when he said that the object of government was the protection of life, liberty, and the pursuit of happiness. I think that is what this legislation is designed to do, if it is perfected.

Mr. McCORMACK. I agree with my distinguished friend. I think reference to the general welfare includes all of the worthy objectives of government mentioned by Mr. MAY. Government in the past has had to extend its secondary functions in order to control abuses which have arisen out of the operation of private industry; government will and must continue to do so in the future.

The primary functions of government are very limited. The primary functions of government consist of protecting our country against foreign invasion, of preserving internal order, and by taxation to raise the money with which to provide for these essential duties of government, all of which duties relate to the natural law of self-preservation in its application to a nation. When we get beyond the performance of these duties by government we enter into what is termed the "secondary function of government." For example, the maintenance of our public-school system is not a primary function of government. The regulation of the railroads is a secondary function, necessary because of abuses that private agencies could not control. In order to try to control those abuses government had to step in and extend a secondary function by creating regulatory boards.

The Workmen's Compensation Act was action on the part of government, another extension of its secondary field, necessary to control abuses arising out of private industry. This is not a criticism of the profit system to which I subscribe, but governmental action was, is, and will continue to be necessary when the circumstances call for the same and when no other agency exists that can properly meet them and determine them for the interests of our people. Under such conditions there is the mouthpiece of the people, their Government, to which the people are justified in turning, to step in and undertake to regulate existing abuses, and to control or minimize them for the general welfare.

Take the minimum-wage law for women and children employed in the industry of my State and other States, where women and children were exploited by private industry. Private industry could not or did not control the situation. Many employers wanted to, but they could not because if they did they would increase their production cost with reference to unscrupulous competitors, and as a result a small group of unscrupulous business men affected everyone in the same field of business activity; so that all were compelled, whether they wanted to or not, to employ the tactics and the practices of this small, unscrupulous group.

The 48-hour law for women and children in my State and in other States, and the regulatory boards for public utilities, were necessary to control abuses. The charges upon the general public being unreasonable, and because of other actions employed by public utilities who had a monopoly and who occupied a special position, which practices were inconsistent with the welfare of the general public, the Government had to step in, extending every time its secondary function of government in order to meet and control a situation affecting the general welfare. The furnishing of water by cities

and towns to its own inhabitants is a secondary function of government. The maintenance of our roads is a secondary function of government. The purposes of this bill come clearly within the purview of the same principle.

If conditions exist which require consideration somewhere, the continuance of which conditions would be harmful to the general welfare; and if private industry or the agency out of which they arise are unable to control them, it is the duty of Government to enact legislation which will try and meet the problem and determine it for the general welfare and the benefit of our people.

Mr. Chairman, let us examine the situation further. In performing duties devolving upon government as a necessary extension of its secondary functions, the shoe must pinch somewhere. Someone has got to pay extra taxes; someone has to assume increased burdens. It is necessary for the general welfare of all.

I recognize the burden that government is imposing, but I recognize, on the other side, that there is a need today to meet the problem contained in this bill, just the same as the law of necessity or of exigency in the past required the extension of the secondary functions of government to meet the problems of those days. It is the same condition, only today it exists with reference to our unemployed and to those unfortunate persons who have gone beyond the age of productivity, that requires our consideration and which prompts this bill. Somebody must bear this burden. Where, with reference to unemployment compensation and contributory annuities, does it belong more rightfully than upon that field out of which the necessity for legislative action rises—the field of private business?

We have reached the day when many employers—in fact, most of our employers are conscious of it—realize that business owes a responsibility to society; that they do not owe it to themselves to earn mere profits. The existing circumstances make it necessary or exigent that something should be done. They owe something to their employees. They owe a duty to the community in which their business is located. There is a growing consciousness on the part of our business men of the social responsibility that they owe to government itself, but it is incapable of expression because a small percentage of unscrupulous competitors fail to cooperate. The result is that honorable, high-type business, comprising at least 90 percent of every business activity, are unable to put into operation that which they would like to, because by so doing a business man would, or fears he will, create a differential against himself, a differential running in favor of his competitor. We say that something must be done, and that government step into the picture and exert its power and influence by extending its secondary field in order to meet a problem requiring solution, in order that the general welfare might benefit. This is our problem today, just the same as the problems I briefly referred to heretofore were the problems of past legislative bodies, just the same as the Congresses of tomorrow and the legislative bodies of the several States of the Union of tomorrow will have their problems to meet.

Mr. Chairman, we cannot close our eyes to facts; we cannot ignore cold evidence, and the cold evidence is that there are 7,500,000 persons today 65 years of age or over; that there are approximately 1,000,000 receiving welfare relief, and of that 1,000,000, 200,000 receive old-age benefits from 29 States and 2 Territories. By 1970 the aged will number 15,000,000, and by the end of the century 19,000,000, of whom it is estimated at least one-third will require assistance. It might be said, "Why should we look ahead 30 years?" The answer is, we should. We cannot close our eyes to the fact that we owe a duty to the future. We cannot legislate today to adequately meet the conditions that might exist in 1970, but at least we can lay the foundation today so that those of 1970 and later will be able to more easily meet the problems that might confront them. One million or more persons cannot continue to receive such aid from the Government without a loss of self-respect and without its effects being harmful to our Government and our people.

Mr. RANDOLPH. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from West Virginia.

Mr. RANDOLPH. I hesitate to interrupt the gentleman in his splendid address, but I simply want to say that I believe Victor Hugo gave a statement which it would be well to put in the Record at this time, when he said: "The smoothing out of rough places is the great policy of God." I am certain the gentleman from Massachusetts [Mr. McCORMACK] has expressed the same sentiments, that we owe a duty to those less fortunate than ourselves.

Mr. McCORMACK. The duty and responsibility of the Government in the assumption of these social problems is upon the theory that the strong must and should take care of the weak where the circumstances call for and justify it. None of us know what is liable to happen to us in the journey of life. Misfortune may visit us. While we are all born equal under the law, equality stops there. We are not all born under the same environment. We are not born with the same mentality. We are not all born with the same productive abilities.

Some men may be mentally brilliant and weak physically; other men may be strong physically and weak mentally. Some of us are born with a desire to save in order to have security in old age, while others are not. We have got to consider this question from the angle of a nation of 125,000,000 people. We cannot establish what we individually possess as the standard for everyone else. We have got to realize that the strength or the weakness of our Nation is represented by the collective strength or the weakness of all of our people. We have got to realize that these problems exist, and while I wish they did not exist, yet they do, and some agency must meet them. What agency is left to meet them in an adequate manner other than the agency of Government?

Of course, someone must assume the burden. It is the strong who naturally must and should assume a burden of this kind, the continued existence of which is harmful. Why should not business during the productive period of an employee's life assume in part at least this responsibility? When an employee reaches old age, business lets him go. Unlike an old piece of machinery that can be thrown away or sold, a human being cannot be sold. He can be thrown out, but not sold. After employment ceases and old age is arrived at, with no resources, society must assume the burden. That has unfortunately been our experience of the past. If this is so, it is only proper that as a part of the cost of production, business should assume the responsibility of establishing a fund out of which reasonable benefits will come to the unemployed and out of which earned benefits will come in the case of the old and the aged.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman from Massachusetts 5 additional minutes.

Mr. EATON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. EATON. Mr. Chairman, we have been listening to a very extraordinary address by one of the ablest men in public life. The gentleman has referred to an utterance of mine, but I would like to lay emphasis upon the very thing he is emphasizing and have it included in his address, namely, there is just one source for all this, and that is the wealth-producing agencies of this Nation, and when the Government exercises its secondary powers in regulating that agency, instead of wrapping it in grave clothes, it ought to make its path easy to discharge this necessary function.

Mr. McCORMACK. I agree with the gentleman, but I disagree with him about the dangers. My friend, I think, will agree that business owes a duty to society during the productive period of a person's life.

Mr. EATON. Yes.

Mr. McCORMACK. My friend talks about taxes. I have stood on this floor and I have opposed the imposition of heavy taxes. I voted against a conference report last year. But let us face the facts again. If we imposed anywhere near the taxes in America that are being imposed in England today,



we would more than balance not only our ordinary Budget but we would meet our emergency expenditures. [Applause.] Let us be frank about it. Let me illustrate:

A single person in England with an earned income of \$4,850 pays \$664.85 income tax. In the United States he pays \$138.40, and in New York State the State income tax is \$115.50, totaling \$253.90.

A British couple without children would pay \$589.50, while in the United States, including the New York State income tax, the payment would be \$145.30.

With one child, in England, the taxpayer would pay an income tax of \$534.70, while the United States and New York State income tax combined—and the other States are somewhat comparable—would be \$117.

With two children, in England, the taxpayer would pay an income tax of \$480.15, while in the United States, Federal and New York State, he would pay a total tax of \$73.36.

And so it goes; and the same thing applies to business.

I do not want to impose heavy taxes, but the fact must remain that business and income taxes in this country, under existing circumstances, are not unreasonable.

Mr. EATON. The gentleman does not consider the English condition of taxation so ideal that he would like to have it reproduced in America, does he?

Mr. McCORMACK. I answered the gentleman. I told the gentleman I would not want taxes to be comparable, nevertheless, in an emergency such as this it is evident there is a great disparity. The people of England have assumed their burden, they have assumed their social problems, and in the United States because of the passage of one of the most progressive pieces of legislation, to meet the demand and the problems of the day, the argument of property, which is related to taxes, is advanced in opposition to it.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. LUNDEEN. I wish to call the gentleman's attention to the fact in this connection that the British are balancing their budget and have announced that they are on the high-road to prosperity, and we were good enough to give them nearly \$10,000,000,000, cutting down their taxes, and then the King said, "I will go with you 50-50", and canceled the rest of it.

Mr. McCORMACK. Correct.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. RICH. I have been trying to find out from Members of Congress how we are going to be able to balance the Budget. The gentleman just stated how they were doing this in England. Is the Democratic Party today going to assume its responsibility and do what their plank on this subject in the party platform calls for, and that is balance the Budget; and are they going to say to the American people that we are not going to put this burden on our children but that we are going to assume it?

Mr. McCORMACK. My friend is a very fine gentleman. I do not think he entertains the thoughts in his mind which sometimes he unconsciously expresses. [Laughter.] My friend can never permit any other Member to take the floor but what he injects something partisan. Certainly the last thing I was trying to do in this mild, humble effort of mine was to contribute anything of a partisan nature.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 1 more minute.

Mr. McCORMACK. I have one more thought that I want to leave with you. The old-age-pension provision is an effort to meet the problem that immediately confronts us. One may disagree as to its adequacy, and I respect their right to disagree. The committee has done its best. It has presented a fine bill, as it is presented in its entirety. I have made an effort in the Ways and Means Committee to have the amount to each State increased to \$20 a month. If we only confine ourselves to a remedy for the immediate situation, we have partially failed. We should try to meet the causes which bring about dependency in old age. That is what prompts the passage of the contributory annuity provisions. That is

the purpose of the pay-roll contribution of employer and employee—for the employees and employers to contribute to a fund from which an earned annuity, one as a matter of right, and not a gratuity based on need, will be received during their lives. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Georgia [Mr. CASTELLOW] such time as he desires.

Mr. CASTELLOW. Mr. Chairman, I have listened with deepest interest and sympathy to the many splendid speeches made on the bill before us for consideration which impresses me as being, by far, the most important legislation that has come before this body since I have been a Member of the House.

In the time allotted me, and for which I am grateful, it is not my purpose to undertake to discuss the mechanics of the bill, nor yet its superstructure, for these things have been discussed meticulously by the splendid and very intelligent gentlemen composing the Ways and Means Committee, as well as by many other earnest, honest, and intelligent Members. It is my purpose to endeavor to explore the subject just a little further and try to take in a bit of new territory.

Someone has said it is not enough to speak, but to speak truly. So let us be reminded it is not sufficient to legislate, but to legislate wisely. In so doing, and to facilitate that purpose, it behooves us to consider not only the character of building we would construct but to examine most carefully the foundation upon which it is to be erected. Let us not repeat the folly of him who built upon the sands but, on the contrary, test the foundation and carefully determine its ability to support the weight to which it is subjected. In my judgment, there is a formula in legislation and government which parallels, and is analogous to, the well-known principle in physics: that we cannot prize up more than we prize down. This being true, it becomes not only important to determine what is to be prized up, or benefited by legislation, but what is to be prized down and depressed. It might be prudent to recognize the fact that there could be a limit to even American enterprise and ability to withstand a constant drain upon its resources. We are even now becoming conscious of the ominous rumblings of uneasiness, if not discontent, caused by the rising of living expenses as a result of processing taxes and other Government activities. Let us not be deluded by the idea that the Government produces anything of value or has magical power—what it gives it must take, and its taking, since we are not a plundering nation, must be from its own subjects, and sooner or later each will be called upon, in some form or another, to bear his proportionate burden. In short, there is a limit to what the traffic will bear.

Of the needs of the old we have heard much. Who is there with feelings so dead and heart so callous as to render it necessary to have his sensibilities stirred by reference to their needs? Who is there with conscience so seared as not to be reached by the outstretched and pleading hands of the unfortunate and helpless, whether old or young? It is all too true that to perceive them one needs but open his eyes to the conditions surrounding us. As was said by the Master, "For the poor always ye have with you \* \* \*." Were it not for our weakness and the instability of our nature, this need not be true. Yet, without giving this consideration, we reckon in vain. Providence has placed within the reach of mankind that with which our every need could be supplied and might be speedily accomplished for every inhabitant of this globe but for the existence of one outstanding trait of human nature—selfishness. The expression occurs in the translated version of the Bible that the love of money is the root of all evil. I contend that this is a misinterpretation of the original text, for beyond question there are things which are evil but have no connection or relation to the love of money. Rape, seduction, and, in many instances, murder might be cited as examples. The original expression must have been, for it is undoubtedly true, "the love of self is the root of all evil." There is nothing evil done by men that is not prompted by the love of self. Although it is the basis for the wickedness and infamy of

mankind, it is likewise responsible for practically all human progress. Even ambition itself is born of selfishness. Selfishness is to humanity what steam is to a locomotive; you cannot operate without it and too much is destructive.

This humanitarian bill recognizes that principle, for by its provisions States are to be induced to provide more liberally for their unfortunates by affording some the opportunity of getting more, or otherwise receiving less, from the Federal Treasury in proportion to their local contributions, thereby coercing them, so to speak, by an appeal to selfishness. If any are too weak or poor to comply with the terms—and it has often been asserted upon the floor of this House that many are—then will it again come to pass. "For whosoever hath, to him shall be given, and he shall have more abundance: but whosoever hath not, from him shall be taken away even that he hath." It might not be irrelevant to suggest at this point that some of the legislation we have already enacted may be operating in this way. In addition to this, and judging from reports, it may be that the small and weaker units of industry have a similar cause for complaint.

The question has often recurred here as to the necessity of Federal legislation upon subjects which the individual States could handle if so desired. This was discussed in the early part of this debate in reference to the unemployment-insurance feature of the bill, and it was explained by saying that where a State imposed the burden of such a tax upon its industries, such industries found it impossible to successfully compete with the industries of other States where similar taxes were not imposed. This seems logical, for the tax necessarily increases the cost of production. Assuming, then, that this is a correct statement of the result as between States of the Union, what will be the result as between the industries of the Nation operating under such tax when their products come into competition with similar products of industries operating in countries which have no such provision. Is it not, therefore, logical to assume that such competition cannot be met and that under these conditions we will be driven from world trade and must become self-contained? If this conclusion is consistent, I then submit to the Members of this House as to whether or not we have earnestly considered and fully estimated the result to American industry. If curtailment of production results, what will be the effect upon those employed in the plants which under the conditions must curtail production, or perhaps close? There is a vicious circle which legislators should ever strive to avoid, for ill-advised remedies are often disastrous. Can this question be answered by saying that other countries have enacted such laws with no harmful results? It may be that such laws could easily be enacted by many countries without danger where their standards of living and wages paid are much lower than ours, even after their cost of production is hiked by such legislation. Let us beware lest we commit the folly of not only discouraging but destroying the spirit of that class of our citizenship which, inspired by a spirit of enterprise and thrift, have contributed so much to the building, in the shortest period, the greatest country of which civilization can boast. Shall we, in an ill-advised moment, while chafing under temporary adversity though still enjoying comforts and even luxuries of which our sturdy ancestors never dreamed, exchange for a mess of porridge the birthright which from them we have inherited?

A most wise and beneficent Providence prepared and gave to us without cost broad acres of fertile plains set with grass to which it was adapted and provided with innumerable reservoirs in the form of lakes to store up and preserve in time of plenty the waters which by relays were brought from the distant seas—may the time never come when we will regret that we did not emulate nature's example in planning—but, with a beclouded vision and an ill-advised hope of wresting from this wonderful soil even greater benefits and profits, our farmers, to increase their acreage, drained these lakes, and not being satisfied with the profits yielded by the greatest of natural pastures, plowed up and destroyed

the grass which was the very source of their wealth and income. Heart-rending now are the pictures that are painted of a barren waste swept by devastating winds accompanied by unnatural clouds while the discouraged and frightened inhabitants of this erstwhile prosperous region are broadcasting the appeal, "Come over and help us or we perish."

It is not my purpose to be critical as I am only recalling the facts taken from statements made by the splendid Representatives of these citizens on the floor of this House. Neither would I chide them with their folly, for who is there to boast of a monopoly on wisdom?

Confronted with the results of a similar lack of foresight in the South, where erosion has taken a frightful toll, we should not assume to occupy the seat of the critical, but in sympathetic unison with our brothers of the West, endeavor at least to profit by experiences of the past, the accomplishment of which is the real test of wisdom. But in this connection let us be warned that since we have evidenced at least no stupendous amount of wisdom in our management and treatment of those bountiful gifts of nature, it might be wise not only to stop, look, and listen but to do some real thinking before we go too far in over-riding and discarding the prophetlike vision of those who made possible our great inheritance. The foundation of the wealth which we are dissipating, the inherited fortunes which without stint we are mortgaging, were largely produced by those who have gone before. Let us not destroy in the hope of greater immediate gain, as we did with the fertile plains of the West and the rolling hills of the South, the gifts of nature, the products of their toil. How easy it is for benefit to assume the form of bounties which in turn metamorphose into doles, those dread barnacles attaching themselves with disastrous results to the weakened ship of state. Let those who are dissatisfied with reasonable benefits from our National Treasury not delude themselves with the idea that because a grain of a given medicine might benefit the patient, that an ounce of the same would necessarily cure.

I am reminded just here of a story I heard or read in the almost forgotten past, of a subject who applied to his king for a gift from his amassed quantity of gold. The citizen received no rebuff from his king, but on the contrary, after being supplied with a substantial and commodious bag, he was conducted by the representative of the king to the vault wherein was stored in fabulous quantity this most alluring metal and was there informed that the king had concluded to give him all the gold he could carry at one turn from the vault in the bag provided, but only on condition that he should place all he desired therein before he measured by a test of his strength its weight. This seemed fair enough, so with gloating eyes and eager hands, he piled in the precious metal until he began to wonder as to its weight and his ability to carry it. Presently he knew that the bulging sides of the bag indicated much weight, but his avarice would not permit him to desist from adding just a little more, and a little more, until finally, when he did conclude to shoulder his precious burden and go, to his great surprise he could not budge the bag. So under the terms of the bargain he was forced, with hopes dissipated and faltering step, to leave the vault without a penny of its shining wealth. This should remind those who would reach their hands too far and too often into the Public Treasury that even a good thing can be overdone. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Tennessee [Mr. MITCHELL] such time as he desires.

Mr. MITCHELL of Tennessee. Mr. Chairman, in title I of the bill under consideration the Federal Government grants, in aid to the States, pensions to persons who have reached the age of 65 years. The Government will match what the different States put up to the amount of \$15 per month to each person. On June 8, 1934, President Roosevelt said in a message to Congress:

Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the

means and details are in some instances new, the objectives are as permanent as human nature.

Among our objectives, I place the security of the men, women, and children of the Nation first.

The security for the individual and for the family concerns itself primarily with three factors. People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes, which cannot be wholly eliminated in this man-made world of ours.

And on January 17, 1935, the President made the following statement to Congress:

The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions, but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation. We pay now for the dreadful consequence of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to obtain the objectives sought.

To these sentiments we must all agree. It will be more economical to have the present bill enacted into law than the expensive system of maintaining county poorhouses in the different counties of the States and in the different local communities. Let the States cooperate under this law and thus save expense to State and county governments. One-half is to be borne by the Federal Government and one-half by the States, which will operate to relieve the counties of this burden of taxation. It is most expensive now in many counties of my State in Tennessee to care for the aged and infirm, and to keep them in the different county asylums for the poor. A recent bill was passed by the House of Representatives in Tennessee to relieve the counties of this expense and have the State assume the entire obligation. This shows the growing demand for assistance from the larger jurisdiction—State assistance. In turn, our State greatly needs relief from expenses of this kind if it is possible to get it.

More than 8,000,000 people in the United States are over 60 years of age. Many of them are unable to work.

There should not longer be a poorhouse. This is a relic of another age. It belongs to the past. We have substituted the electric light for the candle, the auto for the horse, the machine gun for the musket, the airship for the buggy—let us be progressive in government also—since the depression set in, when the savings of many old people were swept from under them, and they are now destitute. It was through no fault of theirs. They had worked and saved to provide against a rainy day, but in vain. Their near relatives—sons and daughters—are not able to help them.

The bankers, trust companies, and power companies received the earnings of these aged people and then defrauded them out of it.

I favor this bill because it means a new outlook on life for the aged.

They will face security and happiness in the future instead of hunger, humiliation, and the poorhouse. It will make all people more interested in their Government and its perpetuity. They will want their Government to stand, and they themselves will have something to look forward to when the wintry winds blow and they approach the last day, which is to be the common experience of all.

Many States now have a pension law, and most nations of the world except the United States. We are about to take this most important step—already too long delayed. Let us make the aged and infirm free from care and hunger.

A bill of this kind will brighten the outlook on life.

If depressions come in the future, as they will, then the weak and infirm will know the strong arm of the Government is still behind them.

More love for the flag and greater loyalty to it will be the result of passing this legislation.

No greater service could be rendered by the Government. Those who are in business, young and active, and blessed with good health, will not complain at the tax when they know of the great service it is rendering those in need and those who have sacrificed for them in previous years. They will be glad

to pay the debt of gratitude they owe the fathers and mothers of America.

Relief rolls will be done away with under the provisions of this bill. This must be done, if possible.

We must reduce the cost of government.

We must do away with unnecessary boards and bureaus. Too many exist in our Government today. Let us abolish them.

Let us do away with unnecessary offices and officers.

Let us reduce expenses in every branch of the Government.

Let us return to the democratic principle of government, that a people are best governed who are least governed.

The care of the weak, the aged, and infirm is a responsibility of government and a service we should render. Let us enact this law and perform that duty. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. TAYLOR].

Mr. TAYLOR of Tennessee. Mr. Chairman, I appreciate this opportunity extended to me to register my views on the pending bill; however, in view of the limited time allotted me, my remarks will necessarily be brief.

I yield to no one in my interest in or zeal for social security, but I am frank to say that the bill under consideration, if not materially amended, will prove to be a dismal disappointment to millions of American citizens who have anxiously hoped to see this Congress enact a measure that would in some substantial degree provide relief for the indigent, aged, and other underprivileged people in our Nation.

In view of the report of the Committee on Economic Security, appointed by the President to investigate and report to him recommendations for legislation on this subject, and in view of the message of the President to the Congress, on January 7 of this year, transmitting the report of his committee, I had fondly hoped that some measure would be submitted to our body which, if enacted into law, would meet the demands of this problem in which the American people are so vitally concerned at this hour. But, Mr. Chairman, after a careful study of the bill before us, which is supposed to have the authorship and backing of the President, and after listening to the discussions that we have had on this measure, I am fully convinced that the bill before us as an instrument of relief is an absolute futility—an idle gesture. Unless this bill is amended giving it more definite and unqualified terms to provide for the people it is heralded to aid, I shudder to contemplate the consternation, the disappointment, and the despair that will follow its enactment.

Mr. Chairman, there are now more than 7,000,000 people in the United States over 65 years of age, and, due to the wide publicity and propaganda that has been given to this subject during the past 2 years, a large majority of them are expecting to receive material benefits under this measure immediately upon its enactment. Judging by the thousands of appealing letters and petitions that I have had on this subject, and the numerous personal contacts that I have had with constituents who are hopeful of becoming the beneficiaries of this legislation, I am sure that a large majority of this vast number are thinking of practically nothing else but the day when this legislation will be enacted into law and they will receive their first check sent them by a generous Government. At this very moment they have their eyes focused on Washington, and their hearts, tender with years, are throbbing with anxiety in anticipation of the passage of a measure which will be of substantial assistance to them by providing some means to acquire the comforts of life in their declining days. I visited the little town in which I live recently, and during the 2 days I spent there scores of old, decrepit, and gray-haired mothers and fathers who had worn out their bodies in honest toil, but who had accumulated little, if any, of this world's goods, approached me and, with the agony of desperation depicted in their haggard faces, inquired of me as to the fate of "their bill", the old-age-pension bill.

Just picture for a moment the utter despair and the consternation of such people as these throughout the length and breadth of the land when they discover that the Congress

of the United States has given them an old-age-pension law which is so complicated and involved in red-tape and joker provisions as to make it practically a downright nullity. When they realize that when they ask their Government for bread it gave them a stone, you can begin to imagine their despondency, and worse still, their resentment and loss of faith in the integrity of constituted authorities.

According to the terms of this bill the Government agrees to give to those over 65 years of age a pension in such amount as may be matched up to \$15 per month by the State in which such persons reside. Therefore, only persons in those States that are financially able to meet this condition will be benefited by this legislation as now proposed. During the course of this debate it has been repeatedly asserted by representatives of what some are disposed to refer to as "backward" States that a large number of States are so beset with financial difficulties that it will be impossible for them to qualify for the benefits of this legislation. What a spectacle it would be, Mr. Chairman, for the Government to be taking care of the aged and helpless in one State while the same class of citizens were denied these benefits in another State, even an adjoining State! The legislature of my own state, Tennessee, has been in session since January 1 and is scheduled to adjourn within the next few days. It will not convene again for 2 years unless convoked in special session by proclamation of the chief executive. No provision has been made by our legislature to anticipate the provisions of this bill and participate in its benefits. The same is doubtless true of many other commonwealths of the Union.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 minutes more.

Mr. TAYLOR of Tennessee. Anticipating that this measure will probably pass in practically its present form, it being an administration bill, and realizing its gravity to the indigent aged of my State, I have today wired the Governor of Tennessee as follows:

Hon. HILL McALLISTER, Governor,  
Nashville, Tenn.:

You are doubtless aware that the so-called "social-security bill" is now being considered by the House of Representatives here. The terms of this proposed legislation as written make mandatory that each State put up an equal amount to that of the Federal Government, the share of the Federal Government not to exceed \$15, if the State shall participate in the benefits of the act. If provision is not made by our legislature to comply with this requirement, our aged will receive no benefits whatsoever under the bill proposed. It is therefore manifestly imperative that proper action be taken by our legislature before its adjournment.

J. WILL TAYLOR.

I contend, Mr. Chairman, that it is only common justice that pensions to our aged should start simultaneously in every State in the sisterhood, and this bill should so provide.

Another subterfuge in this bill will be found in the fact that it only carries an appropriation of \$49,750,000. As I have previously stated, there are more than 7,000,000 people in the United States over 65 years of age. Suppose only one-half of that number applied. They would only receive the paltry sum of \$28.10 per year, which would be \$2.35 per month, of 7½ cents per day. A close scrutiny of this measure will reveal many other such ridiculous fallacies. We have heard a great deal about a "pauper's dole" during this discussion. Ye gods, this does not even rise to that dignity, Mr. Chairman. [Laughter.]

In apologizing for the insufficiency of this appropriation, the advocates of the bill point out that provision is made for this year only and that larger appropriations will follow. They attempt to justify this argument by further pointing out that only a very few States will qualify immediately, which to me is the chief abomination of the proposition. The downright injustice of this proposal is perfectly manifest. If we are going to provide for the aged of New York, Massachusetts, and other opulent States, for God's sake let us also provide for the aged in Arkansas, Kentucky, Tennessee, and other less fortunate States at the same time. [Applause.] The aged of every section of the Nation are

entitled to the same treatment at the hands of their Government and at the same time. To excite the hopes and aspirations of the aged of our country to have them later disillusioned, as they inevitably will be under this plan, is unworthy of this great Nation, and if we thus trifle with their feelings our act will go down in history as the outstanding crime of the century. [Applause.]

(The time having expired, Mr. TAYLOR of Tennessee was yielded 3 minutes more.)

Mr. TAYLOR of Tennessee. The bill before us today is, in my opinion, a veritable "gold brick", a delusion, and a snare—a hollow mockery of the "purest ray serene"! When this debate is concluded, and we take the bill up under the 5-minute rule, let us strip it of its persiflage, its camouflage, its sophistries, and its subtleties and redeem our admitted obligation to the aged and helpless of our land who on account of penury and infirmity and the vicissitudes of life are unable to take care of themselves. Let us enact a law that will not only be a credit to ourselves but one that will become the dignity and respectability of this, the greatest Nation in the world. [Applause.]

Mr. Chairman, many have seen fit to condemn the so-called "Townsend plan" and have resorted to all sorts of satire, ridicule, and invective in expressing their condemnation of the measure. Some have seen fit to characterize it as "cockeyed", and have referred to it as a "legislative monstrosity." I want to warn you, my friends, that if this bill now under consideration passes in its present form, replete as it is with uncertainties, inequalities, and incongruities, mixed with a certain amount of manifest insincerity, you will do more to popularize and promote the Townsend plan than all that the Townsendites could possibly do to advance their cause. I have about come to the conclusion that the modified Townsend plan is not so bad as it has been pictured, and with a little more amending I might support it myself. Certainly some plan of merit, justice, and integrity must be evolved to meet this most vital and imperative situation.

Mr. LUNDEEN. Will the gentleman yield?

Mr. TAYLOR of Tennessee. I yield.

Mr. LUNDEEN. Why should we not do something now instead of the distant future?

Mr. TAYLOR of Tennessee. That is exactly what I am insisting upon.

Mr. Chairman, another hardship and inequality in this measure is presented in the section providing for unemployment insurance. I am inclined to favor the principle of unemployment insurance, but what are you going to do with the so-called "unemployables"—those thousands of economic unfortunates between the ages of 45 and 65, who are refused employment in industry solely on account of age?

(The time having again expired, Mr. TAYLOR of Tennessee was yielded 2 minutes more.)

Mr. TAYLOR of Tennessee. I live in a mining community, and I personally know that persons over 45 who apply for a job at the mines are rejected on account of their age regardless of their fitness for work. This policy is not confined alone to the mining industry. It is employed in practically every shop and factory throughout the Nation and is even practiced by the Government itself. It has been estimated that there are approximately 8,000,000 of this class in the United States today. Only yesterday I received a communication signed by 25 citizens of a town in my district who are suffering from this handicap. Their letter to me is as follows:

HARRISMAN, TENN., April 14, 1935.

Hon. J. WILL TAYLOR,

Member of Congress, Washington, D. C.

DEAR SIR: We would like for you to inform us what will be done with men over the age of 50 years, since they are out of work and are not allowed any relief.

J. B. Gukes, J. M. Bolt, John Harmon, Nute Wayrick, J. W. Gorden, C. C. Kernes, Horace G. Campbell, Mrs. Mollie Turpen, Cal Goodman, John Harmon, Roe Goddard, A. W. Johnston, W. H. Harmon, J. H. Whaley, T. Broustetter, J. D. Whaley, Fred Pyatt, R. W. McCormack, W. D. Bennett, A. J. Hall, H. W. LaRue, Henry Graham, Charlie Carl, Nick Smith, Joe Landreth.

This situation, Mr. Chairman, is a most serious menace to the welfare of our Nation, and something must be done about it. This bill takes no account of this class, which makes up a very large part of our population. These people would prefer not to have Government relief as such. What they want is an honest-to-God job that will enable them to provide for themselves and their families. [Applause.] It is a sacred obligation of this Government to get behind private industry and stimulate its activities to the end that permanent employment may be afforded to this class. Emergency Government work is all right in its place; but, of course, this can only be temporary. This artificial "shot in the arm" practice should be discarded, and the agencies of the Government should turn their attention to the resuscitation and rehabilitation of private industry. Furthermore, Mr. Chairman, this cannot be accomplished by the Government trying to run everybody's business or by the Government entering into general competition with private enterprise. If there ever was a time when we should have less government in business and more business in government it is now!

(The time having again expired, Mr. TAYLOR of Tennessee was given 10 minutes more.)

Mr. TAYLOR of Tennessee. When Mr. Roosevelt was campaigning for the Presidency in 1932, by public utterance he repeatedly deplored the fact that there were 10,000,000 people in the United States out of work, and solemnly promised, if elected to the Presidency, to immediately find employment for them. He has already been in office 2 years, and, according to statistics compiled by the American Federation of Labor, there are today more than 10,000,000 idle workmen in our country. And I want to say, Mr. Chairman, that if the administration continues its reciprocal treaty negotiations whereby our protective-tariff walls are rapidly being broken down and our home markets, as a result thereof, glutted by the products of the pauper labor of Europe and Asia, very shortly another 5,000,000, now employed in industry, will be added to the ranks of the unemployed in America. The textile industry of this country is today threatened with paralysis on account of the importations from Japan and other countries, where labor is paid only a small percent of what it receives in the United States.

In the Washington Herald this morning there appears a news item under an Atlanta date line, saying that, with demoralization spreading through Georgia textile industry as a result of unsettled conditions over the processing tax and cut-throat Japanese competition, three more mills announced shut-downs yesterday, throwing more than 1,000 operatives out of work. Quite a number of textile mills in that area had previously ceased operation for the same reasons, and the item further stated that a number of other mills, including the Flint River Cotton Mill, employing 400 persons, were preparing to close down. The story further states that "chaotic conditions exist in the industry because cheap Japanese imports which have increased 2,000 percent in the past year are stealing domestic markets." The story further adds that "the flood of Japanese goods are selling at prices far below the cost of manufacturing the same goods in Georgia mills." The same distressful conditions exist in the textile industry throughout the New England States where a large number of plants have discontinued operation, and unless some drastic action is taken to correct the situation this blight of industry will become epidemic throughout the Nation.

This tragic condition, Mr. Chairman, is not confined alone to the textile industry. Other industries are likewise affected and from identical causes. Even the great agricultural industry is not immune to this creeping economic paralysis proceeding from foreign importations. It is illuminating to note that from July 1, 1934, to March 1, 1935, 6,509,998 bushels of corn were imported from abroad, a large portion of which came from Mexico and the Argentine.

It is perfectly apparent that this condition greatly aggravates our already grave unemployment problem and adds

materially to our national burden. In the face of this deplorable picture the present administration continues to hug to its bosom the long since exploded fetish of "free trade", oblivious of the brave struggle of trade and industry in the United States for existence. Surely the fallacy and absurdity of such a pied-piper policy is perfectly obvious to even the "wayfaring man though he be a fool."

(The time having again expired, Mr. TAYLOR of Tennessee was granted 2 minutes more.)

Mr. TAYLOR of Tennessee. I apologize, Mr. Chairman, for injecting a tariff argument into this debate, but the protective tariff principle is so interwoven with the subject at hand that its germaneness is beyond challenge.

Again, my colleagues, I was very much disappointed when I found that this bill makes no provision whatever for the hopelessly crippled and blind of our Nation. It seems to me that if there is any part of our citizenship that needs and merits the solicitude and sympathy of our Government it is those who have lost their sight and who are doomed to permanent blindness, and those who must hobble through life on crutches or lay bed-ridden on account of the ravages of disease or as a result of injury.

I regret that my time will not permit me to discuss the other features of this bill. I have spoken at length on the old-age-pension title because I feel very keenly our obligation to the aged. I am greatly interested in child welfare, public health, vocational rehabilitation, and the other problems which this measure is designed to improve and promote. But these problems, my friends, must be dealt with free from technical ambiguity and in straightforward American fashion.

While the American taxpayer is groaning under a burden of taxation never dreamed of by our fathers, I have faith in his philanthropy and patriotism to believe that he will never complain of whatever taxation may be necessary to relieve human misery of every character in America.

And now in conclusion, I wish to make the prophecy that if this measure, without material amendment, is enacted into law it will prove to be the greatest boomerang this or any other administration has ever encountered. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts [Mr. CONNERY].

Mr. CONNERY. And, Mr. Chairman, I thank my handsome and distinguished colleague [Mr. TREADWAY] for granting me these few minutes. The only reason that I want them is to put into the RECORD an amendment that I am going to offer when we start to read the security bill today or tomorrow. The amendment which I shall offer is the Lundeen bill, and I shall read it now so that Members who have not read the bill will know just what the bill contains. No one so far has shown any good reason why the Lundeen bill should not be adopted in preference to the bill now before the House. I believe it is far superior to the bill before the House, and when the security bill is read I shall offer the Lundeen bill as an amendment as follows:

Mr. CONNERY offers the following amendment: On page 2, before title I, insert the following as a new title:

" TITLE I

" SECTION 1. The Secretary of Labor is hereby authorized and directed to provide for the immediate establishment of a system of unemployment insurance for the purpose of providing compensation for all workers and farmers above 18 years of age, unemployed through no fault of their own. Such compensation shall be equal to average local wages, but shall in no case be less than \$10 per week plus \$3 for each dependent. Workers willing and able to do full-time work but unable to secure full-time employment shall be entitled to receive the difference between their earnings and the average local wages for full-time employment. The minimum compensation guaranteed by this act shall be increased in conformity with rises in the cost of living. Such unemployment insurance shall be administered and controlled, and the minimum compensation shall be adjusted by workers and farmers under rules and regulations which shall be prescribed by the Secretary of Labor in conformity with the purposes and provisions of this act through unemployment insurance commissions directly elected by members of workers' and farmers' organizations.

"Sec. 2. The Secretary of Labor is hereby further authorized and directed to provide for the immediate establishment of other forms of social insurance for the purpose of providing compensation for all workers and farmers who are unable to work because of sickness, old age, maternity, industrial injury, or any other disability. Such compensation shall be the same as provided by section 1 of this act for unemployment insurance and shall be administered in like manner. Compensation for disability because of maternity shall be paid to women during the period of 8 weeks previous and 8 weeks following childbirth.

"Sec. 3. All moneys necessary to pay compensation guaranteed by this act and the cost of establishing and maintaining the administration of this act shall be paid by the Government of the United States. All such moneys are hereby authorized to be appropriated out of all funds in the Treasury of the United States not otherwise appropriated. The benefits of this act shall be extended to workers, whether they be industrial, agricultural, domestic, office, or professional workers, and to farmers, without discrimination because of age, sex, race, color, religious or political opinion or affiliation. No worker or farmer shall be disqualified from receiving the compensation guaranteed by this act because of past participation in strikes, or refusal to work in place of strikers, or at less than average local or trade-union wages, or under unsafe or unsanitary conditions, or where hours are longer than the prevailing union standards of a particular trade or locality, or at an unreasonable distance from home."

The Lundeen bill will do justice to the masses of the people without laying a heavy burden upon their backs. I hope the House will pass this amendment, which will make life more bearable for the people who have been mercilessly exploited by those who can see only the almighty dollar as their god and have no sympathy for those whose toil brings them all their comforts and luxuries.

**COST OF ADEQUATE, GENUINE UNEMPLOYMENT, OLD-AGE, AND SOCIAL SECURITY—SOURCES OF REVENUE FOR FINANCING THE LUNDEEN WORKERS' BILL, H. R. 2827**

**SUMMARY OF ESTIMATED COST**

To determine the cost of the social insurance which would be provided in H. R. 2827 requires several estimates, which should be used with caution. In the first place, the United States has no current basis for ascertaining accurately the number of unemployed.

The second and more important point requiring caution relates to the estimate of the effect of social insurance upon purchasing power, and its consequent results in decreasing the amount of unemployment through stimulation of reemployment. No experience in this country is available to indicate the extent to which an increase in consumers' purchasing power for those in the lower income groups would stimulate production and increase employment.

If it is assumed, however, that the entire amount of benefits paid under the provisions of this bill would appear in the market as new purchasing power, economists have calculated that 60 percent of this total would become available as wages and salaries. Therefore, on the basis of given average wages and salaries, it can be estimated how many persons could be reemployed, and this would result in a corresponding decrease in the number of unemployed eligible for benefits, and therefore in a reduction of costs.

Having in mind the above cautions, it may be said at once that if there be 10,000,000 unemployed, the annual gross cost, after taking care otherwise of those who should receive old-age pensions and those who are unemployed because of sickness or disability, and eliminating those under 18 years of age, to whom the bill does not apply, would be \$8,235,000,000. Deducting from this the estimated decrease in the cost of unemployment insurance on account of the reemployment of workers following the establishment of a social-insurance program, \$6,090,000,000, and adding to it the cost of old-age pensions, sickness, disability, accident, and maternity insurance, and deducting present annual expenditures for relief amounting to \$3,875,000,000, we would have a net annual increase for the Federal Government imposed by the provisions of the bill amounting to \$4,060,000,000.

If the number of unemployed be equal to the average number estimated as unemployed in 1934, as 14,021,000, then the annual net increase in cost, after deducting present expenditures for relief and estimating the reemployment which

would follow adequate social insurance, would be \$5,800,000,000.

The estimate of total costs of the program for social insurance under the bill should be compared with the amount that workers have lost in wages and salaries since the beginning of the depression. According to estimates published in the Survey of Current Business for January 1935, total income paid out to labor since 1929 was as follows (in millions):

	1929	1930	1931	1932	1933
Total income.....	\$52,700	\$48,400	\$40,700	\$31,500	\$29,300
Loss from 1929.....		4,300	12,000	21,200	23,400

The total loss to workers in wages and salaries in the first 4 years of the depression has amounted to \$60,900,000,000. It is with these huge losses sustained by American workers during these 4 years that the costs of security provided by the bill should be compared. Furthermore, considering the inadequacy of present relief measures, it must be realized that the cost of truly adequate relief would be the cost of this bill.

**AUTHORITY FOR ESTIMATES**

These estimates of the cost of an adequate unemployment, old-age, and social-security program are based on the statement of Dr. Joseph M. Gilman, economist of the College of the City of New York, who testified at the hearings held by the House Labor Subcommittee, representing the Interprofessional Association for Social Insurance. In accordance with permission granted me, I will now submit for the Record portions of Dr. Gilman's statement, taken from the hearings.

The first excerpt from Dr. Gilman's statement shows the estimated cost of the Lundeen bill on a basis of 10,000,000 unemployed, and may be found on page 585 of the hearings.

*Cost of 10,000,000 unemployed*

Number of persons unemployed (hypothetical).....	10,000,000
<b>Deductions:</b>	
1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	320,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pensions.....	2,250,000
3. Estimated number unemployed because of sickness or disability.....	250,000
Balance of unemployed.....	7,180,000
I. Annual cost of unemployment insurance (7,180,000 by \$1,147).....	\$8,235,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program.....	6,090,000,000
III. Annual net cost of unemployment insurance.....	2,145,000,000
IV. Annual cost of old-age pensions.....	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance.....	1,200,000,000
VI. Annual cost of maternity insurance.....	55,000,000
VII. Total annual cost.....	7,935,000,000
VIII. Present annual expenditures.....	3,875,000,000
IX. Annual net increase in cost.....	4,060,000,000

*Cost for 14,021,000 unemployed*

On a basis of 14,021,000 unemployed in 1934, the estimated cost is as follows:

Average number of persons unemployed in 1934, all ages.....	14,021,000
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**Deductions:**

1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	550,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pension (see above).....	2,250,000
3. Estimated number unemployed because of sickness or disability (see above).....	250,000
Balance of unemployed.....	10,971,000

Deductions—Continued.

I. Annual cost of unemployment insurance (10,971,000 by \$1.147 (see p. 586))	\$12,584,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program (see p. 589)	8,699,000,000
III. Annual net cost of unemployment insurance	3,885,000,000
IV. Annual cost of old-age pensions (see p. 586)	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance (see p. 588)	1,200,000,000

Deductions—Continued.

VI. Annual cost of maternity insurance (see p. 588)	\$55,000,000
VII. Total annual cost	9,675,000,000
VIII. Present annual expenditures (see p. 589)	3,875,000,000
XI. Annual net increase in cost	5,800,000,000

COST OF DEPRESSION TO LABOR  
These estimated costs should be compared with the huge annual losses suffered since 1929 by labor.

Estimated annual wage loss of unemployed in 1934

[Based on average annual wage and salary rates for 1932 in National Income Report]

Industry	Unemployed (in thousands)			Annual wage or salary			Loss of earnings (in millions)		
	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified
Agriculture	1,847			\$848			1,196.9		
Mines and quarries	231	18		909	\$2,210		210.0	39.8	
Electric light and power and manufactured gas			73			\$1,339			97.7
Manufacturing	2,345	643		876	2,241		2,054.2	1,441.0	
Construction	959	108		1,151	2,297		1,103.8	248.1	
Transportation			1,409			1,479			1,085.3
Communication			253			1,320			334.0
Wholesale and retail		2,200			1,245			2,739.0	
Finance		427			1,953			836.1	
Government:									
(a) Excluding public education		99			1,477			146.2	
(b) Public education		185			1,400			259.0	
Service:									
(a) Recreation			208			1,332			287.5
(b) Personal			460			1,045			490.7
(c) Domestic			1,123			670			752.4
(d) Professional			373			1,416			528.2
(e) Miscellaneous			79			1,105			87.3
Miscellaneous industries			871			1,235			1,119.2
Total	5,332	3,630	4,849				4,564.9	5,709.2	5,672.3

Total wage and salary loss	\$15,993,400,000
Unemployed entrepreneurs (110 at annual average loss, \$973)	123,200,000
Total	16,072,600,000
Average loss	1,149

73d Cong., 2d sess., S. Doc. No. 124, National Income, 1929-32.

\* 1929 rate; 1932 rate only \$352.

COST OF OLD-AGE PENSIONS

The following tables show the number of people eligible for old-age pensions and the estimated cost:

I. (a) Number of persons aged 65 and over (1930 census)	6,634,000
(b) Estimated number of persons aged 65 and over in 1934 (President's Committee on Economic Security Report, p. 24)	7,500,000
II. (a) Number of persons aged 65 and over, gainfully occupied (1930)	2,205,000
(b) Estimated number of persons aged 65 and over who were gainfully occupied in 1934 (average)	2,500,000
NOTE.—II (b) to II (a) in same ratio as I (b) to I (a).	
III. (a) Estimated number of gainfully occupied persons who would be eligible to retire upon enactment of the workers' bill	2,250,000
NOTE.—10 percent allowance for entrepreneurs of substantial means (U. S. Census estimate, letter to Committee, IPA, Dec. 3, 1934).	
IV. (a) Nongainfully occupied persons aged 65 and over (I (b)—II (b))	5,000,000
(b) Estimated number eligible for old-age pensions (males, 1,422,000; females, 3,078,000)	4,500,000
NOTE.—10 percent allowance for those of substantial means.	
V. (a) Number of gainfully occupied persons in III (a) (2,250,000) plus husbands or wives aged 65 and over (777,000, or V (e)+V (g)) or (V (b)+V (c)+V (e)+V (g)) <sup>1</sup>	3,027,000
(b) Gainfully occupied males (less entrepreneurs)	1,950,000
(c) Gainfully occupied females	300,000
(d) Gainfully occupied males, married	1,242,000
(e) Gainfully occupied males, married, whose wives are 65 and over (assumed not gainfully occupied)	673,000
(f) Gainfully occupied females, married	104,000
(g) Gainfully occupied females, married, whose husbands are 65 and over (assumed not gainfully occupied)	104,000

<sup>1</sup> All figures in V and VI are estimated from ratios derived from 1930 Census.

VI. (a) Balance of married persons among nongainfully occupied ((d)+(e))	1,237,000
(b) Balance of males (1,422,000—104,000) (IV (b)—V (g))	1,318,000
(c) Balance of females (3,078,000—673,000) (IV—V (a))	2,405,000
(d) Married males in VI (b)	} = 1,237,000 above } wives are 65 and over
(e) Married males in VI (b)	
	435,000

Of the 4,500,000 in IV (b), these have been accounted for:

(1) Wives, 65 and over, of gainfully occupied males (assumed not gainfully occupied) (V (e))	673,000
(2) Husbands, 65 and over, of gainfully occupied females (assumed not gainfully occupied) (V (g))	104,000
(3) Balance nongainfully occupied males 65 and over, married (VI (d))	802,000
(4) Balance nongainfully occupied females 65 and over, married (VI (e))	435,000
Not yet accounted for:	
(5) Nongainfully occupied widows, widowers, divorced, single persons, aged 65 and over	2,486,000

ANNUAL COST OF OLD-AGE PENSIONS

A. Number of gainfully occupied workers aged 65 and over, eligible for old-age pensions at annual average rate of \$1,200 per annum (\$1,189 average annual rate, 1932, 1929-32 National Income Report)	2,250,000
B. Number of married couples nongainfully occupied, husband or both 65 or over	802,000
Annual pension, \$676 (\$10 plus \$3 per week).	
C. Number of unmarried persons 65 or over	2,486,000
Annual pension, \$520 (\$10 per week).	
Cost of A	\$2,700,000,000
Cost of B	542,000,000
Cost of C	1,293,000,000
Total	4,535,000,000

COST OF SICKNESS, ACCIDENT, AND DISABILITY INSURANCE

Class C, 1930 Unemployment Census (persons out of a job and unable to work on account of sickness or disability)	173,661
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NOTE.—Would assume 250,000 since census figures are out of line with other experience.

Class D, 1930 Unemployment Census (persons having jobs, but idle on account of sickness or disability).....	273, 588
<b>Total</b> .....	<b>446, 249</b>

NOTE.—According to report of President's Committee on Economic Security, which states that 2.25 percent of all industrial workers are at all times incapacitated, it would seem that the total of 446,249 badly underestimates the amount of sickness and disability.

Class C type.....	250, 000
Class D type.....	750, 000

Cost of sickness, accident, and disability insurance (1,000,000 × \$1.200).....	1, 200, 000, 000
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NOTE.—\$1.199 average annual wage or salary in 1932 (National Income Report 1929-32).

**COST OF MATERNITY INSURANCE**

Number of gainfully occupied married women between ages 15 and 44 (1930 census).....	2, 425, 000
Number of married women between ages 15 and 44 (1930 census).....	17, 836, 000
Birth rate per 1,000 population (1930).....	18.9
Birth rate per 1,000 married women (above).....	137.0
Number of births per annum to gainfully occupied married women (on above basis).....	332, 000
Probable number of births.....	150, 000
Annual cost for 16-week benefit (150,000 × \$3.69) (\$3.69 = $\frac{14}{20} \times \$1.200$ ).....	\$55, 000, 000

NOTE.—\$1.199 average annual wage, 1932, National Income Report, 1929-32.

**PRESENT COST OF UNEMPLOYMENT RELIEF**

It should be made clear that the cost of the Lundeen bill will not be over and above present expenditures for relief, but will replace these expenditures. At the present time, according to Dr. Gilman's statement, the costs of unemployment relief are as follows:

<b>I. Federal Government (source of statistics: General Budget Summary, Treasury Department, estimated expenditures for year ending June 30, 1935, schedule 3):</b>	
(1) Federal Emergency Relief Administration.....	\$1, 733, 208, 700
(2) Civil Works Administration.....	13, 842, 100
(3) Emergency conservation.....	402, 363, 000
(4) Relief of unemployment.....	100, 000, 000
<b>Public works:</b>	
(3) Loans and grants to municipalities.....	166, 300, 000
(5) Public highways.....	428, 600, 000
<b>Total expenditures of a relief character.....</b>	<b>2, 844, 313, 800</b>
<b>II. State and city (basis: Federal Emergency Relief Administration reports).....</b>	<b>400, 000, 000</b>
<b>Total unemployment relief.....</b>	<b>3, 250, 000, 000</b>

**PRESENT COST OF OLD-AGE RELIEF**

Present expenditures by National, State, and local government bodies for old-age relief may also be deducted from the additional cost of the Lundeen bill. Present old-age expenditures are as follows:

1. Federal Government to veterans and widows (report of Administrator of Veterans' Affairs, 1933).....	\$235, 000, 000
2. State old-age assistance (President's Committee on Economic Security).....	43, 000, 000
3. Industrial and trade-union pensions (President's Committee on Economic Security).....	100, 000, 000
4. All other (rough estimate).....	50, 000, 000
<b>Total.....</b>	<b>428, 000, 000</b>

**PRESENT COST OF SICKNESS, DISABILITY, AND ACCIDENTS**

The National Safety Council estimates for 1932 that wage loss from occupational disabilities was \$370,000,000. Compensation for such loss is estimated as \$200,000,000.

**TOTAL PRESENT ANNUAL EXPENDITURES FOR RELIEF**

Dr. Gilman's estimate of the total present cost of relief for unemployment, old age, and sickness at the present time is \$3,875,000,000. This is based on the tables just presented.

**REDUCTION IN COST OF WORKERS' BILL FOLLOWING PASSAGE**

The estimates just given of the cost of the workers' bill represent the cost for the first year. The following tables show the estimated decreases in the cost following enact-

ment of the measure, resulting from increased purchasing power.

The first table shows the total national income and the fraction of that income which is paid out in wages. Below that is the ratio of salaries and wages to income produced on a percentage basis.

Year	National income (excluding Government):	Salaries and wages (excluding Government):
1929.....	\$76, 500, 000, 000	\$45, 300, 000, 000
1930.....	63, 500, 000, 000	40, 600, 000, 000
1931.....	47, 800, 000, 000	32, 900, 000, 000
1932.....	34, 000, 000, 000	23, 700, 000, 000
1933.....	36, 300, 000, 000	21, 900, 000, 000

<sup>1</sup> National Income, 1929-32; National Income, 1933; Survey Current Business January 1935.

**Ratio of salaries and wages to income produced**

1929.....	0.592
1930.....	.639
1931.....	.683
1932.....	.679
1933.....	.603
1934 (estimate).....	.600
Total insurance benefits payable (annually) under workers' bill (p. 585, I+IV+V+VI).....	\$18, 374, 000, 000
Present expenditures for relief, old age, etc.....	3, 875, 000, 000
Increase in purchasing power of lower income classes upon passage of workers' bill.....	14, 499, 000, 000
Increase in annual demand for consumers' goods (100 percent assumed) (see Brookings Institute, America's Capacity to Consume, p. 84).....	14, 499, 000, 000
Increase in annual wages and salaries to meet increased demand for goods (decrease in cost of unemployment insurance) (60 percent of \$12,590,000,000) (ratio of salaries and wages to income produced, 1934, above).....	8, 699, 000, 000
Annual net increase in cost.....	5, 800, 000, 000

**SOURCES OF FUNDS**

Now I wish to answer the question often asked: "Where will you get the money for this program?"

It has been pointed out that an important difference between H. R. 2827, the Lundeen bill, and other proposals is in the source of funds. Other proposals—including the Doughton bill—depend on the building up of reserves in advance of payment of benefits, these reserves to be secured by a tax on pay rolls. Several serious objections are made to this method. In an article in the *Annalist*, published by the *New York Times* on February 22, 1935, by Elgin Groseclose, professor of economics, University of Oklahoma, under the title, "The Chimera of Unemployment Reserves Under the American Money System", attention is called to the provisions in H. R. 4120 in these words:

The Wagner bill, as introduced in Congress, sets up in the Federal Treasury an "unemployment trust fund", in which is to be held all moneys received under the provisions of the act, and directs the Secretary of the Treasury to invest these moneys, except such amount as is now required to meet current withdrawals, in a defined category of obligations of the United States or obligations guaranteed as to both principal and interest by the United States.

The *Annalist* article summarizes the objections to these reserves for unemployment insurance as follows:

(1) Financial reserves can be effective only in cases where contingencies can be calculated and determined by actuarial methods and where these contingencies arise in sufficient regularity to permit the arrangement of reserves in accordance therewith. (2) The incidence of depressions are irregular and unpredictable, and hence defy actuarial procedure. (3) Purchasing power cannot be stored up en masse under our money system, which is a system of debt, rather than metallic circulation. (4) The attempt to create unemployment reserve will intensify booms. (5) Unemployment reserves are incapable of mobilization when needed and any attempt to mobilize them will only result in further intensification of depressions.

Testimony before the Committee on Labor on the Lundeen bill (H. R. 2827) brought out the further objection that a tax on pay rolls is a tax on cost of production which is passed on to the consumer in higher prices to all consumers and to workers in lower wages as well as in higher prices to them as consumers. Thus it tends to reduce rather than to expand purchasing power, causing in itself recurrent industrial depression which arises out of the failure of con-



sumption to keep pace with production, or a disproportion between money available for consumers' purchases and funds available for investment in increased production.

Moreover, these reserves, even if they could be accumulated without these disastrous effects upon consumers' purchasing power, and upon the monetary system, would be inadequate to cover more than a fraction of needs. The Commissioner of Labor Statistics and Senator ROBERT F. WAGNER (in radio addresses on Mar. 7) have estimated that if H. R. 4120 had been in effect from 1922 there would have been set aside by 1934 the sum of \$10,000,000,000; yet, the figures on the national income published by the Department of Commerce show that in 4 of those years workers lost \$60,000,000,000 of wages and salaries. Thus, even if reserves seem to involve saving the Treasury from obligation, as a matter of fact, they leave unsolved the real problem of protecting workers against the destitution of mass unemployment.

As the only adequate solution of the problem, and to avoid the unsound idea of setting aside reserves, the funds required in H. R. 2827 are made an obligation upon existing wealth and current higher incomes of individuals and corporations. These sources may be indicated as follows:

FIRST. INCOME TAXES OF INDIVIDUALS

If the United States were to apply merely the tax rates of Great Britain upon all individual incomes of \$5,000 or over, a considerable sum would be available for social insurance. These rates in 1928 would have yielded the Federal Government five and three-fourths billion dollars as against slightly over one billion actually collected. In 1932, a year of low income, we would have collected on the same basis \$1,128,000,000, as against the actual receipts of \$324,000,000.

SECOND. CORPORATION INCOME TAX

Compared with other countries, also, our corporation tax is very low. Taking a flat rate of 25 percent, we would have raised in 1928 the amount of \$2,600,000,000 instead of \$1,200,000,000.

THIRD. INHERITANCE OR ESTATES

Here again the United States is very lenient. In 1928, on a total declared gross estate of three and one-half billion dollars, the total collected by Federal and State taxes was only \$42,000,000, or a little over 1 percent. If an average of 25 percent were taken, this would have been raised in 1928 to \$888,000,000.

FOURTH. TAX-EXEMPT SECURITIES

Exact figures on the total are not available, but here is an important source of large additional returns which should be available for the general welfare.

FIFTH. TAX ON CORPORATE SURPLUS

In 1928, the corporate surplus, representing the accumulation by corporations of funds which had not been distributed to labor and capital, amounted to \$47,000,000,000, and even in 1932 it was over thirty-six billions. Made possible as it is by the cooperation of labor and capital, this surplus which is now set aside to meet capital's claims for exigencies certainly should be also a source of funds for labor's social insurance in the exigencies of unemployment. The Department of Commerce has showed in its study of the national income that labor has lost a larger percent of its earned income in the depression than capital has lost in interest charges, because capital has been sustained by drawing both on current income and on accumulated surplus. The great economist, Adam Smith, 150 years ago, called the industrial system a "collective undertaking." Thus it is both logical and just to provide a tax on corporate surpluses as a source for social insurance.

In support of my statements here, I wish again to offer portions of the statement submitted to the House Labor Subcommittee by Dr. Joseph M. Gilman. The first table estimates the funds available for unemployment, old-age, and social insurance. Please note that all figures in this table are in thousands. This table may be found on page 64 of the hearings.

[Figures in thousands]

Source	1933	1932	1928
<b>I. Individual income<sup>1</sup></b>	<b>\$1,129,277</b>	<b>\$1,127,773</b>	<b>\$5,787,095</b>
Estate tax, 50 percent of gross	1,030,478	1,415,194	1,777,135
Corporate tax, net income 25 percent <sup>2</sup>	626,520	538,278	2,615,273
Corporate tax, net surplus, 25 percent <sup>3</sup>		9,019,881	11,799,046
Expenditures on war preparations	750,000		
<b>Total</b>		<b>12,101,126</b>	<b>21,908,522</b>
<b>II. Individual income<sup>1</sup></b>	<b>1,129,277</b>	<b>1,127,773</b>	<b>5,787,095</b>
Estate tax, 75 percent of gross	1,545,717	2,122,791	2,665,701
Corporate tax, net income, 25 percent <sup>2</sup>	626,520	538,278	2,615,273
Corporate tax, net surplus, 25 percent <sup>3</sup>		10,823,858	14,146,855
Expenditures on war preparations	750,000		
<b>Total</b>		<b>14,612,700</b>	<b>28,214,897</b>

<sup>1</sup> Estimated on graduated scale approximating British tax rate but higher than the British rate for incomes from \$500,000 to \$5,000,000.

<sup>2</sup> This should be a graduated tax averaging 25 percent.

<sup>3</sup> Surplus and undivided profits less deficit: 1932, 38,079 millions; 1928, 47,156 millions.

<sup>4</sup> As of Aug. 1, 1934.

NUMBER OF MILLIONAIRES DOUBLE

The sources of funds from income taxes in the higher brackets is greater today than it was a year ago. This is shown by the income-tax returns published by the Bureau of Internal Revenue. Dr. Gilman's tables, quoted below, show the number of income-tax returns made in the different income classes, and also the total amount of available revenue from that source.

Comparison of net income returns for 1932 and 1933<sup>1</sup>

Net income classes	Number of returns	
	1932	1933
Up to \$5,000	3,420,935	3,338,602
\$5,000 to \$10,000	237,273	219,735
\$10,000 to \$25,000	77,045	74,626
\$25,000 to \$50,000	17,658	18,168
\$50,000 to \$100,000	5,644	5,927
\$100,000 to \$150,000	963	1,065
\$150,000 to \$300,000	569	693
\$300,000 to \$500,000	136	139
\$500,000 to \$1,000,000	80	84
Over \$1,000,000	20	46
<b>Total returns filed to Aug. 31, 1932</b>	<b>3,760,403</b>	
<b>Total returns filed to Aug. 31, 1933</b>		<b>3,660,105</b>

<sup>1</sup> Prepared by the research division of the Interprofessional Association for Social Insurance on the basis of the preliminary report entitled "Statistics of Income for 1933", submitted to the Hon. H. Morgenthau, Jr., Secretary of the Treasury, on Dec. 3, 1934.

<sup>2</sup> Incomes of less than \$25,000 declined in number of returns from 1932 to 1933. All income classes above \$25,000 increased in number of returns. Net incomes of \$1,000,000 or over increased 130 percent in number of returns.

ESTIMATES OF FUNDS AVAILABLE FROM INCOMES OVER \$5,000

Applying the income-tax rates suggested in the table below, \$4,622,814,000 additional revenue can be raised each year from individual incomes, and \$1,431,273,000 from corporation incomes. The figures for 1928 are as follows:

	Total net income reported	Tax rate	Revenue available
<b>I. INDIVIDUAL RETURNS</b>			
Income classes:		Percent	
\$5,000-\$10,000	\$4,282,520,000	16	\$685,203,000
\$10,000-\$15,000	1,953,395,000	22	429,747,000
\$15,000-\$20,000	1,218,757,000	24	292,509,000
\$20,000-\$25,000	865,670,000	30	259,701,000
\$25,000-\$50,000	2,326,503,000	35	814,276,000
\$50,000-\$100,000	1,857,878,000	40	743,151,000
\$100,000-\$250,000	1,745,403,000	45	785,431,000
\$250,000-\$500,000	929,079,000	55	511,143,000
\$500,000-\$1,000,000	670,861,000	65	436,080,000
\$1,000,000-\$5,000,000 and over	1,108,863,000	75	831,647,000
<b>Total available</b>			<b>5,787,098,000</b>
<b>Tax collected</b>			<b>1,164,284,000</b>
<b>Additional revenue</b>			<b>4,622,814,000</b>
<b>II. CORPORATION RETURNS</b>			
Income classes:			
Under \$1,000-\$2,999	181,420,000	10	18,142,000
\$3,000-\$4,999	119,482,000	15	17,922,000
\$5,000-\$9,999	211,525,000	25	52,881,000
\$10,000-\$24,999	467,605,000	25	116,901,000
\$25,000-\$99,999	1,055,074,000	25	263,768,000
\$100,000-\$499,999	1,753,943,000	25	438,485,000

	Total net income reported	Tax rate	Revenue available
<b>II. CORPORATION RETURNS—continued</b>			
		<i>Percent</i>	
Income classes—Continued.			
\$500,000 under \$1,000,000.....	\$398,405,000	25	\$224,601,000
\$1,000,000 under \$5,000,000.....	2,119,926,000	25	529,981,000
\$5,000,000 and over.....	3,810,359,000	25	952,589,000
Total.....			2,615,273,000
Tax collected.....			1,184,000,000
Additional returns.....			1,431,273,000

Returns of corporations submitting balance sheets, 1928 (all returns):<sup>1</sup>

Tax-exempt securities.....	\$10,116,160,404
Surplus.....	52,069,292,140
Net surplus (after deduction of deficit).....	47,156,183,422

**TAX INCOME, 1932**

The following table shows the available revenue from individual incomes for 1932:

	Total net income reported	Tax rate	Revenue available
<b>I. INDIVIDUAL RETURNS</b>			
		<i>Percent</i>	
Income classes:			
\$5,000-\$10,000.....	\$1,677,039,000	16	\$268,326,000
\$10,000-\$15,000.....	595,573,000	22	131,026,000
\$15,000-\$20,000.....	329,512,000	24	79,083,000
\$20,000-\$25,000.....	235,312,000	30	70,594,000
\$25,000-\$30,000.....	629,638,000	35	220,373,000
\$30,000-\$100,000.....	393,206,000	40	157,282,000
\$100,000-\$250,000.....	216,625,000	45	97,481,000
\$250,000-\$500,000.....	73,747,000	55	39,561,000
\$500,000-\$1,000,000.....	57,874,000	65	37,618,000
\$1,000,000-\$5,000,000 and over.....	35,239,000	75	26,429,000
Total available.....			1,127,773,000
Income tax collected.....			324,745,000
Additional revenue.....			803,028,000

**AVAILABLE INCOME FROM CORPORATE INCOMES, 1932**

1. Returns of corporations submitting balance sheets for 1932 (all returns):<sup>1</sup>

Cash (in till or deposits in bank).....	\$15,917,202,000
Investments, tax-exempt.....	11,916,864,000
Investments other than tax-exempt.....	75,630,257,000
Surplus and undivided profits.....	45,663,746,000
Net surplus (less deficit of \$9,584,221,000).....	36,079,525,000

2. Returns of corporations showing net incomes (1932):

Total gross income.....	\$31,707,963,000
Total net income.....	\$2,163,113,000
Income tax.....	245,689,000
Available revenue at flat 25-percent rate.....	538,278,000

**TAX INCOME, 1933**

	Total net income reported	Tax rate	Revenue available
<b>I. INDIVIDUAL RETURNS</b>			
		<i>Percent</i>	
Income classes:			
\$5,000-\$10,000.....	\$1,477,827,000	16	\$236,452,000
\$10,000-\$15,000.....	559,850,000	22	123,167,000
\$15,000-\$20,000.....	310,246,000	24	74,459,000
\$20,000-\$25,000.....	226,778,000	30	68,033,000
\$25,000-\$50,000.....	621,182,000	35	217,414,000
\$50,000-\$100,000.....	391,765,000	40	157,906,000
\$100,000-\$250,000.....	240,681,000	45	108,306,000
\$250,000-\$500,000.....	81,253,000	55	44,689,000
\$500,000-\$1,000,000.....	59,511,000	65	37,682,000
\$1,000,000-\$5,000,000 and over.....	81,559,000	75	61,169,000
Total.....			1,129,277,000
Tax collected.....			372,968,000
Additional revenue.....			756,309,000

**II. CORPORATION RETURNS (TAX INCOME, 1933)**

Total net income reported.....	\$2,506,078,279
Income tax.....	347,649,990
Excess-profits tax.....	6,266,721
Total.....	\$353,916,361
Available revenue at flat 25-percent rate.....	626,520,000

<sup>1</sup> Statistics of Income, 1928, p. 32.  
<sup>2</sup> Statistics of Income, 1932, p. 160.  
<sup>3</sup> Statistics of Income, 1932.

The following tables show revenue available from estate taxes:  
*Estate tax as source of revenue*

	Jan. 1-Dec. 31, 1928	Jan. 1-Dec. 31, 1932	Jan. 1-Dec. 31, 1933
Gross estate.....	\$3,554,270,000	\$2,830,389,000	\$2,060,951,000
Tax paid.....	\$41,953,000	\$23,674,000	\$61,415,000
Percent to gross.....	1.1	0.8	2.9
Net estate.....	\$1,992,501,000	\$1,423,437,080	\$828,302,000
Tax paid.....	\$41,953,000	\$23,674,000	\$61,415,000
Percent to net.....	2.1	1.7	7.4

**REVENUE AVAILABLE**

	Average 25 percent	Average 50 percent	Average 75 percent
<b>Gross estate:</b>			
1928.....	\$888,567,000	\$1,777,135,000	\$2,665,701,000
1932.....	707,597,000	1,415,194,000	2,122,791,000
1933.....	515,239,000	1,030,478,000	1,545,717,000
<b>Net estate:</b>			
1928.....	498,126,000	996,252,000	1,494,378,000
1932.....	355,859,000	711,718,000	1,067,577,000
1933.....	207,075,000	407,150,000	621,225,000

**Comparison of American and European income-tax rates**

[Conversion units: 1 pound=\$4.86; France, 1 franc=\$0.0392; Germany, 1 mark=\$0.2382]

	Percent of tax to net income			
	United States	Britain	France	Germany
\$1,000.....	0	0.88	3.38	7.90
\$2,000.....	0	0.57	8.51	15.84
\$3,000.....	0.07	10.38	12.20	18.11
\$5,000.....	2.00	14.22	17.15	21.59
\$7,500.....	3.40	16.29	22.02	26.02
\$10,000.....	4.80	18.62	25.25	29.89
\$15,000.....	6.80	22.95	31.26	34.46
\$25,000.....	10.08	29.47	38.04	39.78
\$50,000.....	17.20	39.30	47.43	45.13
\$100,000.....	30.01	48.10	53.65	47.44
\$500,000.....	52.72	61.58	63.93	49.49
\$1,000,000.....	57.11	63.91	63.97	49.74

Source: New Republic, Jan. 24, 1934.

**American and European death taxes**

[Source: Preliminary report of Subcommittee on the Committee on Ways and Means, relative to Federal and State taxation and duplication therein (1933), p. 237]

	United States	Great Britain
\$1,000.....	0	1
\$5,000.....	0	3
\$10,000.....	0	3
\$15,000.....	0	3
\$25,000.....	0	4
\$50,000.....	0	5
\$100,000.....	1.5	9
\$150,000.....	3.33	12
\$200,000.....	4.75	14
\$300,000.....	6.50	17
\$400,000.....	7.63	19
\$500,000.....	8.50	21
\$600,000.....	9.25	23
\$800,000.....	10.56	25
\$1,000,000.....	11.75	27
\$2,000,000.....	18.77	33
\$3,000,000.....	18.45	37
\$5,000,000.....	22.99	41
\$10,000,000.....	30.94	51

Conversion: £1=\$4.86

These facts and figures, and the testimony of many other experts and economists and leaders of thought can be found in the hearings on the Luncheon bill (H. R. 2827). They show conclusively that the cost of the workers' bill is well within the ability of the United States Treasury to pay, and if we will raise our income- and inheritance-tax rates to the level of the British rate, we can raise the necessary funds. I hope that Members of this House will study these facts and figures and give their support to the Luncheon workers' unemployment, old-age, and social-insurance bill (H. R. 2827).

<sup>1</sup> 14.1 percent.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentlewoman from California [Mrs. KAHN].

Mrs. KAHN. Mr. Chairman, there is no doubt that in the last few years the whole country has become old-age pension minded, as evidenced by the general interest shown in this part of the bill and by the almost general desire to put over this type of legislation. There is little, if any, dissension of opinion on the facts or principles involved, the difference arising mainly as to methods and amounts. Due to causes over which they have had no control, people who several years ago would have scorned the idea of an old-age pension for themselves are now looking to it as their only salvation. I have always been, and still am, in favor of a liberal old-age pension—one that promises more than a mere existence. However, to raise the hopes of a people to expect a liberal pension, through promises which many of us made on the platform and in speeches, and then to offer them such a plan as that proposed in this bill is nothing short of tragic. A sound, workable scheme is what we want—not one so un-economic or extravagant that, even were it adopted, would topple of its own weight and plunge its beneficiaries into lower depths of despair, nor do we want one so niggardly as to be positively insulting. We desire neither to beguile with one nor to betray with the other, for to beguile is to betray. So I still maintain that we can support a liberal old-age pension, as outlined in the revised bill of the gentleman from California [Mr. MCGROARTY], or even the substitute, if the parliamentary situation so develops, that is to be offered, I understand, by the gentlewoman from Arizona [Mrs. GREENWAY]. The pittance carried in this bill is an insult to any self-respecting person whom times and circumstances have made a beneficiary of the Government which they have sustained and of the country which they have helped to build. Verily, they ask for bread and ye give them a stone. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 6 minutes to the gentlewoman from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. Mr. Chairman, just after the House convened I asked for 10 minutes' time to talk about trying to save work for the people of this country, trying to get bread and butter for them. I was refused, although the gentleman from New York [Mr. DUFFY] was granted 4 minutes in which to discuss apple pie for his district. Safeguarding employment affects the entire country. This is not a party matter; it is not a sectional matter. I ask you, my friends, do you think it would be possible for me to be sectional when I have known and worked with thousands, literally thousands, of your southern and western veterans as well as my own northern men? Do you not suppose I want to work for the entire country for their sake alone, if for no other?

I am going to speak just for a few minutes upon the question of Japanese imports. From here I go to my office where I hold a meeting concerning a tremendously increasing importation of calf leather from Germany. We have to be on our toes and must be awake to these foreign importations.

I have in my hand a microscope manufactured in Japan. The wholesale price there is 61 cents. After paying our duties, it sells here for \$1.25 wholesale and \$1.95 retail. Similar instruments of American manufacture wholesale at \$7.50 and retail at \$12.50. Think of it!

I hold in my hand one rubber-soled tennis shoe that was made in Japan and one that was made in this country. The price of the American shoe is 60 cents a pair. The Japanese wholesale price is 9½ cents per pair, and the price landed here, 17 cents. For the American product we have to pay 60 cents, and for the Japanese product only 17 cents. No wonder our people are out of work.

I hold in my hand samples of worsted cloth, made in Japan, and samples of worsted cloth made in America, and, by the way, I know from conversation with people in different parts of the country that very few realize the increasingly large amount of woolen textile cloth that is made in Japan. We have discussed the figures about cotton textile cloth, but not woolen, and when you consider that over one million people

are employed in the textile industry, the greatest basic industry in the country, you must realize the danger that is not just around the corner, but that is right here with us. The Japanese wholesale price in America of this cloth is \$1.58, while the wholesale price of the American cloth, which compares with it—and I have a wonderful exhibit in the lobby for the Members to see—is \$1.77½. Japanese cloth costs in this country \$1.58. American worsted cloth, which we do not usually associate with having been made in Japan, \$1.58 against our cloth made at \$1.77.

I have here something that is very startling. Here are two hinges, one made in this country and one made in Japan. I am shocked but I understand, and this can be verified, that the Japanese-manufactured hinges are used in a Government-built building in this country. I will give you the prices of these hinges. The American wholesale price per pair of hinges is \$3.50. The Japanese foreign wholesale selling price per pair, 55 cents; wholesale price, duty paid, \$1.25 per pair. The American price is \$3.50.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 4 additional minutes to the lady from Massachusetts.

Mrs. ROGERS of Massachusetts. I have in my hands two flashlights. The American wholesale price, with lamp, but without battery, 19 cents. It retails, with battery, for 59 cents. The Japanese wholesale price, with lamp, in Japan, 1¼ cents; landed price here, 1.94 cents. It retails, with battery, at 39 cents. The American article, 59 cents; the Japanese, 39 cents.

Mr. LUNDEEN. Will the gentlewoman yield?

Mrs. ROGERS of Massachusetts. I yield.

Mr. LUNDEEN. What became of the reciprocal tariff? I voted against it myself.

Mrs. ROGERS of Massachusetts. And I likewise did. I think we all feel the same way about reciprocal-trade agreements and the way they affect us in our industries.

Mr. CITRON. Will the lady yield?

Mrs. ROGERS of Massachusetts. I yield.

Mr. CITRON. Is it not true that a great many of these manufacturers, who exploited labor in the past, have gone to Germany and Europe and even to Japan with our money?

Mrs. ROGERS of Massachusetts. I think it is deplorable if they have, but I do not think they have so much. I wish to state to the gentleman that I have the greatest admiration and the greatest respect for the northern manufacturers who stayed in their own country. I cannot yield further. I am sorry.

Japanese matches, the wholesale selling price is 52 cents for 144 boxes. The American selling price is 90 cents. The retail price to the public is 1 cent per box for both matches. I do not have time to give you the landed cost on the Japanese-made matches. I will give the manufacturing costs, which are very important, showing the cost to be 66 cents per gross in this country as against Japanese cost of 15 cents per gross.

This security bill speaks about security of the people after they have no employment. I know there is not a single Member here who does not wish to protect American men and women, whether they happen to have money or whether they represent capital; whether they are working day by day, hoping and praying their jobs will be kept. I give everyone of you credit for wanting to help the entire country. Of course, you are going to fight for your own part of the country. I know you would not ask, if you represented the entire country, as Secretary Wallace does, you would not appeal to the South and to the Middle West as he did, to work against and fight against us, a commercial warfare against other parts of the country. I know you will do everything in your power to have the President act to protect our great American industry, and if he does not act, I know you will pass legislation.

[Here the gavel fell.]

The CHAIRMAN. The Chair desires to call to the attention of the gentlewoman from Massachusetts the fact that it will be necessary for her to receive permission to revise and extend the remarks she made on the floor of the House

in the Record. The request of the lady to revise and extend the remarks she made in committee is granted.

Mr. TREADWAY. I yield myself 3 minutes, Mr. Chairman.

I want to supplement what my colleague has just said about the emergency that is very apparent. It was so apparent that this morning, so I am reliably informed, at a press conference at the White House the President had before him two large volumes of evidence in relation to this matter of recent importations, particularly of textiles, from Japan; and that he also submitted a statement from the Secretary of State, who also recognized the emergency that existed, and the importance of taking up this subject immediately. At the close of the press conference the President lifted those two large volumes and said, "These volumes are being now referred to the Tariff Commission with the request that they immediately investigate the subject."

So that I feel, and I am sure my colleagues from New England and all sections of the country feel, that the President of the United States himself now recognizes the great necessity of prompt and immediate action along the lines that have been discussed here in the last few days in connection with the textile conditions; and the large increase of importations from certain countries at the present time.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. JENKINS of Ohio. The pottery people are finding themselves in the same relative position as the textile industry at this time.

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, I wish to supplement the remarks just made by the gentlewoman from Massachusetts [Mrs. ROGERS] by again stating that the price is affected, very materially, by even a small surplus of these goods from Japan. We must recognize that. I repeat what I said the other day: It has a murderous effect on the whole price structure. If one-half of 1 percent is considered so small, why is it so important to Japan to have it? What great effect or harm would an embargo on such a little amount have on Japan? Why should she object to limitation, or even to embargo? We have heard much about the "forgotten man." Today our people in New England are beginning to believe that it is the "forgotten land." I wish that, instead of receiving letters and petitions, the President and Secretary Wallace might be taken to our piers and see the great freighters bound for Argentina, carrying away 1,500 tons of our finest textile machinery. Do you wonder that the appeal is very strong at the present? Do you wonder that we New Englanders feel we are being discriminated against? I reiterate, if this is so small an amount of import, why is it so important to Japan to have this market for it? The effect is disastrous enough on our own market.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. CARTER].

Mr. CARTER. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include therein certain tax tables.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. CARTER. Mr. Chairman, this is one of the most important measures the House of Representatives has had under consideration for many, many months. My only regret in reference to this matter is that this bill was not brought in under a rule similar to that providing for the consideration of the so-called "bonus bill" that we might have a fair and square vote on a number of these proposals.

Mr. COX. Mr. Chairman, will the gentleman yield at this point?

Mr. CARTER. Mr. Chairman, I regret that I must decline to yield, for I have but a few minutes.

This bill, however, has some good features; it is the work of many months. The President's social-security committee worked on it for weeks and weeks; the membership of the Ways and Means Committee did likewise, and they brought in a bill, not perfect, by any means, but a bill that is the

result of their strenuous labors. I agree with my colleague the gentleman from California [Mr. GEARHART] in reference to the old-age pension feature of this bill, for I think it is most inadequate and heartless in this respect. Other bills have been presented on this same subject. Some of them have been criticized because they have been changed from time to time. I have no doubt that the Chairman of the Ways and Means Committee will offer certain amendments to this bill, discovering that changes are necessary in the bill; and when we take into consideration that the Ways and Means Committee had the best talent it could employ to assist in drafting this bill, is it any wonder it has been found necessary from time to time to change considerably some of these other measures? Why criticize and sneer at them because they have been improved? I want briefly to call attention to some of the provisions of the McGroarty bill. In the first place, it is a bill which provides a transaction tax and a slight increase in gift, inheritance, and income taxes for paying the pensions therein provided. It is not necessary to issue bonds to pay the pensions under this bill. It is not necessary to call on the credit of the Government in any manner because, even though the transactions tax and other taxes therein proposed should not provide the amount hoped for, whatever is produced, after the expenses of administration have been taken out, will be prorated and devoted to the payment of pensions. It pays its way as it goes, which is a very commendable feature.

This is a machine age. More and more of our people are being put out of employment by reason of the perfecting of machinery, and I suggest to those here this afternoon that more and more people are going to be put out of employment in the future by reason of the inventive genius of the American people. What are we going to do with these people made idle through no fault of their own?

An answer to this problem is found in the bill submitted by my colleague from California. We have heard, of course, about the shortening of hours of labor. This must be done, and I am for it, but this in itself is not a solution of the problem. In this bill presented by the gentleman from California, we have the proposal that the older persons shall be taken out of gainful employment. I say to you that just as sure as we are here this afternoon we are going to establish that principle in this country. If it is not done through the adoption of this bill, we shall be forced to do it through the adoption of a bill carrying a similar principle.

What else does this bill provide? It provides, also, that the money received as annuities shall be spent within a certain time. I am not an expert on money matters, but I have listened to many men who were rated as experts, and almost without exception they have said that one of the very important things in relation to financial transactions is the velocity with which the circulating medium of the country passes from hand to hand. We can appreciate, of course, that although we had some power of doubling the amount of the circulating medium if it were not put into circulation it would be of absolutely no benefit to the people of this country. Therefore this provision for increasing the velocity of the circulating medium is very much to be desired.

The bill also provides that no person who is a beneficiary under its terms can maintain any able-bodied person in idleness or employ anybody at an unreasonable salary.

The gentleman from Wisconsin, in speaking on the floor of the House a day or two ago, offered another objection to the effect that a large manufacturing concern controlling its own sources of raw material and all the intervening steps and processes which turn the raw material into the finished product would have advantage over another concern which had to buy its raw materials on the open market and have certain operations performed by others, because of the transaction tax provided for in the bill. The gentleman from Oregon [Mr. MORR], if I remember correctly, interrupted him to say that he was offering an amendment that would cure that particular situation.

This bill, of course, is not perfect. I have been a Member of this body a good number of years and I cannot recall that any bill was ever brought in here that was perfect, or that any bill was ever brought in here that could not be criticized in

some manner. My only hope is that we shall have an opportunity of expressing ourselves on this measure before the final disposition of the bill under consideration.

The taxes collected under this act are deposited in the Treasury of the United States in a separate fund known as the "United States citizens' retirement annuity fund." This money will be collected for a period of 4 months before any payments are made. On the 1st day of the fifth month after the collections are started annuities will be paid out of the money collected the first month to all those who have qualified. In order to qualify a person must first be an American citizen and over the age of 60 years. The annuitant shall not engage in any gainful pursuit and shall further covenant and agree to spend the monthly annuity within 35 days after the receipt of the same.

To prevent the establishing of another bureau, the author of the bill has very wisely provided that the Administrator of Veterans' Affairs shall have charge of the administrative features of this bill. He is given authority to make certain rules and regulations that are necessary for administering the act.

There has been a great deal of argument as to the working of the transactions tax.

In some European countries where a turn-over or transaction tax has been used the tax has been levied upon only the profit involved in the transaction and not upon the dollar value of the transaction.

Careful study and estimates show that a 2-percent transaction tax levied upon the dollar value of the transaction may be expected to result in an increase of about 8 percent to 12 percent in retail prices.

It is obvious that the retirement of millions of citizens over the age of 60 who are now employed and the increased business caused by the spending of the annuities by them, and also by the spending of those younger people who would take the jobs vacated by the retirement of the citizens over the age of 60, will greatly increase business activity. This will result very quickly in a higher level of wages and salaries, to such an extent as to more than offset and to justify any slight price increase resulting from the taxes involved in, and the operation of, this plan.

There is a distinct and important difference in the results to be obtained from a transaction tax as compared with a retail sales tax.

For illustration, note the following:

(a) A retail sales tax does not reach many very large transactions, which do not enter into any retail sales.

(b) Because of the very great variation in the amount and character of materials and labor involved in the production of articles for the retail trade, a flat rate of 2 percent on each transaction of such production will more equitably distribute the tax load than a flat rate of tax based upon the retail sale price of the product. Even by using a great multiplicity of adjusted retail-sales-tax rates, which is utterly impracticable, no such equitable taxation could be effected to compare favorably with the transaction-tax results.

Hence this form of tax makes the best possible spread of the tax load in an equitable manner and does in fact impose the tax upon those who have the ability to pay the tax in proportion to the size and extent of their transactions.

The tables set out below clearly illustrate the operation and effect of this 2-percent transaction tax—liberal profit margin has been allowed:

*Wheat converted to bread*

[For 1,000 bushels of wheat at \$1 per bushel paid to farmer]

Transaction	Sale price	Sale amount	2 percent tax
Wheat sold:			
By farmer.....	\$1.00	\$1,000	\$20
By buyer.....	1.10	1,100	22
Flour sold:			
By miller to jobber.....	1.20	1,200	24
By jobber to store.....	1.30	1,300	26
By store to baker.....	1.50	1,500	30
Baker to consumer—on the basis that 1 bushel of wheat produces one 48-pound sack of flour, and this flour produces 72,000 one-pound loaves which retail for 10 cents per loaf.....		7,200	144
<b>Total.....</b>		<b>13,300</b>	<b>\$266</b>

This total of the 2-percent tax of \$266 is derived from six transactions. If it were all added into the retail sale price of the bread, the tax load would be 0.0037 cent per loaf of bread. A retail sales tax of 3.7 percent of the total retail sales dollar value of \$7,200 would be required to produce this same tax revenue of \$266.

*For coal to the retail consumer*  
[For 1 ton of coal]

Transaction	Sale price per ton	2 percent tax
Producer pays the miner.....	\$1.50	\$0.03
Jobber pays producer.....	5.50	.11
Railroad charges freight.....	3.00	.06
Retailer pays jobber.....	9.00	.18
Retailer pays drayage.....	1.00	.02
Consumer pays retailer.....	12.00	.24
<b>Total.....</b>	<b>32.00</b>	<b>.64</b>

This total of the 2-percent tax of 64 cents is derived from six transactions. If it were all added into the retail sale price of the coal, the tax load would be 64 cents per ton. A retail sales tax of 5.4 percent of the retail sales dollar value of \$12 would be required to produce this same tax revenue of 64 cents.

This variation in the amount of the retail sales tax rate—3.7 percent for the wheat and 5.4 percent for the coal, as shown by the foregoing tables, for the amount required to collect the same revenue as would be collected by the transaction 2-percent tax, illustrates the variation to be expected as to all other commodities.

The transaction tax method broadens or widens the tax base to include all of the transactions, and various factors tend to compel absorption of the tax by the producer and the middleman in a manner to relieve the consumer of all, or at least a major part, of the tax load at the time of the retail sale.

[Here the gavel fell.]

Mr. TREADWAY. I yield the gentleman 2 additional minutes.

Mr. CARTER. Mr. Chairman, there may be some other piece of legislation that has for its object the taking of the people 60 years of age and over off the labor market that is now pending before this Congress, but I am not aware of any such legislation.

I want to suggest to each and every Member of this body in closing that the bill presented by my colleague the gentleman from California, with the amendments that have been suggested, is worthy of the consideration and support of each and every one of us here. I trust that before we come to a final vote on this matter you will peruse this bill and that we may have your support for this most worthy measure. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Chairman, I have listened to so many fine and illuminating talks on the matter now under consideration that it is with considerable hesitancy that I undertake to say anything at all. I have not a prepared speech, but I do want to comment upon a few things which have come to my mind during the time I have been here on the floor of the House.

May I suggest first to my good friends across the aisle that you do not have a monopoly on all of the humanitarianism in this land of ours. Those of us who sit on this side of the aisle believe that our party, with which we are glad to affiliate, was born out of a spirit of humanitarianism that has not been surpassed by any like spirit in subsequent time. We believe that our party throughout all of its history, and today, stands for human rights as well as property rights. I believe I can say to every Member of this House and to all of our people that, insofar as legislation for old-age pensions and social security is an evidence of an advancing civilization and humanitarianism, the gentlemen on my side of the aisle stand with it and for it. [Applause.]

Mr. Chairman, I have heard much of this talk of human rights as against property rights. The accusation is made

against the gentleman from New Jersey [Mr. EATON], as fine a gentleman as sits on the floor of this House, that he is contending for property rights against human rights, which, of course, is not a correct interpretation of his remarks. Then I hear the gentleman from Massachusetts [Mr. McCORMACK] talking about secondary policies of government in promoting the welfare of the people. There is no difference between the gentleman from New Jersey [Mr. EATON] and the gentleman from Massachusetts [Mr. McCORMACK] in their fundamental beliefs.

The gentleman from Massachusetts [Mr. McCORMACK] says that these benefits must spring from business and industry, and those people who are producing the wealth. The gentleman from New Jersey believes that, too, and I believe it. The only thing that we are asking is, let us make it possible for those producing classes, business and industry, to so operate that the older people of this land, the unfortunates and the dependents, may be given security and a comfortable living.

Mr. Chairman, we have come a long way in this Nation since its birth about 150 years ago. In those early days if a man was unfortunate and became old without having accumulated something to take care of himself, or if he became sick or was injured, he was indeed in a desperate plight. No one took care of him. As we have come down through time our Government has been going into that secondary field of governmental activity, providing a greater measure of security for its people. I stand for such a policy if reasonably pursued, and I want to say here and now that I am for old-age pensions, as liberal as shall be in keeping with economic recovery.

It has been suggested here that the need for an old-age pension has been occasioned by the use of machinery. Do you know my view about that matter? My view is, if we did not have machinery, factories, plants, and equipment, we could not have an old-age pension. Why do I make that statement? I say that by the use of equipment and machinery the younger people of this land are able to produce enough of this world's goods to take care of the deserving older people in security and in comfort. I do not know that we should say that it is the burden of industry and business. I think it is the burden, maybe not the burden, but the privilege, of all of our people, to see to it that the older people when they get to that period in life where they are no longer able to go out and get employment and who have not been able to accumulate an estate, may live in security, peace, and comfort in this great land of ours, a land of plenty.

Mr. Chairman, there are titles in this bill about which I am not sure. It may be a fine thing, in principle, to require the setting up of annuities and to require the building up of reserve funds to take care of unemployment, because we may always have some measure of unemployment. If history repeats itself we will have recurring cycles of ups and downs. I am led to inquire if maybe we are not a little like the man who lived in the house with a leaky roof: When the sun was shining he did not need to fix the roof, and when it was raining it was an awful job to try to fix it. In other words, by these other titles in this bill, which are separate and apart from the old-age-pension feature, the care of dependent children, maternal care, and those things, we are going to say to the working people and to industry, but primarily to the working people, "When you have a job we are going to take so much out of your wages to build up a fund to take care of you when you get old or to take care of you when you do not have your job." Possibly, in view of the fact that it is raining today, we ought to try to fix that roof, because we can see the necessity for it. In connection with that, however, let me drop just this one word of caution. The crying need of the immediate present in this land is economic recovery. I trust that those of us who have charge of the policies of this Government will not go too far afield in the matter of social experimentation or social reforms and so hamper business and industry that we cannot have economic recovery.

It is my honest and steadfast belief that if we could tomorrow put every man who wants a job into a job and give him

employment by giving him a legitimate job in legitimate industry and getting him off of the Government pay roll or off of the relief roll, the specter of most of our other troubles would quickly vanish.

I want to reiterate that I favor the principle of old-age pensions and I will work for and support an adequate and reasonable plan.

My good friend the gentleman from California [Mr. McGROARTY], for whom I have developed a fond and sincere affection, is here advocating a plan which has been greatly modified since its introduction, and which we are told will be further modified. I do not know how far Congress will go in providing old-age pensions. Probably it will not make a lot of difference how I vote on it, because if history repeats itself there will be enough votes over there to put it one way or the other and we can vote yea or nay and it will not make a lot of difference. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. WELCH].

Mr. WELCH. Mr. Chairman, while the old-age-pension provisions of the social-security bill are totally inadequate, other provisions of the measure are meritorious. For example, title IV, granting aid to dependent children; title V, granting aid to State services relating to maternal and child welfare, the care of crippled children, and vocational rehabilitation, are so humanitarian in their purpose that the present administration is to be commended in this regard for bringing before Congress legislation which creates a new era in humanitarian legislative principles. The bill should be amended to include the provisions of the revised McGroarty bill, for I believe it will give far more adequate security to our aged. I welcome the opportunity to support this humanitarian legislation, and if there is no alternative I shall vote for the present bill with its old-age pension provisions, because I believe in the principle involved.

As reported by the Ways and Means Committee, individual and separate action must be taken by the legislatures of 48 States, and Congress itself must take further action to provide old-age pensions for the District of Columbia. Before the bill is finally passed by both the Senate and the House fully one-half of the State legislatures will have adjourned, many of them not to meet again in regular session for 2 and, in some instances, 3 years.

In the second place, the very fact that action is required in each State does not insure equality of security for our elder citizens. Every one of the States may set up different requirements within certain general limits outlined in this measure, which requirements may bring about so much confusion as to make proper national administration of the law almost futile.

The third fundamental weakness in this bill as reported, as I see it, is that it does not set forth a definite and precise method for uniform payment of old-age pensions. Its very vagueness spells insecurity.

Ever since I have been a Member of this body I have urged that legislation be passed to guarantee security in old age. During the last two Congresses the Committee on Labor, of which I am a member, has reported favorably on bills providing old-age pensions. But the House has failed to act upon them, although the majority of us probably believed at that time that it was the proper thing to do.

The revised McGroarty bill, H. R. 7514, on the other hand, while undoubtedly having some weaknesses, is more certain of relief than that offered in the present bill. It places the responsibility squarely where it belongs—on the shoulders of the Federal Government. It provides a more certain and uniform security for every aged citizen. It provides for the payment of these pensions immediately—now, when they are needed, not 2 or 3 years hence, when many of these citizens will have passed to the Great Beyond.

There can be no just criticism of government for the enactment of this type of legislation. It is truly among the most humanitarian types of legislation man can evolve, and it should not be made a political football. [Applause.]

I have stated that this is a responsibility properly resting upon the Federal Government. Our economic structure is

today national in scope. Our economic problems and depressions are consequently national in scope. The tendency toward great chain organizations removing the wealth of local communities to large financial centers is already well recognized. The handicap thus placed upon individual communities and States in problems of taxation have been great. Many States have had commissions studying these tax problems for years. If the Federal Government is to permit such conditions to continue, it must, for the safeguarding of its own interests, recognize and assume the responsibilities that necessarily follow. This principal is already well predated in our Federal public-health laws and administration. We no longer expect a local community to alone suppress an epidemic. Physicians, nurses, and experts of the Federal Government step in because it is recognized that its continuance may be a national calamity. The conditions that have been forced upon thrifty and deserving American citizens by the national economic calamity through which we have been passing is likewise a national problem and national responsibility.

Another factor of major importance in making this a Federal problem is the terrific trend toward the mechanization of all industry. The inventive genius of America has been turned to this with renewed vigor during the years of the depression. Machinery requires youth for its operation. Formerly men had not spent their usefulness before reaching the age of 60. Today, no large employer of labor, including the United States Government itself, will employ men and women who have even reached 45 or 50. With thousands who had provided for their old age having their savings exhausted by the conditions of the past few years, the permanent unemployed in the older age groups will continue with us. It is within the power of Congress to wipe out in large measure the tragedy being wrought in their lives.

I sincerely hope that every Member of this House will give careful and thoughtful study to the revised McGroarty bill. We should not be prejudiced against it by hearsay information. We should know its content and understand it.

Whether the revised McGroarty bill, as approved by Dr. Townsend, is substituted for the old-age-pension section of the social-security bill or not, I desire to take this opportunity to point out the deserving credit due Dr. Townsend and the proponents of the McGroarty bill for their success in making us nationally conscious of this responsibility. We should, as representatives of the people, give to all American citizens social and economic security in their declining years. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. FOCHT].

Mr. FOCHT. Mr. Chairman, I ask unanimous consent to extend my remarks and include a letter that has a direct bearing on my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The letter follows:

ALLENWOOD, PA., April 12, 1935.

Hon. B. K. FOCHT,

House of Representatives, Washington, D. C.

DEAR MR. FOCHT: I am enclosing a tag taken from a bag of cottonseed meal, purchased at our local feed store here in Allenwood. Positive proof that Pennsylvania farmers are using cattle food raised in China, and processed in and imported from Japan.

What are we coming to? Are the people who are responsible for the policies which permit such things to happen mad? Perhaps they are just plain fools.

In regard to the hog-processing tax. In my humble judgment it should be dropped at once. Pork has become so high that the ordinary consumer cannot afford to buy it. They are turning to substitutes. If the 2½ cents a pound tax was knocked off, it would help. Let us drop all this complicated jumble, and return to common sense and America for Americans.

I have copied the following from the tag which was on a recent shipment of "cottonseed meal" received here in Allenwood, Union County, Pa.

"100 lbs. net.

"Cottonseed meal manufactured only from Chinese cottonseed in Japan. Imported by Ashcraft-Wilkinson Co., Atlanta, Ga.

"Guaranteed analysis:

"Protein, minimum 36 percent; fat, minimum, 4½ percent; fiber, maximum 16 percent; nitrogen free; extract, minimum 25 percent. Paramount Brand."

With best regards, I am, respectfully yours,

C. V. MICHEZ.

Mr. FOCHT. Mr. Chairman, ladies and gentlemen of the Committee, we were all deeply impressed by the impassioned speech of the gentleman from Massachusetts [Mr. McCORMACK].

I hesitate to mention it, but it so happens that 20 years ago I delivered an address on the floor of this House advocating an old-age-pension law. One year later I introduced a bill for that purpose. Both of these instances are a part of the records of the House.

Civil government is made necessary for self-defense and for the control of the conduct of our citizens.

Now, my friends, there is one thing about this if we understand it, and we do have a perfect understanding that something is going to pass in the shape of an old-age pension. I, of course, will vote for it, but like some others here, I am constrained to call attention to one important and essential thing.

Since the matter has been practically settled by voices expressed here on the floor that the bill will pass, the question then arises—and that seems to voice the same thing the gentleman from Massachusetts [Mr. McCORMACK] spoke of—this is not a political question but a humanitarian and economic one, in fact, something closer and akin to the religious or spiritual.

You have heard of the invasion of New England by Japan with some of her products. They have come to my district where they have a rayon works which has employed 7,000 people. These foreign goods have virtually closed that factory, and the employees are walking the streets.

[Here the gavel fell.]

Mr. FOCHT. Can I have a little more time?

Mr. TREADWAY. I can give the gentleman 1 minute more, but I will have to take it out of someone else's time.

Mr. FOCHT. I had rather give 10 minutes to somebody else than to take any of their time. I will say that I tried to get time, but I have been treated discourteously in regard to it.

Mr. TREADWAY. I object to that statement. I have not treated the gentleman discourteously, and I do not propose to stand for it.

Mr. FOCHT. I have tried to get time and I have been denied it.

Mr. VINSON of Kentucky. Mr. Chairman, a point of order. This is a security bill. [Laughter.]

Mr. TREADWAY. We will take care of things on this side, and you take care of things on your side.

Mr. FOCHT. We now have an invasion of my home county of Union, in Pennsylvania, by the Chinese, which is quite as bad as the rayon importations into this country. Under a tariff duty of three-tenths of 1 percent, cottonseed meal stock feed to the extent of 44,890,000 pounds was imported in 1934 into the United States. Some of this cottonseed meal reached Allenwood, which coincidentally is the only township in Union County that went Democratic in 1934. It was billed through a firm in Atlanta, Ga. We will reserve for another time, when we are given better opportunity to discuss the matter of imports from Japan, of bleached cotton cloth, which has increased from 3,960 square yards in January 1934 to 4,347,739 square yards in February 1935.

Mr. TREADWAY. I yield 3 minutes to the gentleman from Pennsylvania [Mrs. RICH].

Mr. RICH. Mr. Chairman, when the gentleman from Massachusetts [Mr. McCORMACK] was speaking this afternoon I admired the spirit in which he tried to speak of this social-security bill. It was not a purpose of mine in any way to speak of the bill as a political bill, but I felt it my duty because of the fact that the Democratic Party is in power to call their attention to the promises they have made to the American people, to the platform they have adopted, which was a covenant with the people, which they promised to carry

to completion, and which the President of the United States said that he would carry out 100 percent, and which promises have not been fulfilled. It is a question of misplaced trust by the Democratic Party. I believe this country today is best operated by two major parties, and it is necessary for the party in power to carry out those principles and promises inculcated in its platform, and which it has promised to the American people. Why should not the Democratic Party carry out its platform to the letter rather than do the opposite from what it promises?

Then I call the attention of the House to the fact that the Speaker, Mr. BYRNS, yesterday said he thought we could reduce taxation on small industry. I also call attention to the remarks made by Mr. SAMUEL B. HILL in referring to the fact that the Budget is practically in balance. Not so, according to Government Treasury statements. I say to the Democratic Party, Where are you going to get the money for these exorbitant expenses? Where are you going to get the money to balance the Budget? I say to you and to Members of this Congress that if you do not recognize that fact and assume your responsibility in trying to balance the Budget you are going to find out that instead of assisting these people to receive old-age pensions you will not only cause them to have greater misery and suffering but you will wreck this country. I tell you again it is your duty and responsibility to balance this Budget, and when the gentleman from Washington [Mr. SAMUEL B. HILL] says we are about balancing the Budget, I say to you that if this Budget is balanced at the end of this year I shall ask this small minority of Republicans to give you, our Democratic colleagues, the best banquet that can be had in any banquet hall in Washington, and we will permit you to write your own menu, and all this we will do if you will only balance the Budget. We would do it if we were in power. This is your responsibility. Assume it. Do it now before it is too late.

The President ran New York State into the greatest debt of its history, and he has already accomplished the same feat for the country. Will you let him continue this orgy of ruthless spending?

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. TREADWAY. Mr. Chairman, I yield now to the gentleman from Oregon [Mr. MORR].

Mr. MOTT. Mr. Chairman, since the revised McGroarty bill, H. R. 7154, was introduced on April 1, a number of clarifying and perfecting amendments, some of them of considerable importance, have been made to it. Several gentlemen, including myself, desire to discuss that bill when it is offered under the 5-minute rule tomorrow. In order that all Members may have an opportunity to read the bill with the amendments, in the form in which it will be offered as a substitute for the old-age pension provisions of the administration bill, I ask unanimous consent to extend my remarks in the RECORD by including therein at this point the text of the revised McGroarty bill, with the amendments.

The CHAIRMAN. Is there objection?

There was no objection.

The bill, with amendments, is as follows:

[74th Cong., 1st sess.]

H. R. 7154

In the House of Representatives

Mr. MCGROARTY introduced the following bill, which was referred to the Committee on Ways and Means and ordered to be printed

[Omit part enclosed in brackets and insert part printed in italic]

A bill to provide for the general welfare of the United States by supplying to the people a more liberal distribution and increase of purchasing power, retiring certain citizens from active gainful employment, improving and stabilizing gainful employment for other citizens, stimulating agricultural and industrial production and general business, and alleviating the hazards and insecurity of old age; to provide a method whereby citizens shall contribute to [the purchase of] and receive a retirement annuity; and for the raising of the necessary revenue to operate a continuing plan therefor; and to provide for the proper administration of this act; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled—

DEFINITIONS

SECTION 1. The term "transaction" for the purposes of this act shall be defined so as to include the sale, transfer, barter, and/or

exchange of either or both real or personal property, including any right, interest, easement, or privilege of commercial value therein or related thereto, whether actually made at the time or only then agreed to be made and whether under executed or executory contract or otherwise; also including all charges for interest, rent commissions, fees, and any other pecuniary benefit of any kind directly or indirectly derived from or for any loan, deposit, rental, lease, pledge, or any other use or forbearance of money or property; and also including the rendering or performance of any service for monetary or other commercially valuable consideration, whether by a person or otherwise, including all personal service, also transportation by any means, and telephone, telegraph, radio, amusement, recreation, education, art, advertising, any public utility, any water rights, and/or any and all other service of any and every kind whatsoever, but excepting and excluding therefrom any single isolated transfer of property of fair value less than \$100, or any other isolated transaction of the fair value of \$50 or less, which does not arise or occur in the usual course of an established [commercial] business, trade, or profession, and excluding any loan, deposit, withdrawal from deposit, hypothecation, or pledge of property or money.

The word "person" shall include any corporation, firm, copartnership, or association.

The term "transfer" for the purposes of this act shall be defined to mean the passing of property, real or personal, or the title ownership or beneficial interest therein, from one person to another, and also includes the rendition of service in connection with the transfer.

A purchase obligation is not a loan under this act.

Barter and/or exchange is defined as a plurality of transactions to the extent of the fair value of the property and/or service transferred or rendered other than money.

The term "income" for the purposes of this act shall be defined so as to include the gross amount of any and all money or its equivalent received from or for any service performed or from or for any proceeds or profit from any transaction, inheritance, or gift whatsoever.

The term "net income" for the purposes of this act shall be defined so as to include all money and/or commercially valuable benefit or its equivalent actually received by the annuitant, after deducting only such charges and expenses as are directly incident to producing such net income.

The term "gainful pursuit" for the purposes of this act shall be defined so as to include any occupation, profession, business, calling, or vocation, or any combination thereof, performed for monetary or other commercially valuable consideration, remuneration, or profit.

The term "annuity" and/or "annuities" for the purposes of this act shall be defined so as to include the various sums and/or amount of money distributed and paid pro rata and otherwise to the various persons who shall become and be the beneficiaries under this act.

The term "executory contract" for the purposes of this act shall be defined so as to include any and all conditional sale agreements and contracts, and all other agreements and contracts the completion of which is or may be delayed to sometime subsequent to the time of making thereof.

The term "gross dollar value" for the purposes of this act shall be defined so as to include the sum representing the total fair value of the entire property or service transferred or proposed to be transferred, without deducting any amount of encumbrance or offset of any kind, except a mortgage encumbrance of record upon real property.

TAXES AND COLLECTION THEREOF

SEC. 2. (a) There is hereby levied a tax of 2 percent upon the fair gross dollar value of each transaction done within the United States and Territories; also, in addition to all other taxes, a tax equal to one-tenth of the tax levied upon all incomes under the provisions of the Revenue Act of 1934 or any amendment thereto; also, in addition to all other taxes, a tax of 2 percent upon the fair dollar value of all transfers of property by devise, bequest, or other testamentary disposition or legal descent and distribution of property, as now are or hereafter may be taxable under the [provisions of the Revenue Act of 1934 or any amendment thereto;] laws of the United States; and also, in addition to all other taxes, a tax of 2 percent upon the fair gross dollar value of every gift in excess of the fair value of \$500: *Provided, That said taxes shall not be levied upon such transactions involving the issuance, sale, or transfer of Federal, State, or municipal bonds or other securities as would be otherwise exempt from Federal taxation under existing law, and shall not be levied upon any transaction done by the Federal or by a State or municipal Government which would be otherwise exempt from Federal taxation under existing law.*

(b) Except as hereinafter otherwise provided, all tax returns for the taxes imposed by this act shall be made by, and the tax shall be paid by, the grantor, vendor, lessor, and/or legal representative thereof, and by the legal entity by whom the service is furnished, for each and every transfer of property and/or rendition or performance of service, and for all transactions arising under executory contract the return shall be made and the tax shall be paid as of the date such executory contract is entered into, regardless of the time of the completion thereof; *Provided, That in every case of compensation for personal service other than for professional service, the person or legal entity by whom such payment is made shall deduct the amount of the tax and withhold it out of such compensation and shall make the return and the payment of the tax for such cases in lieu of the return and payment by the person who performed the service.*



(c) All taxes imposed by this act shall be deemed levied and shall become payable upon all taxable transactions beginning and occurring on and after 30 days after this act takes effect.

(d) Every return of taxes, together with the payment of the taxes, as required by this act, shall be made to the collector of internal revenue of the United States, or to such other person as may be designated by rules and regulations issued under this act, for the district from which such return is made, as of the end of each calendar month during which such taxes become fixed and chargeable, and shall be delivered and paid to said collector of internal revenue or other person not later than 10 days after the expiration of the calendar month for which such return is made.

(e) The Secretary of the Treasury shall enforce the payment of the taxes required by this act to be paid, and shall promptly deposit in the United States Treasury all funds received by him through or from the collection of such taxes, all as required by rules and regulations to be issued and promulgated by the Secretary of the Treasury of the United States.

(f) Within the limitations of sections 1 and 2 of this act the Secretary of the Treasury shall by rules and regulations prescribe what shall constitute a taxable transaction within the meaning of this act, in any particular case, and may determine and prescribe the number of transactions to be taxed in the course of the production, distribution, and sale of any article or commodity. He shall also create and maintain a Board of Review which shall have jurisdiction to hear and determine any claim arising out of the administration of sections 1 and 2 of this act, upon the part of anyone paying or liable for the payment of any of the taxes imposed herein. Said board shall consist of not more than five members who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive a salary to be fixed by the President, not exceeding \$10,000 per year. The decisions of said board shall be subject to appeal to the District Court of the United States of the district where the claim arises, in the manner prescribed by law for appeals in income-tax matters.

In making the rules and regulations herein provided for the Secretary of the Treasury shall be governed by the following basic rules, which are hereby declared to be the policy of the United States with regard to the levy and collection of said taxes:

(1) Where the transaction involves the physical transfer of property, or the ownership, title of beneficial interest therein, the tax shall be levied upon the gross dollar value of the property so transferred; except that in the transfer of real property under a contract of purchase, purchase-money mortgage, or other purchase obligation the tax shall be levied and collected upon the amounts paid under such obligation as and when the same are paid.

(2) Where the transaction consists of the rendition of service only in connection with the transfer the tax shall be levied and collected upon the gross dollar value of the service rendered.

(3) The gross dollar value in either case shall be the price actually charged for the property or service, unless it shall appear to the Secretary of the Treasury that such price is obviously inconsistent with the fair value thereof, in which case the Secretary of the Treasury shall determine the fair value and levy the tax thereon accordingly.

(4) A transaction done by a broker, commission merchant, carrier, bailee for hire, or warehouseman in the ordinary course of his business as such in connection with personal property, shall be deemed to be a service transaction.

(5) Where several transactions are done in the course of the production, manufacture, distribution, and sale of personal property and/or service rendered in connection therewith, all of such transactions, if otherwise taxable hereunder, shall be taxable whether said transactions are done in whole or in part by, within, or under the control of a single person, firm, corporation, copartnership, or association, or whether they be done in whole or in part by separate persons, firms, corporations, copartnerships, or associations; the purpose of this clause being to prevent avoidance by larger business firms and combinations of payment of the same tax for which smaller or independent businesses would ordinarily be liable under this act.

(6) Where articles are manufactured in whole or in part by the process of assembling together such component parts thereof as are ordinarily purchased from other manufacturers, such, for example, as automobiles, machinery, furniture, and so forth, the transaction tax herein provided shall be levied upon the gross dollar value of such component parts regardless of whether the same were made by the manufacturer of the assembled or completed article or whether they were purchased by such manufacturer from another, and where the manufacturer of an article upon which a transaction tax is payable hereunder is the producer of the raw material or other material from which said article in whole or in part is made, then the transaction tax upon such material, if the same has not been paid and would be otherwise taxable hereunder, shall be paid by such manufacturer.

(7) Every person engaged in the sale of goods at retail shall be deemed for the purposes of this act to be an independent operator and not the agent or employee of any producer, manufacturer, wholesaler, or distributor of such goods.

#### A SEPARATE FUND

Sec. 3. There is hereby created in the Treasury Department of the United States a fund to be known and administered as the "United States citizens' retirement annuity fund." All revenue derived from the taxes levied in and under this act shall be de-

posited by the Secretary of the Treasury in this United States citizens' retirement annuity fund, and shall be disbursed only for the payments of the sums expressly authorized by this act to be paid therefrom, and for no other purposes.

#### ONLY UNITED STATES CITIZENS ARE ELIGIBLE

Sec. 4 (a) Every citizen of the United States 60 years of age and over, or who shall attain the age of 60 years after the passage of this act, shall be entitled to receive upon filing application and qualifying as hereinafter provided an annuity payable monthly during the life of the annuitant, in a sum to be determined as hereinafter provided in this act.

(b) The right of any person to receive an annuity under this act shall date from and begin on the date of proper filing of an application therefor, when and if such application is supported by proper and sufficient proofs in compliance with rules and regulations issued pursuant to the provisions of this act, but subject to the limitations upon time and manner of payment as hereinafter provided by this act. *In such application the applicant shall disclose the nature and extent of any annual or monthly income then being received or due to be received by the applicant.*

(c) The annuitant shall not engage in any gainful pursuit.

(d) The annuitant shall covenant and agree to expend, and shall spend, all of each month's annuity during the current calendar month in which it is received by the annuitant, or within [5 days] 1 month thereafter, within the United States of America or its Territorial possessions, in and for the purchase of any services and/or commodities, and/or a home or an equity in or lease of a home, or for the payment of any indebtedness lawfully arising for any such purchase: *Provided, however,* That the annuitant shall not directly or indirectly expend a total of more than 10 percent of any such monthly annuity for gifts or contributions to any person or to any public or private institutions, associations, or organizations.

(e) This annuity shall not be payable to any person who directly or indirectly receives from any source a net income of any kind or nature in excess of [\$2,400 per year] the amount of the annuity to which he would be otherwise entitled under this act.

(f) Any person otherwise qualified to receive an annuity hereunder and who at any time receives any net income of any kind or nature [not arising from personal services of such person and which in total amount is less than \$2,400 per year] shall promptly make full and complete disclosure in writing under oath, as required by rules to be issued under this act, fully disclosing the amount and source of any and all such income, and thereupon the pro rata monthly amount of any such annual income not arising under this act shall be prorated over the year and shall be deducted monthly from the monthly annuity payment to which such person under this act would otherwise be entitled, and the remainder shall be the annuity of such annuitant payable under this act: *Provided, however,* That all of the income of any such annuitant, whether arising under this act or otherwise, shall be expended as required for annuity paid under the provisions of this act.

#### ADMINISTRATION PROVISIONS

Sec. 5. (a) The Administrator of Veterans' Affairs shall create and maintain boards of review within the several States as he may deem necessary to carry out the provisions and purposes of this act, and he shall issue and promulgate and enforce proper and suitable rules and regulations governing the manner and place of registration by applicants for the annuities provided for under this act, and the method of identification of and registration by such annuitants, also to require and secure the proper spending of the annuity money by the annuitant as required by this act, and adequate and sufficient accounting thereof, and such other rules and regulations as he may deem necessary, all in accordance with the intent and purposes of this act; and he shall cause to be paid at regular monthly intervals, to each person who lawfully qualifies to receive annuities under this act, such amount as shall become due the respective annuitants lawfully qualifying under this act.

(b) Proper and suitable boards shall be established by the Administrator of Veterans' Affairs, within each State as he shall deem necessary, such boards as have exclusive jurisdiction to hear and determine all issues arising under this act, subject to rules and regulations issued and promulgated under this act, concerning annuitants residing within the jurisdiction of the boards, respectively, but subject to the right of either party to have the decision of any such Board reviewed by the State court having general jurisdiction over the area in which that board is situated.

#### APPORTIONMENT AND DISTRIBUTION OF FUNDS

Sec. 6. From and out of the proceeds of such taxes collected and accumulated under the provisions of this act, disposition and disbursements shall be made in the following manner and order, to wit:

(a) All proper and necessary expense of administering this act shall first be paid or provided for, and upon a monthly basis whenever practicable.

(b) A reserve fund shall at all times be maintained sufficient to protect and provide proper payment of any and all annuities the payment of which for any cause is deferred because of delay in approval of application for the annuity or otherwise.

(c) All other money available in any month or period, from or out of said tax collections or any undistributed residue thereof, as hereinafter referred to, shall be distributed and paid monthly, pro rata, except as hereinafter provided, to all qualified annuitants who are of record on the last day of the calendar month period or longer first period as hereinafter specified, during which the tax collections and/or residue are accumulated for distribution, in such amount

[not exceeding \$200 per month.] as may properly be paid from the funds accumulated during that period, and in the following manner, to wit:

(d) First. The total amount available for distribution shall be divided by the total number of the annuitants entitled to share therein, and except for cases where deduction is to be made as hereinafter referred to, the result shall be the pro rata annuity amount.

Second. The proper deductions provided for by section 4, paragraph (f), of this act shall then be made from the pro rata amount so determined, as to all persons who have any income not arising under this act as annuity.

Third. The amount so determined to be due each of the annuitants shall then be paid in manner and by method as follows, to wit:

(e) The total amount of the deductions made as provided in section 4, paragraph (f), of this act shall constitute a residue which shall be carried over into the next following month and be merged into and become a part of the fund available for that month for distribution to qualified annuitants as provided for in this act.

(f) All of the funds accumulated under this act during the period extending from the time this act goes into effect and to the end of the first full calendar month after this act takes effect and hereby designated as the "first period", shall be promptly paid for and as of the first day of the fifth full calendar month after this act takes effect, to such annuitants as are of record on the last day of such "first period" and as hereinafter provided for in section 6, paragraph (c), of this act.

(g) All of the funds accumulated under this act during the second full calendar month after this act takes effect, hereby designated the "second period", shall be promptly paid for and as of the first day of the sixth full calendar month after this act takes effect, to such annuitants as are of record on the last day of such "second period" and as hereinafter provided for in section 6, paragraph (c), of this act.

(h) Subsequent monthly payments to the annuitants shall be made by this same method, monthly, as follows:

Accumulation of third period to be paid on first day of seventh month.

Accumulation of the fourth period to be paid on first day of eighth month.

Accumulation of the fifth period to be paid on the 1st day of the ninth month, etc.

And continuing so long as any funds are available therefor under this act, to the annuitants identified monthly in accordance with section 6, paragraph (c), of this act.

#### RULES AND REGULATIONS

SEC. 7. All administrative details not specifically otherwise provided for in this act shall be governed by rules and regulations issued and promulgated by the Administrator of Veterans' Affairs.

#### APPROPRIATION FROM THE FUND

SEC. 8. The Secretary of the Treasury, upon demand by the Administrator of Veterans' Affairs, is hereby authorized and directed to pay from money or moneys available in said United States citizens' retirement annuity fund the money necessary to cover the monthly annuities as designated by said Administrator to be paid to qualified annuitants, and for other purposes, in a total amount as elsewhere provided in this act, but in any event not to exceed at any time the amount on deposit in said fund; and there is hereby authorized to be appropriated such sum or sums as may be necessary to establish and maintain this act, subject to reimbursement out of funds collected hereunder, pursuant to the provisions of this act.

#### PENSIONS NOT SUBJECT TO GARNISHMENT, ETC.

SEC. 9. Any annuity granted under this act, and the money proceeds thereof due or in the hands of the annuitant, shall be wholly exempt from attachment, garnishment, execution, levy, and/or any other judicial process.

#### DISQUALIFICATIONS

SEC. 10. No annuity shall be paid under this act to any person who is not at the time of payment domiciled within the United States or its territorial possessions.

#### SUSPENSION AND FORFEITURE

SEC. 11. The right of any person to receive an annuity under this act may be suspended and/or forfeited for any of the following causes:

- For engaging in any gainful pursuit.
- For violation of any of the provisions of this act.
- For unreasonable and unnecessary maintenance of any able-bodied person in idleness and/or for unreasonable and unnecessary employment of a person or persons or the payment to any person of any salary or wages or any other form of compensation in disproportion to the service rendered.
- For willful failure or refusal to obey any rule or regulation issued under this act.
- For willful refusal by any annuitant to pay any just obligation.

#### DELAY IN PAYMENT—REMEDY

SEC. 12. If in any case the payment of an annuity to any person is delayed to an extent which causes an accumulation of 2 months or more of annuities, then, and in that event, the expenditures by

the annuitant for the amount of any such accumulation shall be made upon the basis of 2 months for every month of such accumulation.

#### CERTAIN OFFENSES A FELONY—PENALTY

SEC. 13. It shall be a felony, and punishable as such, for any applicant for an annuity, or for any annuitant, or any person required by this act to make any return for the payment of any tax, to make any false statement, or to knowingly withhold any facts material to the proper administration of this act, with intent to defraud the United States, under a penalty of a fine of not more than \$1,000 or imprisonment for not more than 1 year, or both.

#### CONSTRUCTION OF THIS ACT

SEC. 14. If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act or the application of such provision to other persons or circumstances shall not be affected thereby.

Mr. TREADWAY. Mr. Chairman, I yield 4 minutes to the gentleman from New York [Mr. LORD].

Mr. LORD. Mr. Chairman, we have in the State of New York an old-age-pension system, and we have a pension system for widowed mothers and children and have just passed at this session of our legislature a bill to provide for unemployment insurance. We should have established insurance many years ago. I am so much interested in all of those subjects that at the beginning of this session I introduced an unemployment insurance bill. I think that my bill is better than the one before us, and I am in hopes, before this bill is considered finally, we may get a change in the bill along the lines of the bill which I introduced. My bill provides that the employer and the employed and the Federal Government shall share equally in the cost of the insurance. My reason is that a person who gets an annuity should have some part in the creation of that annuity. To get the most out of an annuity a person should help create it. I hope we may be able to amend the bill before the bill is passed.

One statement has been made to us here to the effect that the employer cannot afford to pay the expense. I think that is true. It will add a burden of 9 percent to all of the employers, but we must also consider the fact that the employer will pass that on; and my question is, Can the people at large afford to pay this added expense? There is a class of people who are not going to be protected, the farmer and domestic and various others, who do not come under the insurance. How is it going to look to them when some man loses his job and gets unemployment insurance, while his neighbor who has helped pay for that insurance does not get any relief whatever? That is what may happen in our rural communities, and that is what may happen to our domestics and farmers. They will contribute under this bill just as much toward creating an unemployment insurance fund as the man who receives the money. That is something to consider seriously—and this is why I contend that the employee should contribute an equal amount along with the employer.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. LORD. Yes.

Mr. VINSON of Kentucky. Under the New York State law are farmers included in the unemployment insurance?

Mr. LORD. No; the New York State bill is the same as the bill before us, and that is the bad part of it. I believe we should have a pension for our old people and one that is adequate, built up over a period of years. We should have security for women and children, and insurance for all unemployed. I hope that we can work out of this bill a just and adequate measure for all of the people, and one to be paid for by and for the benefit of all, including the farmer and domestic.

Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield the balance of my time, 26 minutes, to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, the economic security bill now before us raises grave constitutional questions. More and more as the proposals of this administration are presented and the motives behind them are revealed, thoughtful citizens turn to the Supreme Court as the one

dependable instrumentality of Government to hold the rudder of the Constitution true.

Recent decisions of this great bulwark of liberty and justice have inspired new hope in the hearts and minds of those who believe in the principles of constitutional government.

Two comparatively recent and notable decisions of the Supreme Court ought to exert a restraining influence on the Congress as well as the executive branch of the Government. The economic security bill now before us is evidence that another attempt is to be made to evade constitutional limitations and invade the rights reserved to the States. This Congress, under irresponsible executive leadership, has already attempted to delegate its legislative power in violation of the Federal Constitution, and under the same leadership it has attempted to repudiate the promises of the Government to its citizens. The same leadership that has brought the stigma of repudiation upon this Congress may be satisfied to dismiss this ugly word by issuing a statement from the White House that "the President is gratified", but the responsibility for this injustice to the citizens of the Nation rests upon Congress.

The executive branch of the Government for the past 2 years has made a spineless rubber stamp of this legislative body, and it has done so to the humiliation of the self-respecting Members of Congress and to the detriment of the Nation.

It may require a more blistering rebuke from the Supreme Court and the pressure of an aroused and enraged public opinion to restrain this Congress from continuing to be the tool of those who would destroy the Constitution; but the time is not far distant when those who believe in constitutional government will speak with force and with finality.

There are times when I enjoy to turn back the pages of our history and examine the philosophy of those who framed the Constitution, and to compare it with the philosophy of the ardent advocates of the new deal who have all but destroyed it.

One of the framers of the Federal Constitution, in commenting on the advantages to be derived from having two branches of our National Legislature, made these interesting observations:

Each House will be cautious and careful and circumspect in those proceedings, which they know must undergo the strict and severe criticism of judges, whose inclination will lead them, and whose duty will enjoin them, not to leave a single blemish unnoticed or uncorrected.

Every bill will, in some one or more steps in its progress, undergo the keenest scrutiny. Its relations, whether near or remote, to the principles of freedom, jurisprudence, and the Constitution will be accurately examined; and its effects upon laws already existing will be maturely traced. In this manner rash measures, violent innovations, crude projects, and partial contrivances will be stifled in the attempt to bring them forth.

When the distinguished statesman and jurist made this statement he did not have in contemplation the time when a Chief Executive would usurp the functions of Congress, bend it to his will, make the legislative committees subservient to him, formulate the legislative program, draft the bills both as to substance and form, and then demand enactment of them into law without change. It did not occur to him, I venture to say, that legislators elected to the Congress of the United States would ever become so servile. Moreover, I dare say the thought never entered his mind that a Chief Executive would engage adroit counsel and assign to them the specific task of so formulating legislative measures as to evade the spirit and intent of the Federal Constitution. Few bills that have come before Congress, I am sure, have had more time spent upon them by legal talent in an attempt to evade and circumvent constitutional barriers than has the economic-security bill now before this House.

The provisions have been cut, carved, sawed, assembled, and reassembled in an effort to make it constitutionally presentable to the Supreme Court. A resort has finally been had to an ingenious mechanical arrangement of title II and title VIII as the most likely means of diverting the attention of the Supreme Court from the real issue, viz, that these two titles are the same in purpose, spirit, intent, and sub-

stance. This clever scheme may succeed, but I do not believe this mechanical subterfuge will deceive the Court. If the purpose sought to be accomplished does escape the scrutiny of the Court because of the mere juggling of titles, then other police powers reserved to the States may in the same manner be taken over and operated by the Federal Government without let or hindrance.

But, Mr. Chairman, the courts are not dumb when it comes to detecting legislative subterfuges, even when such attempted evasions are drawn by the "brain trust" counselors. We have evidence of this in a recent opinion written by Federal Judge Charles I. Dawson in support of a decision adverse to new-deal legislation. The language and the logic expressed in the opinion are appropriate and applicable to title II and title VIII in the bill before us. Judge Dawson writes:

It is impossible for anyone who has any respect for constitutional limitations to contemplate this law with complacency. \* \* \*

It is the plainest kind of an attempt to accomplish an unconstitutional purpose by the pretended exercise of constitutional powers.

In this same opinion Judge Dawson said that if the act itself shows that—

Subterfuges were resorted to to circumvent constitutional limitations, no judge who respects his oath to support and defend the Constitution will hesitate to strike it down, it matters not how great may be the demand for such legislation.

Executive domination is responsible for including in this economic-security bill subject matter that should have been brought in under separate measures. Never under any circumstances, except under present dictatorial pressure, would the Ways and Means Committee have brought a bill in here loaded down with subject matter some of which ought to receive profound study before being launched in perilous times like these. There would be little if any opposition to Federal aid to the humanitarian subjects, such as adequate aid to the aged, grants to States for dependent children, grants in aid of maternal and child welfare, grants to maternal and child-health service, grants to aid crippled children, aid to child-welfare services, support to vocational rehabilitation, and to public-health work.

But there is included in this bill, by the direction and at the command of the President, the compulsory contributory old-age-annuity provision. As I have stated, it raises a grave constitutional question, and, beyond all this, it lays a heavy tax burden on employers and employees alike when they are least able to bear it, not to meet an emergency or to furnish immediate relief to those in need. Titles II and VIII, I repeat, were placed in this bill and kept in this bill because you were ordered and commanded to do it by the President.

This measure, like so many complex bills that have preceded it, was not brought here, and you did not dare bring it here, until it had run the gamut of administration approval. First it had to satisfy the "brain trust." Next it had to receive the benediction of the President. When the press announced that the majority members of the Ways and Means Committee had been to the White House to obtain the consent of the President to bring the economic-security bill before the House of Representatives for consideration, I was reminded of the truth that history repeats itself. Almost six centuries ago, when the King of England convened Parliament, the sole duty of the Commons was to consent to taxes. Later on, in 1354, Edward III, for some reason not revealed, asked the Commons their opinion of the French war which he was then carrying on, and this was their reply:

Most dreaded lord, as to this war and the equipment needed for it we are so ignorant and simple that we do not know how nor have we the power to decide. We, therefore, pray your grace to excuse us in the matter.

The parallel is in the procedure only—not a reflection upon the intellectual capacity of my colleagues. I want it distinctly understood that I have a profound admiration and respect for the character and intelligence of my associates on the Ways and Means Committee. What I deplore is the lack of legislative independence so much needed to prevent constant dictatorial Executive interference with the legislative branch of the Government. A great statesman has said:

The true danger is when liberty is nibbled away for expedients and by parts.

The centralization of power in the executive branch of the Government is a menace of major proportions.

I know that the admonitions of George Washington on this point will fall on deaf ears, but I hope you will indulge me while I quote from his Farewell Address:

It is important likewise—

He said—

that the habits of thinking in a free country should inspire caution in those intrusted with its administration, to confine themselves within their respective constitutional spheres, avoiding in the exercise of the powers of one department to encroach upon another. The spirit of encroachment tends to consolidate the powers of all the departments in one, and thus to create, whatever the form of government, a real despotism.

A just estimate of that love of power and proneness to abuse it which predominate in the human heart is sufficient to satisfy us of the truth of this position.

The necessity of reciprocal checks in the exercise of political power by dividing and distributing it into different depositories, and constituting each the guardian of the public weal against invasions of the others, has been evinced by experiments, ancient and modern; some of them in our country and under our own eyes. To preserve them must be as necessary as to institute them.

If in the opinion of the people the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates. But let there be no change by usurpation, for though this in one instance may be the instrument of good, it is the customary weapon by which free governments are destroyed. The precedent must always greatly overbalance in permanent evil any partial or transient benefit which the use can anytime yield.

Again let me remind the members of the majority that even though you enact title II and title VIII as commanded by President Roosevelt the responsibility for an adverse decision by the Supreme Court as to the constitutionality of these two titles will rest upon you. It will not relieve you from it to say: We obeyed our master's voice. Will he come to your rescue? Not at all. What will his answer be? Is he not in a position to say this, "My fellow countrymen, I made my position clear on this subject when I was Governor of New York State. In a radio address broadcast on March 2, 1930, I then said"—

As a matter of fact and law the governing rights of the States are all of those which have not been surrendered to the National Government by the Constitution or its amendments. Wisely or unwisely, people know that under the eighteenth amendment Congress has been given the right to legislate on this particular subject (prohibition); but this is not the case in the matter of a great number of other vital problems of government, such as the conduct of public utilities, of banks, of insurance, of business, of agriculture, of education, of social welfare, and of a dozen other important features. In these Washington must not be encouraged to interfere.

Federal Government costs us now \$3,500,000,000 every year, and if we do not halt this steady process of building commissions and regulatory bodies and special legislation like huge inverted pyramids over every one of the simple constitutional provisions, we will soon be spending many billions of dollars more.

Mr. Chairman, what is the situation? It is this: Five years ago in the broadcast from which I have quoted, Governor Roosevelt stressed his opposition to the type of Federal legislation which you now seek to enact. His reasons then given were, viz, that—

The governing rights of the States are all those which have not been surrendered to the National Government by the Constitution or its amendments.

That among the governing rights of the States not so surrendered are insurance, social welfare, business, and others.

You on the majority side say that you cannot understand our position with reference to title II and title VIII. I venture to suggest that the minority has a clearer conception of where the President stands with reference to the unconstitutional aspects of titles II and VIII than do you on the majority side. The position taken by President Roosevelt, when he was Governor of New York State, as to the constitutional questions involved in legislation of the character of the bill now before us, was sound then, and it is sound now, and you know it and he knows it. We know it, and under our oath of office we shall support the Constitution.

You may manipulate, distort, and butcher this bill in an endeavor to evade the fundamental law of the land, but you

cannot change the fundamental purpose, the facts, nor the law.

The tenth amendment to the Constitution provides that the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people.

The fourteenth amendment does not take from the States police powers reserved to them at the time of the adoption of the Constitution. Furthermore, the Supreme Court of the United States has steadfastly adhered to the principle that the States possess, because they have never surrendered, the power to protect the public health, morals, and safety by any legislation appropriate to that end, which does not encroach upon the rights guaranteed by the National Constitution. What is more, as stated by Judge Cooley in his great work, *Constitutional Limitations*:

In the American constitutional system, the power to establish the ordinary regulations of police has been left with the individual States, and it cannot be taken away from them, either wholly or in part, and exercised under legislation of Congress.

Neither can the National Government, through any of its departments or officers, assume any supervision of the police regulations of the States.

Furthermore, the distinguished author makes this additional observation:

And neither the power (police power) itself, nor the discretion to exercise it as need may require, can be bargained away by the State.

Aside from insurmountable constitutional objections, there are practical reasons that ought to deter you from enacting titles II and VIII. Under these two titles the Congress proposes to compel the employers and employees to assume a financial burden that will ultimately amount to over \$32,000,000,000. It is proposed to set up a bureaucratic scheme like this when 12,000,000 wage earners are without employment, when one-sixth of our population is on the relief rolls, when our national and State debts are appalling, and in face of the fact that it will be years before benefits will be paid.

Mr. Chairman, speaking of the present plight of the country brings me to a discussion of title III and title IX, which deal with unemployment insurance. This is another compulsory pay-roll tax. The system that is proposed to coerce the States to adopt by means of a 3-percent pay-roll tax, imposed on employers who employ 10 or more persons, is a State function as distinguished from a Federal function. The States may or may not set up an unemployment system, but in a State that fails to do so the employers who fall within the purview of titles III and IX will receive no unemployment benefits for their employees from the 3-percent tax imposed. In such a case it is not a tax but a penalty, and, therefore, discriminatory as well.

The problem before the Nation today is to find work—not public work paid out of the taxpayers' money—but work in private industry. Private business and industry should be encouraged, not discouraged. What has been the philosophy under which our Government has operated for the past 150 years, until recently? It has been the nonintervention of government in competition with private business. When social or economic legislation has been presented the practice heretofore has been for Congress to ascertain whether the ideas proposed would produce useful or injurious results, without troubling about their theoretical value. Now all this is reversed by the apostles of Government intervention, who maintain that the brain trust, by reason of the intellectual superiority of its members, ought to control the whole complex of the Nation's industrial and commercial activities, even though it may deprive the citizen of initiative and therefore of liberty.

The gradual replacement of private initiative by that of Government domination is apparent to those whose intellectual and moral senses have not been dulled by Federal doles and assurance of "a more abundant life."

Steadily and gradually, under the powers granted by Congress to the executive branch of the Government, it is beginning to direct everything, manage everything, and monopolize everything. Day by day the Government will intervene more and more in the most trivial activities of its citizens.

The Congress has appropriated millions of dollars, in fact billions of dollars, of the taxpayers' money and made them available to Government functionaries to spend in developing Government plants and commercial activities to compete with private enterprise.

The United States of America, under constitutional government, has for 144 years, until the advent of the "new deal", surpassed every other Nation in the creation of wealth and in the wide distribution of it among the masses. The American philosophy of government has permitted the activity of the individual to reach its maximum and that of the Government to be reduced to a minimum. It is proposed now to reverse the American policy of private initiative and, instead, to make the Federal Government preponderant in the daily affairs of every individual.

Unemployment insurance is dependent on the pay rolls of private industry, not on Government pay rolls. Private pay rolls are a condition precedent to the success of the plan embodied in titles III and IX of the bill before us.

It has been truly said that—

The man who is trying to make a living for his family and pay taxes to city, State, and Nation, always loses if he has a government for a competitor.

Mr. Chairman, the small-business man, the one who falls within the purview of titles III and IX is sorely pressed at the present time to maintain his solvency. These small concerns can meet this new burden of taxation only by either going out of business or by cutting expenses. How will the man employing 12 or 15 men reduce his expenses? He will, if possible, reduce the number of his employees to 9 to escape the tax burden.

Much has been said about the unemployment systems of foreign governments; that the United States is a backward nation in this field of social legislation. The experience of some of the other nations with unemployment insurance demonstrates clearly that if such a system is launched on a large scale during a period of depression, all that can save it from financial disaster is the Treasury of the Federal Government. The burden of keeping the system solvent will first fall on the wage earner.

Gustav Hertz, German labor economist, in a recent work on social insurance, states this:

In Germany no one any longer doubts the fact that the employer's share of the premium is taken from the workman's wages. What the employer pays as his contribution to social insurance he cannot pay the workmen in the form of wages.

The author further adds:

Some years ago a well-known trade unionist even had to admit that countries without social insurance have higher real wages than Germany (United States, Holland, Scandinavia), while another said: "High wages are the best social policy."

In other words—

Says Mr. Hertz—

social insurances handicap wage development. But not only this, they also intensify wage struggles.

Mr. Hertz states that under the German system—

Premiums started on a modest basis. The first were 1½ percent for employee and three-fourths of 1 percent for employer. Today the entire premium averages almost one-fifth of the amount of the wages, and for miners it is nearly 30 percent.

Mr. Chairman, I am not hostile to unemployment insurance, but I do maintain that such a system, to succeed, must be put in operation when the unemployment fund can be built up without retarding recovery.

British experience with unemployment insurance demonstrates the advantage of starting such a plan under auspicious circumstances. The British National Insurance Act went into effect December 16, 1911. It covered only 2,000,000 manual workers in "seven of the more unstable industries." After the outbreak of the World War, 1,500,000 were added to the insurance list. The scheme operated successfully from 1911 up to 1920. It could not do otherwise, because during that time there was practically no unemployment. Because of the war activities, it was almost impossible to find men to fill available jobs.

In November 1920 the unemployment scheme was expanded to cover a total of 12,000,000 workers. Then came the depression of 1920, followed by unemployment. What happened?

The fund of £22,000,000, accumulated prior to the depression, was exhausted by the middle of 1921. Then the unemployment system had to borrow from the Treasury, and by 1922 a debt of £14,300,000 had been incurred.

The employment-fund debt in March 1927 had increased to £24,710,000, more than twice what it had been the previous year.

Then contributions were increased and benefits reduced.

It became necessary in 1929 to borrow £10,000,000 more from the Treasury.

The annual cost in 1930 increased £13,000,000 more. The debt doubled in the next 12 months, and in March 1931 stood at £73,600,000—all this drawn from the Treasury and as an added burden to the taxpayers.

The indebtedness of the unemployment fund increased steadily at the rate of £1,000,000 a month.

In September 1931 the debt had reached £101,910,000.

Mr. Chairman, is this record and this experience of Great Britain to be ignored by the Members of this House? Theorists may do so, but ought we, as responsible representatives of the people, to do so?

It cannot be successfully disputed that the national budgetary crisis of Great Britain in 1931 was largely due from financing the unemployment system.

I want to impress on the Members of the House that during the calendar year 1931 the British Treasury paid out £16,000,000 in contributions, £28,000,000 in transitional benefits, and also loaned in addition to these sums fifty million to the unemployment fund.

Mr. Chairman, only last year, 1934, one of the great problems of the British Parliament was to find some way to establish the unemployment system on a solvent and self-supporting basis. It still remains an unsolved problem in Great Britain.

I urge you not to disregard the facts. The greatest boon that can come to the wage earners of this Nation is industrial and business recovery. The unemployed want jobs and not doles. Recovery cannot come by plunging the Nation further and further into debt by increasing Government bureaus and commissions and by imposing taxes. The way to confidence and recovery is not by squandering money on experiments that have been tried and that have failed.

Let us replace experiments with experience. "Experience," says Wendell Phillips, "is a safe light to work by, and he is not a rash man who expects success in the future by the same means which secured it in the past." [Applause.]

#### ANALYSIS OF SOCIAL SECURITY BILL

##### TITLE I. GRANTS TO STATES FOR OLD-AGE ASSISTANCE

(a) Appropriation: \$49,750,000 in fiscal year 1936, and so much as may be necessary in future years.

(b) Appropriation made out of Treasury; no special tax levied.

(c) Federal Government pays one-half cost of State old-age pensions, with limit of \$15 per month per person. Example: If rate is \$20 per month, Federal Government will pay \$10; if \$30 or more, Federal Government will pay \$15.

(d) To qualify for Federal assistance, State's old-age-pension law must meet certain Federal standards of administration, and must not—

(1) Have an age requirement in excess of 65 years, except until January 1, 1940, when it may be 70 years.

(2) Have a residence requirement in excess of 5 years out of the last preceding 9 years, including the year immediately preceding the date of application.

(3) Deny a pension to a person otherwise eligible who is a citizen of the United States.

##### TITLE II. FEDERAL OLD-AGE BENEFITS (COMPULSORY CONTRIBUTED ANNUITIES)

(a) Money required under this title to be raised by tax on beneficiaries and their employers under title VIII.

(b) Provides for payment of retirement annuities at age 65 to workers subject to the tax under title VIII.

(c) To qualify for retirement benefits—

(1) The worker must be 65 years of age or over.

(2) The total amount of taxable wages paid to him after December 31, 1936, and before he reached the age of 65 must not be less than \$2,000.

(3) He must have received such wages in each of 5 or more calendar years after December 31, 1936, and before he reached the age of 65.

(d) The amount of retirement annuity is based upon the cumulative wages paid to the worker over a period of 5 or more years on which taxes have been paid. Where the total tax-paid wages have been between \$2,000 and \$3,000 the monthly annuity is one-half of 1 percent of such total wages. If the cumulative wages were more than \$3,000, the monthly annuity would be computed as follows: One-half of 1 percent of the first \$3,000, plus one-twelfth of 1 percent of the amount between \$3,000 and \$45,000, plus one twenty-fourth of 1 percent of the amount in excess of \$45,000. In no case may the monthly annuity exceed \$85.

Following are examples of how this method of computation will work out:

Total tax-paid wages over period of years:	Monthly annuity
\$2,000	\$10.00
\$3,000	15.00
\$5,000	16.67
\$10,000	20.83
\$20,000	29.17
\$30,000	37.50
\$45,000	50.00
\$60,000	56.25
\$80,000	64.58
\$100,000	73.92
\$125,000	83.33
\$129,000 or more	85.00

(e) Where a person has paid taxes with respect to his wages, but at age 65 cannot qualify for a monthly annuity, he is reimbursed in an amount equal to 3½ percent of the amount of his total wages with respect to which taxes have been paid under title VIII.

(f) In case a worker dies before reaching the retirement age, his estate is paid an amount equal to 3½ percent of his tax-paid wages.

(g) For rates of tax, see title VIII.

(h) Exemptions from benefits: The persons exempted from the benefits under title II correspond exactly with the persons exempted from the tax under title VII, which see.

#### TITLE III. GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

(a) Appropriation: \$4,000,000 in fiscal year 1936 and \$49,000,000 thereafter.

(b) To be used by States to meet cost of administration of their unemployment compensation laws.

(c) Money to be allocated on basis of, first, population; second, the number of persons covered by the State law; and, third, such other factors as the social-security board may deem relevant.

(d) In order to qualify for assistance, States must enact unemployment-compensation laws meeting certain Federal standards of administration, including acceptance by the State of the provisions of the Wagner-Peyser Act. The bill does not lay down any standards respecting the waiting period, the amount of unemployment compensation, nor the length of time it will be paid.

(e) No part of the Federal appropriation will be used in paying unemployment benefits.

(f) The money will be appropriated out of the general funds of the Treasury, but sufficient revenue will be derived from the pay-roll tax under title IX to cover the cost.

#### TITLE IV. GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN

(a) Appropriation: \$24,750,000 for fiscal year 1936 and such sums as may be necessary thereafter, paid out of general revenues of Treasury.

(b) Federal Government will match State appropriations for same purpose on basis of \$1 for each \$2 spent by State.

(c) Limit of Federal contribution would be \$6 per month for first child and \$4 for each additional child in family.

(d) To qualify for Federal assistance, States must submit and have approved by social-security board their plans for caring for dependent children. Plan must meet certain Federal standards.

#### TITLE V. GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

##### Part I. Maternal and child health services

(a) Appropriation: \$3,800,000 for each fiscal year, beginning with the fiscal year 1936.

(b) To be used by States in extending and improving services for promoting health of mothers and children.

(c) Allotted by Children's Bureau on basis of \$20,000 to each State and \$1,800,000 on basis of number of live births within each State. These allocations must be matched by the States on a dollar-for-dollar basis. Remaining \$980,000 to be allocated on basis of need and live births and not to be matched.

(d) To qualify for assistance, States must submit and have approved by Children's Bureau their plans for maternal and child services.

##### Part II. Services for crippled children

(a) Appropriation: \$2,850,000 for each fiscal year, beginning with the fiscal year 1936.

(b) To be used by States in caring for crippled children.

(c) Allocated by Children's Bureau on basis of \$20,000 to each State and the remainder on the basis of need. Allocations must be matched by States on dollar-for-dollar basis.

(d) To qualify for assistance, States must submit and have approved by Children's Bureau their plans for caring for crippled children.

##### Part III. Child-welfare services

(a) Appropriation: \$1,500,000 for each fiscal year, beginning with the fiscal year 1936.

(b) To be used by States in establishing and extending public-welfare services for the protection and care of homeless, dependent, and neglected children.

(c) Allocated by Children's Bureau on basis of \$10,000 to each State, and balance on basis of ratio of rural population to total rural population in the United States. This appropriation is not required to be matched by the States.

##### Part IV. Vocational rehabilitation

(a) The present authority for appropriations for vocational rehabilitation must be renewed every 3 years. It expires at the end of the fiscal year 1937.

(b) The bill authorizes the appropriation of an additional \$841,000 in the fiscal years 1936 and 1937 and authorizes a permanent appropriation of \$1,938,000 for each succeeding fiscal year.

(c) In addition, the bill provides \$22,000 for administration expenses during 1936 and 1937 and \$102,000 thereafter.

##### Part V. Administration

(a) Appropriation, \$425,000 for fiscal year 1936.

(b) To be used by Children's Bureau for additional expenses incurred in administration of title V.

#### TITLE VI. PUBLIC-HEALTH WORK

(a) Appropriation, \$10,000,000 for each fiscal year beginning with the fiscal year 1936.

(b) Eight million dollars to be allocated to States, \$2,000,000 to be used by United States Public Health Service.

(c) Grant to States to be used in establishing and maintaining adequate State and local public-health services.

To be allocated by Surgeon General of Public Health Service on basis of, first, population; second, special health problems of the State; and third, financial need. No matching required.

(e) Additional appropriation for United States Public Health Service to be used in investigation of disease and problems of sanitation.

TITLE VII. SOCIAL-SECURITY BOARD

(a) Social Security Board set up to administer provisions of bill relating to old-age pensions and to dependent children, contributory annuities, and unemployment compensation.

(b) Composed of three members appointed by President by and with advice and consent of Senate to serve for 6 years at compensation of \$10,000 per annum.

(c) Board to be independent agency.

(d) Bill authorizes appropriation of \$500,000 for expenses in fiscal year 1936.

TITLE VIII. TAXES WITH RESPECT TO EMPLOYMENT

(a) This title should be considered in connection with title II, since the tax and the benefits are all part of one scheme. The provisions are separated into two different titles for the purpose of lending a color of constitutionality. If they were incorporated in a single title, they would clearly be unconstitutional, since the Federal Government has no power to set up a social-insurance scheme under the guise of a tax. Even with the two titles separated, there is still a grave doubt as to the constitutionality of the scheme.

(b) Title VIII levies a tax on certain employees and their employers for the purpose of setting up a fund out of which to pay the retirement annuities to such employees under title II.

(c) A separate tax is imposed on the wages received by workers and on the pay roll of their employers. The tax applies only to the first \$3,000 of the employee's annual wage, that portion of the wage in excess of that amount being exempted. Thus if the annual wage were \$2,500, it would all be taxed, and if it were \$5,000 or \$10,000, only \$3,000 of it would be taxed.

(d) The rates of tax on employer and employee are as follows: 1 percent on each in 1937, 1938, and 1939; 1½ percent on each in 1940, 1941, and 1942; 2 percent on each in 1943, 1944, and 1945; 2½ percent on each in 1946, 1947, and 1948; 3 percent on each in 1949 and subsequent years.

(e) The following classes of employees are exempt from the tax, and therefore from the benefits under title II:

- (1) Agricultural labor.
- (2) Domestic service in a private home.
- (3) Casual labor not in the course of the employer's trade or business.
- (4) Service performed in the employ of the United States Government or instrumentalities thereof.
- (5) Service performed in the employ of a State or political subdivision or instrumentalities thereof.
- (6) Service performed in the employ of a church, school, hospital, or similar religious, charitable, scientific, literary, or educational institution not operated for private profit.
- (7) Offices and members of the crew of American or foreign vessels.

(f) Wages paid to employees over the age of 65 would not be taxed.

TITLE IX. TAX ON EMPLOYERS OF 10 OR MORE

(a) The purpose of this tax is to force the States to enact unemployment-insurance laws.

(b) The object is achieved by levying a pay-roll tax on employers of 10 or more persons during any portion of 20 or more weeks during the year. Against this tax, a credit would be allowed, up to 90 percent thereof, for any contributions paid to a State unemployment-insurance fund. No credit would be allowed for private unemployment funds set up by the individual employer.

(c) The rate of tax is 1 percent of the pay roll in 1936, 2 percent in 1937, and 3 percent in 1938 and subsequent years.

(d) The exemptions from the tax, in addition to employers of less than 10 persons, include the following classes of employment:

- (1) Agricultural labor.

(2) Domestic service in a private home.  
 (3) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother.

(4) Service as an officer or member of the crew of a vessel on the navigable waters of the United States.

(5) Service in the employ of the United States Government or instrumentalities thereof.

(6) Service performed in the employ of a State or political subdivision or instrumentalities thereof.

(7) Service performed in the employ of a church, school, hospital, or similar institution not operated for private profit.

(e) In order for an employee to be able to credit against the Federal tax his contribution to a State unemployment-insurance fund, the State law must have been approved by the Social Security Board as meeting the standards laid down in the bill.

Example of application of unemployment taxes

(Based on pay roll of \$100,000 per annum)

1. Federal tax of 3 percent, State tax of 3 percent payable entirely by employer:	
State tax.....	\$3,000
Federal tax before credit.....	3,000
Credit against Federal tax (not to exceed 90 percent of Federal tax) for State tax paid.....	2,700
Net Federal tax.....	300
Total Federal and State taxes.....	3,300
2. Federal tax of 3 percent, State tax of 2.7 percent, payable entirely by employer:	
State tax.....	2,700
Federal tax before credit.....	3,000
Credit against Federal tax for State tax paid.....	2,700
Net Federal tax.....	300
Total Federal and State taxes.....	3,000
3. Federal tax of 3 percent, State tax of 3 percent, payable one-half by employer and one-half by employees:	
State tax on employer (1½ percent).....	1,500
Federal tax before credit for State tax paid by employer.....	3,000
Credit against Federal tax.....	1,500
Net Federal tax.....	1,500
Total Federal and State taxes on employer.....	3,000

TITLE X. GENERAL PROVISIONS

(a) This title includes general definitions, provisions for the establishment of rules and regulations, and so forth.

(b) "State" and "United States" are defined to include Alaska, Hawaii, and District of Columbia.

Appropriations provided for in the economic-security bill

Purpose	Appropriation	
	Fiscal year 1936	Succeeding years
Old-age pensions.....	\$49,750,000	(f)
Administration of State unemployment insurance.....	4,000,000	\$49,000,000
Dependent children.....	24,750,000	(f)
Maternal and child welfare.....	3,800,000	3,500,000
Crippled children.....	2,850,000	2,850,000
Child welfare.....	1,500,000	1,500,000
Vocational rehabilitation.....	841,000	1,938,000
Administration expenses.....	22,000	102,000
Public health.....	10,000,000	10,000,000
Social Security Board (administration).....	500,000	
Children's Bureau (administration).....	425,000	
Total.....	98,438,000	

<sup>f</sup> Indefinite.

## Total taxes on employers and employees under social-security bill

Effective date of tax	On employers						On employees (title VIII)		Grand total on employers and employees	
	For unemployment insurance (title IX)		For employees' annuities (title VIII)		Total on employers	Amount	Rate	Amount	Rate	
	Amount	Rate	Amount	Rate						
	Mills. of dols.	Per-cent	Mills. of dols.	Per-cent	Mills. of dols.	Mills. of dols.	Per-cent	Mills. of dols.	Per-cent	
Jan. 1, 1936.....	225	1			225				1	
Jan. 1, 1937.....	501	2	279	1	780	279	1	1,059	4	
Jan. 1, 1938.....	786	3	280	1	1,065	280	1	1,346	5	
Jan. 1, 1939.....	803	3	283	1	1,086	283	1	1,369	5	
Jan. 1, 1940.....	820	3	357	1½	1,177	357	1½	1,534	6	
Jan. 1, 1941.....	833	3	432	1½	1,265	432	1½	1,697	6	
Jan. 1, 1942.....	846	3	437	1½	1,283	437	1½	1,720	6	
Jan. 1, 1943.....	855	3	514	2	1,369	514	2	1,883	7	
Jan. 1, 1944.....	863	3	593	2	1,456	593	2	2,049	7	
Jan. 1, 1945.....	872	3	595	2	1,470	598	2	2,068	7	
Jan. 1, 1946.....	879	3	620	2½	1,559	680	2½	2,239	8	
Jan. 1, 1947.....	886	3	762	2½	1,648	762	2½	2,410	8	
Jan. 1, 1948.....	892	3	768	2½	1,660	768	2½	2,428	8	
Jan. 1, 1949.....	899	3	853	3	1,752	853	3	2,605	9	
Jan. 1, 1950.....	906	3	839	3	1,845	939	3	2,784	9	

Mr. DOUGHTON. I yield the remainder of my time, 1 hour, to the gentleman from Kentucky [Mr. VINSON].

Mr. VINSON of Kentucky. Mr. Chairman, it is always a pleasure to hear the distinguished gentleman from New York [Mr. REED] upon any subject. He is one of the most capable members of the minority on our committee of the House of Representatives. He is a splendid lawyer. I endeavored to hear every utterance he made. I assume from his remarks that the constitutionality of title III and title IX is not involved in this discussion. As I heard the gentleman, the constitutionality of those titles was not attacked. The gentleman from New York dealt with title III and title IX as a question of policy. As I understood the gentleman, he favored the humanitarian titles in the bill. If I caught his statements, he favored title I, the old-age pension phase of the bill, and title IV, which deals with dependent children; title V, maternal and child welfare; and title VI, public health. He attacked title II and title VIII upon the ground of unconstitutionality.

While I have great faith in the gentleman from New York, I have confidence in his judgment, I submit to the House that his statements referring to the unconstitutionality of titles II and VIII were generalities and conclusions, and while I have confidence in the gentleman's judgment, I prefer, after the study I have made, to follow the opinion of the Department of Justice that the House of Representatives, the Congress of the United States, should not be deterred from the passage of titles II and VIII because of fear of unconstitutionality.

Further, in that connection, I submit to the House that the reasons the gentleman assigned for the unconstitutionality of titles II and VIII can, with more force, be applied to the titles of the bill which the gentleman supports.

It is a difficult matter, when a bill is under attack from so many sectors, to know just wherein the real attack lies. We have our friends on the minority saying we should do this and we should do that. Some say that the benefits under the bill are not sufficient; others say that the moneys necessary to pay the benefits provided in the bill will bankrupt our Government; that to pay the benefits under the bill, too heavy a burden will fall on industry.

I dare to state that this pioneer in the White House is the cause of bringing to the floor of the American Congress legislation affecting humanity, legislation affecting folks, legislation affecting people, old people, young people, afflicted people. I can say without chance of contradiction that since my sojourn in this House, in former days it was legislation for vested interests; it was legislation affecting property rights that always had the right-of-way. No legislation of this character was ever conceived or considered.

No criticism or attack can detract from the glory that will come to this great humanitarian who occupies the White House; no partisan criticisms can detract from this Congress when they write upon the statute books this legislation affecting men, women, and children. [Applause.]

It is pioneer legislation for this country. In this character of legislation this country has been backward. It has been out of step with the world when it comes to humanitarian legislation. It is a happy day when the Congress of the United States takes under consideration legislation that will reach out into every nook and corner of this country, benefiting the unfortunates who are citizens of our country.

The gentleman from Massachusetts [Mr. TREADWAY] would have you, and the country, believe that the only people appearing before the committee during the hearings and the only people favoring this legislation were those connected with the new deal administration of President Roosevelt—"new dealers", as he termed them.

Let us examine the record and see what the facts are. A total of 103 witnesses were heard by the committee. Seven others either filed letters, telegrams, or briefs, making in all a total of 110. Of this number, only 11 persons connected with the administration were heard, namely, the Secretary of the Treasury, Mr. Morgenthau; the Secretary of Labor, Mrs. Perkins; the Assistant Secretary of the Treasury, Miss Roche; Second Assistant Secretary of Labor, Mr. Altmeyer; Federal Relief Administrator, Mr. Hopkins; Surgeon General United States Public Health Service, Dr. Cummings; Assistant Surgeon General Public Health Service, Dr. Waller; Chief of the Children's Bureau, Miss Lenroot, daughter of Ex-Senator Lenroot, Republican, of Wisconsin; Chief Economic Analyst, State Department, Mr. Hansen; Chairman Railroad Retirement Board, Mr. Latimer; and Chairman National Mediation Board, Mr. Leiserson.

In addition to those directly connected with the administration, there were 10 Members of Congress who testified, including the following Republicans: Senator HASTINGS, chairman Republican Senatorial Campaign Committee; Representative BURNHAM, of California; Representative COLLINS, of California; and Representative MORR, of Oregon.

Only 15 of those comprising the 14 advisory groups working with the President's committee were witnesses during the hearings, and, of course, these men and women cannot be classed as being connected with the administration, except insofar as they are with the administration in advocating and supporting this legislation.

It might be well to devote a little attention to the manner in which this legislation reaches the floor of the House. It has not been hastily prepared or hastily considered by your committee.

In the last Congress a subcommittee of the Ways and Means Committee spent weeks upon one very important phase of it, unemployment compensation. We realized it should take more time and should have more study, and the President of the United States appointed the Economic Security Committee. One hundred and sixteen men and women, in every walk of life, served in an advisory capacity on that committee. Industry, labor, farmers, insurance, social workers—every phase of our life was represented. The President's committee was composed of four members of the Cabinet, Secretaries of Labor, Treasury, and Agriculture, the Attorney General, and the Relief Director. This committee worked for 6 months, with the experience of the world behind them.

Opportunity was given for anyone to testify before that committee. They made their report. Then the original bill, H. R. 4120, was introduced.

I wish time would permit calling the attention of this Congress to the difference between H. R. 4120 and H. R. 7260. I would not have you think for a split second that the central theme running through H. R. 4120 is not in H. R. 7260, the bill under discussion. The central theme, security for unfortunates, is embodied in H. R. 7260 from beginning to end. One hundred and ten witnesses ap-



peared before our committee, 103 in person and 7 filed briefs. Only 11 people connected with the administration were numbered among those witnesses. It was a splendid array. In the hearings we have something that can go forth to the 48 States in regard to social security that will be of benefit to mankind the rest of the way out.

I listened with a feeling almost of shame when I heard a member of that committee, the gentleman from Minnesota [Mr. Knutson] say that those who constituted the advisory committee of the President "had never earned an honest dollar in any day of their lives."

Let us examine this list and see the character of citizens the gentleman from Massachusetts sarcastically refers to as "new dealers", and who the gentleman from Minnesota [Mr. Knutson] says "are not yet dry behind the ears and have never earned an honest dollar in their lives."

Who are these dishonest people? Examination of the list of those comprising these groups, shown on pages 39, 40, and 41 of the report, discloses the following men and women in this group who, with the others, formulated a general policy that is going to be of never-dying benefit to the aged, to women, and children—America's unfortunates: Frank P. Graham, president University of North Carolina; Gerard Swope, president General Electric Co.; Walter C. Teagle, president Standard Oil Co. of New Jersey; Marion B. Folsom, assistant treasurer Eastman Kodak Co.; William Green, president American Federation of Labor; George M. Harrison, president Brotherhood of Railway and Steamship Clerks; George Berry, president International Printing Pressmen and Assistants Union; Monsignor John R. Ryan, director department of social action, National Catholic Welfare Conference; Grace Abbott, University of Chicago, and former Chief of Children's Bureau; George H. Nordlin, chairman grand trustees, Fraternal Order of Eagles; John G. Winant, former Republican Governor of New Hampshire; Louis J. Taber, master National Grange; M. A. Linton, president Provident Mutual Life Insurance Co.; Louis I. Dublin, vice president, Metropolitan Life Insurance Co.; Dr. Walter L. Bierring, president American Medical Association; Dr. A. L. Chelsey, secretary Minnesota Board of Health; and many other equally patriotic and public-spirited citizens whose integrity and honesty need no defense.

Some say the old-age pension in title I is too small. Others say it is too large. I say that whatever amount is paid in grant to any State in the Union for old-age pensions is more than has ever been paid by the Federal Government under any former administration. Am I right or wrong? Any dollar that goes in grant to the States under title I for pensions to the unfortunate aged is more than has ever been paid under any administration.

It is said that \$30 a month is inadequate. There is nothing in this bill that would prevent any State from making the pension to its citizens more than \$30.

Distinguished men on this floor have attempted to say that the cost of administration under title II is 41½ percent of the money paid by employers, when, as a matter of fact, the cost of administration will not exceed 5 percent of the benefits paid. The difference the gentleman [Mr. Taber] had in mind goes to the men and women of this country in the form of unearned annuities.

My friend, the gentleman from Ohio [Mr. Jenkins], in his opening remarks, said that 90 percent of this bill was good. Ninety percent of it. This is a pretty good record; this would be a pretty good batting average if you were playing on a baseball team—9 hits out of 10 times at bat, hitting 0.900; this is better than the President of the United States in one of his early messages said he would be satisfied with. The gentleman from Ohio [Mr. Jenkins] is a splendid lawyer, one of the best in this House. While he feared unconstitutionality, I had not heard him, the gentleman from New York [Mr. Reed], or any other Member on this floor attempt to put his finger on the point that involved uncon-

stitutionality; no single case from any court is cited as authority for its unconstitutionality.

The gentleman from California [Mr. McGroarty] stated that the President of the United States never advocated titles I and II of this bill.

If he did not advocate titles I and II, why should we be chastised and criticized by Members who say that, except under the lash of the President, title II would not be in the bill? I think I can say that the President of the United States approves the purpose, the policy, the effect of H. R. 7260. I feel that I can say that the President of the United States believes in title II of this bill. In many respects it is the strongest part of the bill. The trouble with lots of folks is that they quit reading the bill before they get to title II, and I say this with all charity and tolerance. I do not want to be intolerant; it is so easy for a person to be intolerant. I recognize that those of us who have eaten breakfast, dinner, and supper with this bill, and slept with it for 3 solid months, might be prone to intolerance, but I trust I shall not be.

#### TITLE I. OLD-AGE PENSIONS

The sufficiency of the \$49,750,000 provided in title I has been questioned. Suffice it to say that if you match \$50,000,000 with \$50,000,000 raised by the States, you have \$100,000,000 to be spent the first 12 months. This is three and one-third times the amount of money that was paid out in old-age pensions throughout the entire United States in the year 1934.

The original bill placed a limit at \$125,000,000 the second year and the years thereafter. The bill under consideration authorizes the appropriation of such amount as is necessary to match the States \$15 per individual. The payments are made to the States. There is no trouble about the initial amount. If it does not meet the demands for the first 6 months of the next fiscal year, Congress will then be in session to meet the needs.

We have had many Federal grants in aid to States, but let me say to the House—and this is a statement that cannot be contradicted—that the powers under this bill that rest in the State are greater than those resting with the States in any other statute granting aid to States. Perhaps I should put it the other way around and say that under this bill there is less Federal power to be exercised in the administration of the act than in any grants-in-aid statutes on the books. We made it a point to preserve the rights of the States. You will find that in the question of administration the selection, the tenure, the salary, all that went with personnel, is left to the States.

There is no yardstick laid down in this bill by the Federal Government with respect to the aged who will get the benefits under title I. The States have that power; it is theirs under the Constitution of the United States. No effort was made to deprive them of it. One State may have one yardstick, and a second State may have another yardstick; only subject to the age limit of 65 or 70, up to 1940, the question of 5 years' residence within the States during the preceding 9 years, the last year of which must have been spent in the State immediately prior to time the application was made; and thirdly, that no citizen of the United States can be excluded from the provisions of the act.

The question is raised that \$15 per individual per month is not a sufficient amount. Will gentlemen who oppose the bill because they say it is not enough join with those who oppose the bill because they say it is too much and defeat the purpose of the bill?

I shall read a few lines from the message of the President of the United States which he issued 3 months ago today as the foundation rock upon which you can build this structure. The pending measure is not proposed as a perfect bill. In the committee we had contests, and they were honest-to-God contests. The minority joined in and they were quite helpful up to the time they had the Republican conferences, and then, instead of voting their judgment, they voted "present."

Why, at the time my friend the gentleman from New York [Mr. REED] read from that message which was written 600 years ago to the King when the representatives of the House of Commons bowed in obeisance and wanted to know what he would have them do, I could not keep from thinking that if it had been in this day, and they had received advice from the Republican conference, they would have received the mandate, to vociferously vote "present." Think about it. There were 3 months of open hearings and executive sessions. All the time they helped a lot. They made intellectual contributions to this measure in order to perfect it the best we could, and then after voting affirmatively to report out every title in this bill except titles II and VIII, most of the time unanimously, when it came to the scratch, they very loudly voted "present."

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. How could a man, in keeping with his conscience, who is opposed to titles II and VIII, vote any other way at that time except to vote "present"? He has no other alternative.

Mr. VINSON of Kentucky. I may say to the gentleman from Ohio that he was one of those who from the beginning objected to titles II and VIII. His conscience was squarely fixed early in the game. However, there were some other gentlemen on his side of the aisle that did not make up their minds to vote "present" until the Republican conference. I think the gentleman will bear me out in that statement.

Mr. MOTT. Will the gentleman yield?

Mr. VINSON of Kentucky. I must go along.

Mr. MOTT. I think the gentleman made a misstatement which he himself will correct.

Mr. VINSON of Kentucky. As the gentleman suggests a misstatement, I yield to the gentleman from Oregon.

Mr. MOTT. The gentleman stated that Members on the Republican side objected that the amount of the old-age pension provided in this bill was too large. I would like to have the gentleman state who on the Republican side, or even on the Democratic side, made such a statement.

Mr. VINSON of Kentucky. The gentleman from Pennsylvania [Mr. RICH] was quite emphatic in asking where we were going to get the money. Many gentlemen on the Republican side have asked that same question. Some other gentlemen have made that statement, and then in the next breath said that the amount was inadequate.

Mr. MOTT. With reference to title I?

Mr. VINSON of Kentucky. Title I; yes.

Mr. MOTT. I never heard such a statement made.

Mr. VINSON of Kentucky. I cannot help it if the gentleman has not heard the statement.

Mr. MOTT. I have been here continuously since the debate started.

Mr. VINSON of Kentucky. Then something is wrong with the gentleman's hearing.

Mr. Chairman, I want to read a paragraph from the President's message which should guide us in framing this bill. This is the first time that the Congress of the United States ever attempted legislation of this kind. I say in all seriousness that we must be cautious in the laying of the foundation rocks upon which this structure will be built. I quote from the President's message:

It is overwhelmingly important to avoid any danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security by attempting to apply it on too ambitious a scale before actual experience has provided guidance for the permanently safe direction of such efforts. The place of such a fundamental in our future civilization is too precious to be jeopardized now by extravagant action. It is a sound idea—a sound ideal. Most of the other advanced countries of the world have already adopted it, and their experience affords the knowledge that social insurance can be made a sound and workable project.

Mr. Chairman, as I have stated previously, other countries have had old-age pension laws. There is an old-age pension law on the statute books of Canada. There they have an average monthly payment of \$18.61. The maximum pension allowed in Canada is \$20. May I say that when you provide an old-age pension of \$30 a month it is more than any legislative body of any country has ever paid to its unfortunate people.

I insert herewith table showing the operation of the Canadian old-age-pension system.

TABLE 1.—Operation of the Canadian old-age-pension act, Dec. 31, 1934<sup>1</sup>

Province <sup>2</sup>	Pensioners	Average monthly pension	Percent pensioners to total population	Percent pensioners to population 70 years and over
Total.....	98,111	\$17.63		
Alberta.....	6,947	17.69	0.90	41.90
British Columbia.....	8,893	19.29	1.23	36.43
Manitoba.....	9,995	18.61	1.37	48.52
Nova Scotia.....	11,970	14.40	2.27	45.29
Ontario.....	48,699	18.42	1.37	31.78
Prince Edward Island.....	1,496	9.91	1.68	28.34
Saskatchewan.....	9,904	16.30	1.02	48.71
Northwest Territories.....	7	18.98	.07	7.88

<sup>1</sup> Source: The (Canadian) Labour Gazette, February 1935, p. 142. Based on 1934 estimates of population.

<sup>2</sup> Quebec and New Brunswick are the only major areas where pension legislation is not in operation.

<sup>3</sup> Computed by weighting the average monthly pensions for each Province by the respective number of pensioners.

I likewise insert herewith table showing the amount of old-age pensions in foreign countries (noncontributory systems).

TABLE 2.—Amount of old-age pensions in foreign countries (non-contributory systems)<sup>1</sup>

Country:	[Maximum monthly pension (exchange at par)]
Australia.....	\$18.42
Canada.....	20.00
Denmark:	
Men.....	\$9.00 to 15.17
Women.....	\$8.42 to 14.33
Married couple, both over age 65.....	\$13.42 to 22.50
France.....	3.92
Great Britain.....	10.53
Irish Free State.....	10.53
Newfoundland.....	4.17
New Zealand.....	\$18.42
South Africa, Union of:	
White persons.....	12.17
Colored persons.....	7.93
Uruguay.....	14.01

Great concern has been shown over the number of persons that would come under the benefit of the old-age-pension title. I have disposed of any reasonable fear as to the sufficiency of the amount. But I would refer to the error as to the number that would be affected. There are 7,500,000 persons in the United States above the age of 65; 2,200,000 are gainfully employed. The best figures that we can get is that there are now 1,000,000 persons in the United States above the age of 65 on the relief rolls; there may be 1,225,000 or more persons that may be eligible for the old-age pension. It is a difficult matter to say just what number would qualify from those eligible. In the State of Ohio, with 414,000 eligibles under their State law, only 24,000 qualified after about 9 months' operation.

It might be interesting to know the number of old-age pensioners in foreign countries and the number of persons of eligible age. We insert herewith table setting forth this picture.

<sup>1</sup> Metropolitan Life Insurance Co., Old-Age Dependency, Monograph 2 (March 1933), chart VIII.

<sup>2</sup> Varying according to locality.

<sup>3</sup> Maximum pension is increased to \$23.67 a month if pensioner has dependent children.

TABLE 3.—Number of old-age pensioners in foreign countries and number of people of eligible age [Contributory and noncontributory systems]

Country	Date of law	Type of law	Age requirement	Old-age pensioners		Number of eligible age	Percent- age of pension- ers to number of elig- ble age
				Number	Year		
Australia.....	1908	Noncontributory.....	(1)	83,317	1932	507,755	Percent 36.1
Austria.....	1927	Contributory.....	60	64,366	1929-30	790,689	8.6
Canada.....	1927	Noncontributory.....	70	98,111	1934	288,030	34.6
Denmark.....	1891	do.....	65	99,830	1932	2,167,937	44.8
France.....	1905	do.....	70	369,977	1930	2,167,492	17.1
Germany.....	1889	Contributory.....	65	2,126,336	1932	4,593,613	50.3
Great Britain.....	1908	Contributory and noncontributory.....	65	2,279,791	1932-33	3,418,269	66.7
Greenland.....	1926	Noncontributory.....	55	500	1929	981	51.0
Iceland.....	1909	do.....	60	2,466	1928	9,708	25.4
Irish Free State.....	1903	do.....	70	112,059	1928	170,463	65.7
Italy.....	1919	Contributory.....	65	189,698	1933	3,005,444	6.3
Luxemburg.....	1911	do.....	65	1,423	1928	18,071	7.9
Netherlands.....	1913	do.....	65	330,656	1929	404,000	81.8
New Zealand.....	1898	Noncontributory.....	(1)	34,932	1933	108,911	32.1
South Africa, Union of.....	1928	do.....	65	46,997	1933	98,002	48.0
Sweden.....	1913	Contributory.....	67	269,606	1932	496,193	54.3

1 Men, 65; women, 60.  
 2 Unless employed.  
 3 These figures are only for the gratuitous pensions. There are a number of other special schemes for miners, railroad workers, seamen, and employed persons in Alsace-Lorraine, in effect at this time. However, for these, age requirement varies too widely to be included here.  
 4 Estimated.  
 5 Estimated number of people 65 and over in receipt of invalidity or old-age pensions.  
 6 Population 65 years and over in 1920.  
 7 Aged population of the 8 Provinces which have adopted old-age-pension legislation.  
 8 Census of 1921.

TITLE II. OLD-AGE BENEFITS

I go now to title II, Federal old-age benefits.

It has been said that ingenuity was exercised in the preparation of titles II and VIII. We have been charged with the crime of endeavoring to write provisions of law that were constitutional. That is what the charge amounted to. They say much effort has been made to make titles II and VIII constitutional. Is that a crime? Is it not the province and duty of a Member of Congress, and especially a committee, to bring to Congress a bill that is constitutional? May I say, with reference to this question, that the same constitutional basis for title I underlies title II.

I do not believe that anyone can question the constitutionality of title VIII. Mr. Chairman, title VIII is a tax. Congress has the power to tax. Title VIII has two sorts of taxes, an income tax and an excise tax, and no lawyer here, able as they are, has pointed to anything that would indicate that title VIII is unconstitutional.

Mr. JENKINS of Ohio. Will the gentleman yield for a question?

Mr. VINSON of Kentucky. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. Would title VIII be of any benefit in this bill if title II is stricken out?

Mr. VINSON of Kentucky. If title II is stricken, the money would be collected under title VIII under the power of the Congress to levy taxes. You would have the excise taxes collected. You would have the income taxes collected. What would become of them? The same thing would happen to that money that will happen under this bill, namely, the money will be covered into the Treasury of the United States. The money raised under title VIII goes into the general fund in the Treasury. That tax money does not go into the old-age reserve account, but goes into the Treasury of the United States.

I say that we have the same power to enact title II that we have to legislate with reference to titles I, IV, V, and VI. May I say, incidentally, that similar legislation to title V has been upheld by the Supreme Court of the United States in the Sheppard-Towner decision.

Title II is complementary to title I. It is a complement to the old-age pension. I submit that we have the power to appropriate moneys called for in title II. The old-age reserve account is built up by regular annual appropriations. The collection of the tax is one operation under taxing power. The expenditure of regular appropriations for benefits under title II is another operation—under other powers.

You have in title II the purpose effectuated that the gentleman from Pennsylvania [Mr. RICH] wants. He said, "Why do you not balance the Budget?"

Title 2, in setting up the old-age reserve account and payments thereunder purposes to relieve from taxation, and not only relieve the Federal Government from taxes in taking care of the aged under the old-age pension plan, or direct relief, but it purposes and will relieve the States and the units of the States from taxation. It purposes to balance the Budget on that particular line and to have a businesslike, self-sustaining policy with respect to the aged.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.  
 Mr. McCORMACK. And to assure security in old age, as a matter of right.

Mr. VINSON of Kentucky. The gentleman is correct. The taxes under title 8 are not added taxes. In the years that have gone by the aged, the destitute, the young, the crippled have been taken care of somehow. They have not been taken care of as they should have been, or as they will be under this bill. But you have had local taxation, you have had State taxation, you have had Federal taxation to take care of that burden and you have such burden today. I say to you that in my opinion title 2, in building up this reserve account, is in aid of the taxpayer of this country, in the very aid of industry who has not complained of it.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.  
 Mr. SAMEUL B. HILL. On that same point, as shown by the testimony of the experts, in the course of time, when they get this reserve fund built up, it will save the Federal Treasury \$800,000,000 a year that otherwise would have to be paid out in old-age pensions.

Mr. VINSON of Kentucky. The way I understand it, it is about \$1,000,000,000 a year, and at the same time it saves the States untold added millions.

Now, under the original bill that came in here—and I wonder what our friends of the opposition would have said about it—when it was submitted to us, title 2, providing for old-age benefits, was not self-sustaining. They would have used the money put into the reserve account to pay the unearned annuities provided therein. In 1930 there would have been a burden of \$1,400,000,000 on the Federal Treasury every year for old-age benefits and \$500,000,000 for old-age pensions. We would have saddled upon the Federal

taxpayers of that time a burden of almost \$2,000,000,000 annually.

Now, our friends on this side of the aisle state there is a 9-percent pay-roll tax. Well, 3 plus 3 plus 3 does make 9, but you know they mix it up. They did not do it intentionally. You have not heard much about that in the last 2 or 3 days, because they have squared off and now understand it is not a 9-percent pay-roll tax until 1949, or 15 years from now, during which time you will have something like six Congresses to relieve, if this burden becomes too heavy upon industry. However, only 6 percent is paid by employers—3 percent is paid by employees.

The tax under title 8 starts on January 1, 1937. For 3 years it is 1 percent, 1937, 1938, and 1939. Then in 1940, 1941, and 1942, it is 1½ percent; in 1943, 1944, and 1945 it is 2 percent; in 1946, 1947, and 1948 it is 2½ percent; and in 1949 and following, it is 3 percent, both on employer and employee.

We had no testimony from any witness, as I recall, except Mr. Emery, inveighing against the levying of this tax. We were told, on the other hand, that there were private concerns today that paid as high as 9 percent on pay rolls for private pension funds; that the employer paid 9 percent on pay rolls for private pension funds, and that the employees paid 5 percent under these private pension plans or a total of 14 percent, as contradistinguished to the total of 6 percent 15 years from now.

I call to your attention that Federal employees under civil service have a retirement fund. I call to your attention that the railroad workers of this country fought for years to get Congress to give them the right to set up a retirement fund, to give them the right to participate in such a fund, to pay a pay-roll tax. So persistent were they that they finally won their fight in the Congress. Today the measure is in the Supreme Court, where the railroad workers of this country are fighting to uphold and maintain the Railway Pension Act, providing benefits for them, benefits for their wives, and benefits for their children; fighting in the courts to be permitted to help build up a retirement benefit for himself and dependents.

Tell me that the working man of this country is not entitled to an opportunity to construct a bill upon this plan in order that his widow and his children may be better cared for when the breadwinner is gone!

Mr. BEITER. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. BEITER. The gentleman is making a very enlightening address. Can he inform the House what will happen to the funds in private companies that are now carrying a pension fund?

Mr. VINSON of Kentucky. There is nothing in this bill that affects them. They can continue to have their private pension plans. The employer and the employee will be under the provisions of the law. There is a real question as to the treatment of those concerns that have private pension plans.

But it was thought best in this initial legislation to build the structure as we have, then look at it with the experience of years and meet that problem at a later date.

#### TAX-EXEMPT SECURITIES

Criticism has been directed to this old-age reserve account. The statement was made here in the early hours of debate that this reserve would continue a public debt of \$32,000,000,000 when the reserve account meets that figure. It takes many years for the reserve account to reach the figure of thirty-two billion, but I submit to you, on both sides of the aisle, and it seems to me this would be attractive to the gentleman from Massachusetts [Mr. TREADWAY], who has introduced a resolution calling for a constitutional amendment for the prohibition and abolition of tax-exempt securities, that in this old-age reserve account and the unemployment trust fund there is an answer to that problem. It will take some years to build up this old-age reserve account, but the Secretary of the Treasury is directed to invest the funds above the current needs in Government

bonds and bonds the principal and interest of which are guaranteed by the Federal Government.

I say to those who have inveighed against the existence of tax-exempt securities you will not have to have any constitutional amendment. Build up this old-age reserve account, and you will see the withdrawal of tax exempts. There is no trouble about that. If, finally, the reserve account gets large enough and you have not Government bonds to withdraw, I take it some future Congress will provide that the Secretary of the Treasury be authorized to buy State tax-exempt securities yielding a proper rate of interest, in order to have the money there for the aged when they reach 65 years.

#### TREASURY FINANCING

The question of financing is an important thing. The saving of millions of dollars in interest is involved in the old-age reserve fund. Discretion is lodged in the Secretary of the Treasury to invest this money in Government bonds, if the time is ripe, under the unemployment trust fund—and I hope a similar provision will be incorporated in title II—he may use a special obligation if the interest rate on governments is not sufficient.

We have been told that the Secretary of the Treasury has full and complete authority, under existing law, to invest the appropriations placed in the old-age pension reserve account in special obligations; that heretofore other funds have been invested in similar manner to the funds which are to be deposited in the old-age reserve account; that such funds as those in the adjusted-service-certificate fund, the civil-service retirement fund, the Foreign Service retirement fund, and the Canal Zone retirement fund have been invested in such manner. In order to provide a security which meets the requirement of this fund, the Secretary of the Treasury issues special obligations direct to the fund, bearing interest at the rate specified in the basic law. While it may not be necessary, it seems to me to be the practical thing to give express directions to the Secretary of the Treasury to issue these special Treasury obligations direct to the old-age reserve account at an annual interest rate of 3 percent. We feel that this is particularly fitting due to the obligation assumed by the Federal Government to have a yield of at least 3 percent on the appropriation made to the account in order to build up the reserve required under the law.

Mr. HARLAN. If the gentleman has time, I would like to have him tell the committee why the old-age annuity is distributed directly by the Federal Government and not through State agencies, as the unemployment insurance.

Mr. VINSON of Kentucky. Of course, the gentleman recognizes that you have something like ten or twelve million persons involved. It runs over a period of from 20 to 65 years, a period of 45 years, and it was thought best that the tax money paid under title VIII should go into the Treasury of the United States. These benefits are not paid from the money but from moneys appropriated to the reserve account. That money must be invested by the Secretary of the Treasury, and that fund should be kept intact. The matter of security is involved. There must be no doubt that the aged should have that money when the proper time came. I think if the gentleman will think his question through he will see that security of payment should be the first thought in respect to the obligation of the Federal Government toward the aged in this respect, and that the Federal Government is the best agency to that end.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. Yes.

Mr. McCORMACK. I also call the attention of the gentleman from Ohio [Mr. HARLAN] to the fact that the contributory annuity is different in its administration from the other titles; that there is no social feature involved therein that there is in noncontributory old-age pensions, and we wanted to have our dual system of government preserved by having the noncontributory pensions administered by the local authorities, who would be responsive to local public opinion, which is the best medium of expression under our

dual system of government. The contributory annuity is uniform. It has none of the sound service characteristics of noncontributory old-age pensions and administrative features where the State should be protected against encroachment by the Federal Government. It is best that the duty of administering this title should reside in the Federal Government. We have none of those questions that arise in the case of a gratuitous gift by the Government.

Mr. VINSON of Kentucky. I might suggest that under the unemployment-insurance title of the bill the Federal Government pays the moneys back to the States, and the unemployment-insurance benefits are paid out through the reemployment agencies in the State. Hooked up with this payment of unemployment insurance is the thought that when the reemployment agencies throughout the State know that a person is drawing unemployment insurance, they may be able to provide a job for that man so that he can earn a living wage.

I suggest that we ought not to have fears as to the effect of this pay-roll tax under title VIII.

Mr. CONNERY. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. Yes.

Mr. CONNERY. That is the point I wanted to ask. How can the gentleman figure by any process of imagination that a pay-roll tax will not be handed on to the consumer and result in a reduction of wages by the employer?

Mr. VINSON of Kentucky. I would answer the gentleman from Massachusetts that it could have no more effect than the taxes now levied and collected in local communities, the taxes levied and collected by State governments, the taxes levied and collected by the Federal Government to do the thing that these benefits do—to care for these unfortunates.

The very able gentleman from Massachusetts [Mr. CONNERY], the distinguished Chairman of our great Committee on Labor, knows that we have unemployment and old-age burdens. We have had it for years. We have it now. We will have it in the future. Consequently, as I said a moment ago, the taxes levied under title VIII are not additional tax burdens, but, as I see it, they are in great part in lieu of present tax burdens.

Mr. DOUGHTON. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. DOUGHTON. Conceding for the sake of argument that it did have the effect which the gentleman from Massachusetts [Mr. CONNERY] says, the employee would have the benefit of it. If he paid it he would get it back, together with an equal amount paid by the employer. So that where he lost \$1, he would get that dollar back and get an additional dollar from the employer.

Mr. VINSON of Kentucky. I will say to the gentleman from Massachusetts [Mr. CONNERY] that it will have much less effect, there will be much less burden on the worker and the consuming public than would be if a certain plan that is proposed by the gentleman from Massachusetts were enacted into law. In other words, I heard someone say that the proposition which the gentleman from Massachusetts in-

tends to offer calls for a burden of \$10,000,000,000 annually. Now, how can the gentleman say that that tax burden, paid by somebody, will not finally be passed on to the consuming public?

Mr. CONNERY. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. CONNERY. If the textile man or the shoe man or the United States Steel Corporation man, out of his income, has to pay for everybody in the United States on unemployment insurance, he cannot take that out of his worker right there in his steel plant.

Mr. VINSON of Kentucky. I am fearful that the gentleman misunderstands what will happen. I am fearful that if his proposal is enacted into law there would be an increase of about a dollar per pair of shoes in order to take care of this burden.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. COOPER of Tennessee. I invite the attention of the gentleman from Massachusetts to the fact that when Mr. Green appeared before the committee, speaking for labor, he specifically and definitely approved this very method of dealing with the question of unemployment insurance.

Mr. VINSON of Kentucky. And, as a matter of fact, as the bill was originally drawn, it called for one-half of 1 percent per year on employer and employce, and Mr. Green insisted that the initial rates be increased, in order to build up this fund quickly, in order that the benefits would be certain to be there for the workingman.

Now, in regard to the burden that comes from this pay-roll tax; I will not have time to read this entire table, but I want to say to the gentleman from Massachusetts [Mr. CONNERY] that according to this table, boots and shoes would have a burden of a little more than one-fourth of 1 percent, if we had a 1-percent pay-roll tax it amounts to eighty-seven hundredths of 1 percent for the 3-percent pay-roll tax. I am speaking of the employer. Certainly he cannot charge the employees' part up to the employer, but when the gentleman from Massachusetts votes for this bill on final passage, I feel certain that his working men friends, and they are legion, and rightfully so, will place a star in his crown. They and their children will rise up to call him blessed. [Applause and laughter.]

I will say to the gentleman that when the 3-percent tax, the maximum tax on the employer under title VIII for old-age benefits, is reached it would have little effect upon the sale price. The average increase on all commodities per 1-percent tax is twenty-one hundredths of 1 percent. Let me say again to my beloved friend from Massachusetts—and he is my friend—he is a splendid type of American citizenship. [Applause.] Let me say to him that in 1980, from this old-age reserve account there will be expended approximately \$4,000,000,000. One billion dollars of that is annual interest increment, due to these payments throughout the years. That is a real economic stabilizer in buying power—a godsend to your worker friends.

TABLE 4.—The cost of a 1-, 3-, and 6-percent tax on pay rolls of wage earners and salaried workers<sup>1</sup> for selected industries in terms of value added by manufacture and total value<sup>2</sup> of products

Industry	Earnings (wages plus salaries) <sup>1</sup> (in thousands)	Total value of products (in thousands)	Value added by manufacture (in thousands)	Cost of pay-roll taxes per dollar of value of product		
				1936, 1-percent tax	1937, 3-percent tax	1949, 6-percent tax
Total.....	\$6,618,109	\$31,358,840	\$14,610,401	\$0.0021	\$0.0063	\$0.0126
Food and kindred products.....	771,829	6,604,036	2,393,021	.0012	.0036	.0072
Beverages.....	10,430	111,297	69,424	.0017	.0051	.0102
Bread.....	221,683	919,778	421,313	.0024	.0072	.0144
Butter.....	20,807	385,512	68,669	.0035	.0105	.0210
Preserves.....	54,834	439,488	171,568	.0012	.0036	.0072
Cereals.....	9,085	111,026	56,011	.0068	.0204	.0408
Confectionery.....	29,614	211,833	97,669	.0014	.0042	.0084
Flour.....	31,375	574,210	135,539	.0005	.0015	.0030
Malt liquors.....	41,780	342,947	266,753	.0012	.0036	.0072
Distilled liquors.....	3,071	60,850	36,934	.0005	.0015	.0030
Meat packing.....	144,954	1,490,095	287,546	.0010	.0030	.0060
Textile products.....	1,154,186	4,811,238	2,351,403	.0025	.0075	.0150
Bags.....	9,526	92,115	33,578	.0010	.0030	.0060
Wool rugs.....	20,863	71,425	41,393	.0029	.0087	.0174
Women's clothing.....	147,107	846,300	369,876	.0017	.0051	.0102

[See footnotes at end of table]

TABLE 4.—The cost of a 1-, 3-, and 6-percent tax on pay rolls of wage earners and salaried workers for selected industries in terms of value added by manufacture and total value of products—Continued

Industry	Earnings (wages plus salaries) (in thousands)	Total value of products (in thousands)	Value added by manufacture (in thousands)	Cost of pay-roll taxes per dollar of value of product		
				1936, 1-per cent tax	1937, 3-per cent tax	1949, 6-per cent tax
<b>Textile products—Continued.</b>						
Men's clothing.....	\$165,813	\$445,220	\$230,580	\$0.0024	\$0.0073	\$0.0144
Cotton goods.....	232,240	861,170	457,734	.0027	.0081	.0163
Dyeing and finishing.....	71,971	278,912	136,140	.0026	.0078	.0156
Hats.....	13,744	40,600	21,463	.0033	.0099	.0198
Knit goods.....	148,487	498,350	260,629	.0030	.0090	.0180
Shirts.....	29,287	119,717	60,060	.0024	.0072	.0144
Silk and rayon goods.....	82,065	290,578	146,067	.0028	.0084	.0168
Forest products.....	341,382	1,127,405	618,223	.0020	.0060	.0120
Furniture.....	62,389	297,730	155,143	.0031	.0093	.0186
Mechanically processed wood.....	11,942	41,523	23,777	.0029	.0087	.0174
Paper and allied products.....	219,037	1,172,743	518,696	.0019	.0057	.0114
Bags.....	7,153	49,379	20,083	.0014	.0042	.0084
Boxes.....	47,532	223,004	96,678	.0021	.0063	.0126
Paper.....	100,440	560,963	249,196	.0018	.0054	.0108
Printing and publishing.....	582,430	1,733,437	1,355,592	.0034	.0102	.0204
Book binding and blank books.....	20,038	56,011	40,325	.0036	.0108	.0216
Printing:						
Books, music.....	169,924	510,990	378,751	.0033	.0099	.0198
Periodicals and newspapers.....	322,332	1,004,999	820,299	.0033	.0099	.0198
Chemicals and allied products.....	311,549	2,117,513	1,149,040	.0014	.0042	.0084
Druggists' preparations.....	20,969	2,146,778	103,205	.0014	.0042	.0084
Paints and varnishes.....	36,607	289,442	135,416	.0008	.0024	.0048
Patent and proprietary remedies.....	15,033	138,145	99,913	.0011	.0033	.0066
Rayon and allied products.....	43,706	156,932	112,901	.0028	.0084	.0168
Soap.....	20,451	200,128	106,621	.0010	.0030	.0060
Products of petroleum and coal.....	201,719	1,871,494	685,933	.0009	.0027	.0054
Gas (manufactured).....	68,129	295,480	210,291	.0023	.0069	.0138
Refining.....	111,560	1,378,637	314,200	.0008	.0024	.0048
Rubber products.....	125,440	472,744	261,347	.0027	.0081	.0162
Other than tires and shoes.....	37,183	131,411	73,530	.0028	.0084	.0168
Tires and tubes.....	70,648	230,313	159,921	.0024	.0072	.0144
Leather and its manufactures.....	254,071	990,773	452,036	.0025	.0075	.0150
Boots and shoes.....	159,884	553,425	267,122	.0029	.0087	.0174
Leather, finished.....	48,909	237,202	99,025	.0021	.0063	.0126
Stone, clay, and glass products.....	175,818	608,699	396,544	.0029	.0087	.0174
Cement.....	18,260	85,921	59,969	.0021	.0063	.0126
Glass.....	54,858	191,948	128,538	.0029	.0087	.0174
Pottery.....	21,001	43,718	31,539	.0048	.0144	.0288
Iron and steel and their products (not including machinery).....	612,296	2,463,001	1,062,171	.0025	.0075	.0150
Blast furnace products.....	13,774	213,685	29,729	.0006	.0018	.0036
Bolts, etc.....	9,762	32,874	17,524	.0030	.0090	.0180
Steam and hot-water apparatus.....	25,693	69,234	49,173	.0037	.0111	.0222
Rolling-mill and steel-work products.....	304,099	1,143,889	451,800	.0027	.0081	.0162
Tin cans.....	27,604	207,946	70,900	.0013	.0039	.0078
Nonferrous metals and their products.....	212,723	1,068,753	427,526	.0020	.0060	.0120
Aluminum products.....	14,862	61,464	27,436	.0024	.0072	.0144
Jewelry.....	14,344	42,652	27,369	.0034	.0102	.0204
Machinery (not including transportation equipment).....	685,549	2,069,419	1,280,220	.0034	.0102	.0204
Agricultural implements.....	12,928	30,539	18,561	.0042	.0126	.0252
Electrical machinery.....	163,874	553,431	340,917	.0030	.0090	.0180
Machine tools.....	18,735	41,434	30,590	.0045	.0135	.0270
Radio and phonographs.....	37,993	121,802	63,281	.0031	.0093	.0186
Textile machinery.....	23,855	60,323	41,045	.0040	.0120	.0240
Transportation equipment.....	388,746	2,058,195	765,905	.0019	.0057	.0114
Aircraft and parts.....	13,824	26,460	18,503	.0052	.0156	.0312
Motor-vehicle bodies and parts.....	174,188	761,225	321,592	.0023	.0069	.0138
Motor vehicles.....	129,262	1,096,946	329,179	.0012	.0036	.0072
Ship and boat building.....	41,381	92,696	61,524	.0045	.0135	.0270
Miscellaneous industry.....	258,568	2,312,635	679,043	.0011	.0033	.0066
Cigars and cigarettes.....	51,054	777,148	200,999	.0007	.0021	.0042

<sup>1</sup> Excluding officials.

<sup>2</sup> Census of Manufacturers, 1933, release of Jan. 23, 1935.

**EXEMPTION FROM TAXATION**

Now, I want to deal with the exemption features in title VIII. We have been actually criticized because agriculture, casuals, and domestics, and certain other people have been exempted from title VIII. I would like to know, and I am willing to yield in my time for reply, what Member of this House is willing to stand on this floor and say that agriculture, domestics, and casuals should be taxed for old-age benefits.

Mr. LUNDEEN. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. LUNDEEN. I would like to say that the millionaires and billionaires and the men who have fortunes and incomes over \$5,000 ought to be taxed.

Mr. VINSON of Kentucky. Oh, yes; and the gentleman would talk loudest and longest if the farmers of his section had to pay a tax under title VIII. Am I right or wrong?

Mr. LUNDEEN. If there is a farmer who has an income of over \$5,000, I would tax him.

Mr. VINSON of Kentucky. Oh, no. I am not talking of incomes over \$5,000. Do not dodge it, my friend. The amount of income is not involved in title VIII. If farmers were subject to the tax under title VIII, he would pay \$1 for each \$100 he earned; if it were \$10 he would pay 10 cents. Does the gentleman from Minnesota assert that the

farmer of his district should pay that tax? [After a pause.] The gentleman is eloquent as usual, but it is the eloquence of silence. I say to you there were real reasons why those exemptions were made.

Mr. LUNDEEN. Will the gentleman yield?

Mr. VINSON of Kentucky. I gave the gentleman an opportunity to answer. If I am wrong, I will give the gentleman time to answer it.

Mr. LUNDEEN. The gentleman will hear from me later on.

Mr. VINSON of Kentucky. The farmer, the casual, and the domestic were not taxed in this bill, because we knew that the House and Senate would not keep it in the bill. Nobody would want a farmer to pay a dollar a year for 45 years, with all of the nuisance features attached thereto, with all of the cost of administration. Suppose a man plowed for a farmer for a day, and he paid him a dollar a day, the employer would have to take out a penny and give him 99 cents for his day's work.

Then at the end of the road he would not have accumulated enough money to have paid for any substantial old-age benefits.

This bill exempts the farmer, exempts casuals, and exempts domestics, because the amount of the tax would be inconsiderable and its collection would be such a nuisance and cause such a clamor that the very ideal of the struc-

ture—the ideal to which the President refers—would be endangered. It would be too ambitious; no comparable benefits would come from it. No Member on the floor of this House, seriously understanding the bill, is going to complain about not taxing the farmer, the domestic, and the casual and the others exempted under the bill.

Mr. LEWIS of Maryland. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. VINSON of Kentucky. I yield.

Mr. LEWIS of Maryland. Did not the administrative authorities, in fact, the present Secretary of the Treasury, appeal to us not to extend it into those fields at this time because he felt that its administration would break down?

Mr. VINSON of Kentucky. Yes, sir. He said that in his opinion it would be very difficult if not impossible of administration. In other words, I repeat, if you had put that in there, it would have been analogous to the situation that obtains in regard to the ambitions of certain folks under the N. R. A. legislation. You would have such confusion and such clamor that the good in the legislation well might be destroyed.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. BUCK. Will not the gentleman add to his statement also that for the same reasons seamen were exempted?

Mr. VINSON of Kentucky. They were exempted in unemployment insurance because there is no power under State law to collect the tax from them. They come under maritime or admiralty jurisdiction, and the State sovereigns have not the power to collect the taxes.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. McCORMACK. Seamen are exempted under the employment-compensation title because of constitutional reasons that do not apply to the contributory annuities.

Mr. VINSON of Kentucky. That is what I just said. They were exempted under title VIII because of administrative difficulties.

Mr. McCORMACK. If the gentleman will yield for one suggestion, I would like to point out that the pending bill provides that should a person die before reaching the age which entitles him to participate in the benefits, that 3½ percent of his salary is payable to his estate. So, in effect, he gets it back.

Mr. VINSON of Kentucky. That is correct. Now, let us see what these benefits are. I made the statement when I was discussing title I that more liberal benefits could come from title I, more liberal and larger old-age pensions could come from title I, than any citizen of any other country of the world has ever received as an old-age pension. I make the statement that in some of the countries of Europe for more than 50 years have had the contributory annuity system. Germany started hers in 1881. There are 15 or 20 countries throughout the world which have contributory systems, and only 2 of which also have noncontributory systems, these 2 being France and England. In days past other countries had the noncontributory system that is similar to our title I, old-age pensions, but that broke down and they were compelled to come to the contributory system. I say to you here and now that benefits under title II are larger, in many instances several times larger, per month than the benefits other countries give to their citizens.

I come now to the maximum of \$85 a month. It is very simple in computation; anyone can know what their benefits will be simply by knowing the total wages he has earned from January 1, 1937, to the time he reaches age 65. If you have earned \$3,000 annually during a period of 5 years, your benefit will be one-half of 1 percent per month the rest of your life—in other words, \$15 per month. This compares splendidly with benefits paid by European countries. But we do not stop there. Between the total wage of \$3,000 and \$45,000 you add to that \$15 per month one-twelfth of 1 percent of \$42,000, or \$35 per month. If a person earned over a period of 40 years \$42,000—counting in no one year more than \$3,000—he would have an annuity of \$50 a month.

Now, if it goes up to the maximum of \$3,000 a year for 45 years, the annuity is \$85 a month.

Mr. DONDERO. Mr. Chairman, will the gentleman yield? Mr. VINSON of Kentucky. I yield.

Mr. DONDERO. Would a person be entitled to both old-age insurance and benefits under this particular title after he reached the age of 65?

Mr. VINSON of Kentucky. Undoubtedly, if the benefit under title II were not sufficient under the law of the State where the person lived he would be entitled to supplement the benefits under title II with the old-age pension under title I.

#### VOLUNTARY ANNUITIES

At one time we had what we called the "voluntary annuity plan." I may say that in the original bill, H. R. 4120, those who earned more than \$250 a month were not entitled to the benefits under what would be title II of this bill, but that the plan was changed and the basis adopted was the first \$3,000 per year of total wages. If a man earns \$10,000 a year, he pays a tax upon \$3,000, under title VIII. Only \$3,000 is counted in wages earned.

Now, as suggested by the Economic Security Committee, voluntary annuities up to \$50 a month were suggested. Some thought that would be an invasion of private business in the insurance field. In connection with this new arrangement, there is not such particular need for the voluntary annuity plan, since you include many who would have been excluded originally, and you can have an annuity of \$85 a month. Many of us think the time will come when the voluntary annuity plan which rounds out the security program for the aged will be written into law.

#### TITLES III AND IX.—UNEMPLOYMENT COMPENSATION

Two titles of the bill deal with unemployment compensation, less accurately called "unemployment insurance." Title III provides Federal grants in aid to the States for the administration of unemployment-compensation plans. Title IX levies a tax upon employers against which contributions to State unemployment-compensation plans may be credited up to 90 percent of the Federal tax. This tax is designed to remove the principal obstacle to the adoption of State unemployment-compensation systems by providing a uniform tax upon employers throughout the country for this purpose. The principal features of this tax are as follows:

First. Coverage: Employers of 10 or more employees within 20 weeks of any year, with the same exemptions as the tax, to pay for old-age benefits.

Second. Rates: 1936, 1 percent; 1937, 2 percent; 1938, and thereafter, 3 percent.

Third. Credit of up to 90 percent of tax allowed for payments to State unemployment-compensation plans under the following conditions:

(a) Compensation to be paid through public employment offices.

(b) No compensation to be payable until after 2 years.

(c) State unemployment fund to be deposited with the unemployment trust fund of the United States Treasury.

(d) State fund to be used exclusively for unemployment compensation.

(e) Compensation not to be denied any eligible person for refusal to accept work if, first, the position vacant is due to a strike, lockout, or labor dispute; second, the wages, hours, or conditions of work are substantially less favorable to the worker than those prevailing in the locality; or, third, if the worker would be required to join a company union or to refrain from joining a bona fide labor organization.

(f) State to retain the right to repeal or modify its system.

(g) The State unemployment-compensation fund must be a general, State-wide, pooled fund.

Federal aid to the States for the administration of unemployment-compensation plans is provided in title III of the bill. It is assumed that this will be sufficient to pay the cost of administering the State unemployment-compensation plans, no matching by the State being required. The 10 percent of the Federal pay-roll tax for unemployment compensation, which is not subject to a credit and must be paid into the United States Treasury, will about equal the Federal

aid for this purpose. In order to qualify for this aid the State plans for unemployment compensation must conform to the following conditions:

First. "Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due";

Second. Payment of unemployment compensation through public employment offices in the State;

Third. Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied;

Fourth. The payment of all money received in the unemployment fund of such State to the Secretary of the Treasury to the credit of the unemployment trust fund established in the United States Treasury;

Fifth. Expenditure of this money exclusively for unemployment compensation;

Sixth. The making of reports to the Social Security Board;

Seventh. Making available employment records of individuals to any agency of the United States charged with the administration of public works or assistance.

If the Social Security Board finds that a State is failing substantially to conform to these conditions it may, after notice and opportunity for hearing, refuse to certify a State for further grants-in-aid for this purpose.

These two measures are designed to encourage the States to enact unemployment-compensation legislation. The uniform tax throughout the country will remove the principal obstacle. The Federal aid will permit a necessary minimum of Federal assistance and supervision.

#### TITLE IV—DEPENDENT CHILDREN

For the first time in the history of our Federal Government it is proposed to assist the States in the preservation of the home. It has been and it is now recognized to be the primary function of the State. The home is the foundation rock of our Government. Under existing State laws, approximately 109,000 families with 280,500 children are now provided some mothers' assistance. Three and one-half times this many families fall within a group roughly comparable to the mothers' pension group, namely, families of widowed, separated, or divorced mothers with dependent children under the age of 16 years, which are estimated to be receiving emergency relief. In the 358,000 relief families of this type, it is estimated that there are 719,000 children under the age of 16 years. Many other thousands of children are in orphan asylums and children's homes, separated from their mothers or close relatives who could act in loco parentis except for financial need.

It occurs to me that it would be a waste of effort to stress the benefit that will come to the dependent children in the enactment of this title. The gentleman from New York, Dr. SMOVICH, portrayed the picture and the benefits flowing from the legislation in such an eloquent and forceful manner that it seems unnecessary for me to urge it further.

The approximate annual expenditures for mothers' pensions is \$37,200,000, of which about \$6,000,000 comes from State funds, the remainder coming from local governmental units. Crude estimates of expenditures from emergency relief funds, of which approximately three-fourths comes from the Federal Treasury, for relief of families headed by widowed, separated, and divorced women, total \$120,000,000; more than three times the amount spent for mothers' pensions.

This bill authorizes an appropriation of \$24,750,000 for the first fiscal year and for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The President's committee was of the opinion that it would require an estimated sum of \$25,000,000 for the second fiscal year and not more than \$50,000,000 per year thereafter as the program developed. This is an inconsiderable sum in comparison with the benefit upon the children of today who have suffered so horribly in the depression years.

The Federal Government, under this legislation, will pay to each State which has an approved plan for aid to dependent

children a sum equal to one-third of the total amount expended by said State with respect to any dependent child. The maximum Federal payment is \$6 per month for the first dependent child and \$4 for other dependent children. This insures a maximum benefit of \$18 per month for the first child and \$12 per month for each additional child.

At the present time 45 States of the Union have mothers' aid or mothers' pensions, but in many of these States the law is only partially operated—effective only in the richer countries. The State of Connecticut, which provides an average monthly grant per child of the sum of \$18.70, is the only State in the Union which at the present time has a grant more than \$18 per child per month. New York pays \$17.30, Massachusetts \$17.20. While the payments are made to the States on a matching of \$2 on the part of the State to \$1 Federal grant, State participation in this work in materially increased amounts would provide real home life for these unfortunate children.

The enactment of this title would not involve any larger expenditures than the Federal Government has been making for the support of these families on relief, but will very materially aid the States in caring for this group of their unemployables, for whom they must now assume responsibility.

I insert herewith table furnished me by the Economic Security Committee, which gives a comprehensive picture of the present status of State laws affecting dependent children.

TABLE 5.—Estimated average monthly grant in areas granting mothers' aid, based on annual or monthly expenditures from mothers' aid grants during 1933 and 1934

State	Average monthly grant per family	Average monthly grant per child
Alabama.....	( <sup>1</sup> )	-----
Alaska.....	( <sup>2</sup> )	-----
Arizona.....	\$16.46	\$4.60
Arkansas.....	( <sup>3</sup> )	-----
California.....	26.89	14.80
Colorado.....	22.60	8.69
Connecticut.....	44.41	18.70
Delaware.....	22.26	9.05
District of Columbia.....	60.14	-----
Florida.....	9.76	8.01
Georgia.....	( <sup>4</sup> )	-----
Hawaii.....	( <sup>5</sup> )	-----
Idaho.....	18.08	4.89
Illinois.....	24.62	10.35
Indiana.....	22.03	7.61
Iowa.....	17.01	6.54
Kansas.....	14.05	8.16
Kentucky.....	38.26	14.72
Louisiana.....	8.81	3.39
Maine.....	29.60	12.16
Maryland.....	36.66	14.10
Massachusetts.....	51.83	17.28
Michigan.....	28.31	11.32
Minnesota.....	26.37	10.33
Mississippi.....	( <sup>6</sup> )	( <sup>7</sup> )
Missouri.....	26.22	8.91
Montana.....	24.00	9.04
Nebraska.....	13.62	5.27
Nevada.....	17.98	7.06
New Hampshire.....	26.42	9.03
New Jersey.....	26.43	8.60
New Mexico.....	( <sup>8</sup> )	( <sup>9</sup> )
New York.....	42.77	17.30
North Carolina.....	15.93	5.17
North Dakota.....	22.07	7.51
Ohio.....	19.77	7.21
Oklahoma.....	7.29	1.99
Oregon.....	19.80	9.12
Pennsylvania.....	34.61	11.80
Puerto Rico.....	( <sup>10</sup> )	-----
Rhode Island.....	47.00	18.37
South Carolina.....	( <sup>11</sup> )	-----
South Dakota.....	21.78	7.17
Tennessee.....	24.61	9.45
Texas.....	12.07	4.25
Utah.....	10.64	( <sup>12</sup> )
Vermont.....	17.68	8.49
Virginia.....	20.76	8.18
Washington.....	17.35	8.53
West Virginia.....	13.20	4.77
Wisconsin.....	25.82	10.13
Wyoming.....	22.55	4.17

<sup>1</sup> No mothers' aid law.

<sup>2</sup> No report.

<sup>3</sup> Aid discontinued.

<sup>4</sup> Average grant in 1931.

<sup>5</sup> Mothers' aid available only in Jefferson County.

<sup>6</sup> Law not in operation.

<sup>7</sup> Mothers' aid available only in Knoxville and Memphis.

<sup>8</sup> \$4.05 plus.



MATERNAL AND CHILD WELFARE (TITLE V)  
Maternal and child health

Part 1 of this title provides for Federal grants and aid to States to help them extend and improve their service in promoting the health of mothers and children. Twenty thousand dollars is to be allotted by the Secretary of Labor to each State, and \$1,800,000 is to be divided among all the States on the basis of the number of live births in each State in proportion to the total number of live births in the United States. The remaining \$980,000 is to be allotted by the Secretary of Labor according to the financial need of the States for assistance in carrying out the State plan. All State allotments, except those on the basis of need, are to be granted on an equal-matching—50-50—basis.

The able Chief of the Children's Bureau, Miss Katherine Lenroot, presented the experiences of that Bureau in previous administration of Federal aid in maternal and child-health work. This work presents no new departure. Experience has indicated that it is needed. Before the depression the infant death rate had been markedly reduced in every State in the Union. However, during the depression, between 1932 and 1934, there has not been the usual annual decrease—the rate remaining stationary.

The maternal-mortality picture is similar, but it is well known that the death rate among mothers has not decreased in anything like the proportion that the death rate among infants has decreased. This causes us to feel that increased facilities for maternal care and maternity nursing services are essential, not only for saving the lives of mothers, who are so necessary, both for their new-born and the older children in their family. The most effective way of reaching the problem of infant and maternal mortality is the development of public-health nursing services in connection with the public-health departments. All of the work under this title is done through State departments of health and the entire control of policies is reserved to the States.

In the following table, I am showing the amount which will be granted to each State per million dollars of appropriation.

TABLE 6.—Apportionment under title V, Maternal and Child Health, secs. 501-505

[Apportionment of \$1,000,000 distributed on the basis of live births reported in 1933. Alaska apportionment based on live births reported for the 2-year period 1931-32; Hawaii and Puerto Rico, 1932]

Total	\$1,000,000.00
State:	
Alabama	27,478.45
Alaska	592.75
Arizona	3,762.55
Arkansas	16,578.39
California	34,747.93
Colorado	7,955.77
Connecticut	10,390.20
Delaware	1,816.21
District of Columbia	4,610.00
Florida	11,885.50
Georgia	28,240.68

TABLE 6.—Apportionment under title V, Maternal and Child Health, secs. 501-505—Continued

State—Continued.	
Hawaii	\$4,859.14
Idaho	3,962.61
Illinois	49,971.34
Indiana	23,376.45
Iowa	18,326.53
Kansas	14,242.13
Kentucky	25,620.09
Louisiana	18,406.64
Maine	7,003.21
Maryland	12,707.01
Massachusetts	29,380.33
Michigan	37,474.10
Minnesota	20,613.70
Mississippi	20,502.66
Missouri	26,524.03
Montana	4,145.99
Nebraska	11,199.67
Nevada	626.65
New Hampshire	3,419.87
New Jersey	25,960.92
New Mexico	5,697.78
New York	86,669.77
North Carolina	34,926.68
North Dakota	6,107.61
Ohio	44,355.52
Oklahoma	20,235.36
Oregon	5,660.27
Pennsylvania	72,725.40
Puerto Rico	30,764.02
Rhode Island	4,793.84
South Carolina	18,671.06
South Dakota	5,954.79
Tennessee	23,222.71
Texas	49,989.86
Utah	5,515.32
Vermont	2,839.16
Virginia	23,734.88
Washington	9,670.11
West Virginia	16,792.80
Wisconsin	23,343.57
Wyoming	1,948.19

Crippled children

Part 2 of the title provides for services for crippled children and authorizes Federal grants to help the States extend and improve their services for discovering crippled children, and providing such children with medical, surgical, corrective, and other services and care in connection with their physical disability.

I am personally familiar with this type of service. In my State it has been under the supervision of the crippled children's commission, of which former United States Senator Ben Williamson has been chairman since its creation. Hundreds of children who were permanently disabled have been so far restored that they have been able to walk and play and to return to school to take their part in normal life. Careful surveys have shown that in Kentucky, and most other States, less than 40 percent of the crippled children who are in need of correction cannot be served on account of the limitation of funds. These additional grants-in-aid will restore hundreds of crippled children to usefulness and happiness.

TABLE 7.—State and local public funds for care of crippled children<sup>1</sup>

State	Total	State funds for		Local funds supplementing State funds	Public expenditure per 100,000 population <sup>2</sup>	Agency administering
		Clinics, treatment, and rehabilitation	Maintenance of State hospital service			
Alabama	\$5,000	\$5,000			\$189	State board of education.
Arkansas	9,250		\$9,250		499	Trustees of Children's Home and Hospital.
California	36,478	10,000		\$26,478	643	State department of health.
Connecticut	84,000		\$84,000		5,227	Board of trustees of Newington Home for Crippled Children.
Florida	50,000	50,000			3,300	Commission for crippled children.
Illinois		( <sup>1</sup> )	\$89,558			Department of health.
Indiana			( <sup>1</sup> )	( <sup>1</sup> )		State university hospital.
Iowa			( <sup>1</sup> )			Do.
Kansas		5,000				Crippled children's commission.
Kentucky	110,000	110,000			4,207	State board of health; crippled children's commission.
Maryland		( <sup>1</sup> )	\$26,000	\$48,889		Board of State aid and charities; department of health.
Massachusetts	180,824	15,000	\$175,824		4,255	Department of public welfare.
Michigan		51,000	\$500,000			Crippled children's commission; State university hospital.
Minnesota			\$201,750			State department of institutions.
Mississippi	17,500	\$17,500			871	State board of education.

[See footnotes at end of table]

TABLE 7.—State and local public funds for care of crippled children—Continued

State	Total	State funds for		Local funds supplementing State funds	Public expenditure per 100,000 population	Agency administering
		Clinics, treatment, and rehabilitation	Maintenance of State hospital service			
Missouri.....	\$50,000		\$50,000		\$1,378	State university hospital.
Montana.....	13,200	\$13,200			2,455	Orthopedic commission.
Nebraska.....	145,114		145,114		10,531	University hospital.
New Hampshire.....	3,000	3,000			645	Department of public welfare.
New Jersey.....	115,850	15,000		\$100,850	2,867	Department of health; crippled children's commission.
New York.....	1,135,970	321,405	493,160	321,405	9,024	Department of education; department of health.
North Carolina.....	108,800	8,000	100,800		3,432	Department of health; State orthopedic hospital.
North Dakota <sup>11</sup> .....		17,772		<sup>12</sup> 278,064	5,433	State board of control.
Ohio.....	295,836				7,438	Department of public welfare.
Oklahoma.....	179,188		179,188			State University Hospital.
Oregon.....			( <sup>9</sup> )	( <sup>9</sup> )		Do.
Pennsylvania.....	123,210	25,000	98,210			Department of public welfare; department of health.
South Carolina.....	10,112	10,112			882	State department of health.
South Dakota.....	2,500	2,500			361	State board of health.
Tennessee.....	<sup>14</sup> 10,000	<sup>14</sup> 10,000				Department of institutions.
Texas.....	45,300	20,000	25,300		675	State orthopedic hospital (University Hospital); department of education.
Vermont.....	8,000	8,000			2,224	Department of public health.
Virginia.....	25,000	25,000			1,032	State board of health.
West Virginia.....	85,000	85,000			4,916	Department of public welfare.
Wisconsin.....			( <sup>9</sup> )	( <sup>9</sup> )		State orthopedic hospital; board of control; department of education.

<sup>1</sup> Figures given are appropriations except in Massachusetts and New York, and local funds in California, which are expenditures. Figures for the year 1933 used for 15 States and for 1931, 32 or 34 in others. (Exclusive of vocational rehabilitation funds.)  
<sup>2</sup> Rate calculated only when public expenditures were known to be fairly complete.  
<sup>3</sup> State aid given to private hospital.  
<sup>4</sup> Amount not known.  
<sup>5</sup> This figure to be verified.  
<sup>6</sup> Care provided in State university hospital, cost paid entirely or partly by counties.  
<sup>7</sup> Care provided in State university hospital, cost paid by State.  
<sup>8</sup> State aid and local contributions to two orthopedic hospitals.  
<sup>9</sup> Estimate based on total appropriation for both ill and crippled children.  
<sup>10</sup> In addition some children receiving care in State university hospital paid for jointly by State and county.  
<sup>11</sup> Includes medical care of crippled adults.  
<sup>12</sup> No funds available in 1934.  
<sup>13</sup> Exclusive of Cuyahoga County.  
<sup>14</sup> Approximate expenditures.

**Child welfare**

Part 3 of the title authorizes the appropriation of \$1,500,000 to enable the United States, through the Children's Bureau, to cooperate with State public-welfare agencies in the work of establishing and extending public-welfare services for the protection and care of dependent, homeless, and neglected children, and children in danger of becoming delinquent.

The money authorized hereunder is to be divided as follows:

Ten thousand dollars is to be allotted to each State and the balance to be divided among the States in the proportion which the rural population bears to the total rural population of the United States.

State welfare agencies are required to investigate many conditions requiring special welfare service for children, such as situations of extreme neglect in homes, feeble-mindedness in parents and children, cruel and abusive parents, illegitimate children without competent guardians, children who are delinquent and come before the juvenile court, and many other types of problems.

The basic service necessary to deal with these situations is a child-welfare service which makes available skilled investigation as to the needs of the child and the use of whatever agency in the community or the State may be adapted to the particular situation. The development of such social service is of extreme importance, especially in the rural areas and in the areas suffering from extreme distress and destitution.

**Vocational rehabilitation**

Part 4 of this title provides permanent legislation for the work which has been undertaken by the Federal Government under temporary authority extended from time to time.

This is in no sense new work, but continues and expands worthy work which has been prosecuted quite successfully.

**TITLE VI. PUBLIC HEALTH**

Mr. Chairman, when we come to the consideration of title VI, we are speaking of work which is not in any sense experimental, work for the folks about which I know something

personally. I wish every Member of Congress could have had the opportunity to see this work at first hand as I have had. I am carefully weighing my words when I say that no dollar of the taxpayer's money, local, State, or Federal, in my opinion, receives as much dividend as the money that is appropriated for the support of county health units.

I lived in Kentucky before we had county health units. I have lived there while they have been operating, and I live there now. It is the most remarkable piece of work for humanity that I have ever had the opportunity to observe, and I want to repeat that I know of no dollar of the taxpayer's money that gets the results in Kentucky as this particular money; that is, if health and life have any value—to me they have.

This plan of full-time county health departments was first developed in Kentucky, and the first county health unit in the United States was established in Jefferson County in 1907 and 1908. In 1911 similar departments were developed in North Carolina and the State of Washington, and the second department in Kentucky was in Mason County, which is in my district; and the fourth was in Boyd County, which is also in my district. Nineteen of the 20 counties in my district now have fully developed and active health departments. Seventy-eight of the 532 full-time county health departments in the United States are in Kentucky. There remain 2,468 counties in the United States without county health departments. Ohio, North Carolina, Maryland, Oregon, Montana, Alabama, and other States have made similar progress, and the great States of Pennsylvania, Vermont, and New York have had like development in the form of public-health districts.

All of these departments, in all of the States, have been developed under the supervision of the United States Public Health Service, with Federal aid or aid from the Rockefeller Foundation. However, in their development there has been no weakening of State and local authority. That this title is developed along sound lines, after years of research and demonstration, is indicated by the monumental report of the New York State Health Commission to its then Governor, the Honorable Franklin D. Roosevelt, entitled "Public Health in New York State", and published in Albany in

1932. In appointing this committee, Governor Roosevelt said:

As an agency for serving the needs of the people, government should not be a static force, but should evolve to meet a changing and developing body of knowledge. This is particularly true in the field of public health in which, during the past decade or two, the far-reaching development of scientific facts upon which governmental action is based makes particularly necessary a periodic examination of the extent to which the State is meeting the needs of the people in this vital field.

He further quoted, with approval, a statement made by the respected Dr. William H. Welch, late dean of American medicine:

While public health is the foundation of the happiness and prosperity of the people and its promotion is recognized as an important function of government, how wide is the gap between what is achieved and what might be realized; how inadequate is the understanding of the public concerning the means adopted to secure the best results?

He requested this commission—

to take into consideration the activities of State and local health authorities and their relations one to another, the recent progress in public health in other States and abroad, and to examine critically the extent to which the health needs of the people were being met.

The recommendations of the Roosevelt New York commission in regard to State aid are not only so pertinent to the discussion of that important policy, but apply so forcefully to the whole question of Federal aid, that I am quoting it in its entirety, substituting "Federal" for "State":

Careful consideration has been given to the policy of Federal aid in public health which has been in operation for more than a decade. The conclusion has been reached that Federal aid is a necessary policy, particularly for rural areas and in the development of new health activities.

Public health problems are never wholly local. For example, the existence of a communicable disease threatens other communities besides that in which it arises. There are very practical reasons, therefore, why the United States should give financial and technical advice to stimulate better local health conditions should precedent for it be found in other phases of community welfare. In fact, the commission is of the opinion that the only alternative to Federal aid for rural health service is operation by the Federal Government itself of direct health services to the people. Those who believe that Federal aid is undesirable must concede that its inevitable alternative is even less desirable from the standpoint of preserving local responsibility in the administration of health work.

Under the present conservative policies of granting Federal aid for county nursing services and county health departments in rural areas and similar health services, much has been accomplished in promoting the public health which otherwise would not have been done.

The commission recommends, therefore, that Federal aid be continued for the development and operation of local health activities.

The whole matter of local health service is summed up by the New York commission briefly and forcefully as follows:

Three successive legislative enactments indicate an increasing official recognition that the care of the public health is a responsibility of government and that it is more than a local responsibility.

Equally well said:

In the modern health program, qualified health officers, nurses, engineers, laboratorians, and other professional personnel on a full-time basis are essential if satisfactory service is to be expected.

In summing up its recommendations in regard to local health service, the Roosevelt commission said:

The United States Public Health Service, as a result of exhaustive studies of rural health needs, for many years has actively sponsored the county health idea through financial aid to demonstration counties and otherwise. This program has received the endorsement of the physicians of the country through resolutions of the house of delegates of the American Medical Association.

The Rockefeller Foundation, created "to promote the well-being of mankind throughout the world", has directed the major energies of its international health division to the development of local health departments on a county basis with full-time qualified personnel. It is significant that this great philanthropic organization, with the world as its theater of action and with the well-being of mankind its concern, centers its activities so largely upon health and its health activities so largely upon the county health unit.

The recent White House conference on child health and protection, after reciting the needs of childhood in health education

and welfare, concludes its "children's charter" with a forceful statement of the organization necessary to give effect to the principles of child-health conservation: "To make everywhere available these minimum protections of the health and welfare of children, there should be a district, county, or community organization for health, education, and welfare, with full-time officials, coordinating with a State-wide program. . . . This should include trained full-time public-health officials, with public-health nurses, sanitary inspectors, and laboratory workers . . . . The health section of the League of Nations has devoted much consideration to the rural health problems of the world and has done much to promote local health service and improve the qualifications of health officers in many different countries.

The national leaders of both political parties have expressed approval of the plan.

There is authorized under this title an annual appropriation of \$8,000,000 to be allotted to the States for the purpose of developing local health services through the State health departments.

The amount of the allotments are to be determined on the basis of first, population; second, special health problems; third, financial need of the respective States.

I have heretofore testified as to the splendid services performed by the county health departments of my State. Those who do not have such units cannot appreciate the real value of such work. With your permission, I insert excerpts from the testimony before the committee with reference to this splendid work.

STATEMENT OF DR. C. E. WALLER, ASSISTANT SURGEON GENERAL, UNITED STATES PUBLIC HEALTH SERVICE

Mr. TREADWAY. You are assistant to Surgeon General Cumming? Dr. WALLER. Yes, sir; in charge of the State's Relations Division of the Public Health Service.

Before I start on the functions of a county health unit, Mr. Chairman, I think I have approximately the answer to the first question that Mr. Vinson asked. He wanted to know what percentage of our total appropriation goes for health work. I may say that it is slightly over a million dollars, or a little over one-tenth of the total appropriation to the Public Health Service.

Mr. VINSON. That actually goes into public-health work? Dr. WALLER. Yes, sir.

With respect to the functions of a county health unit, I should like to say, in the beginning, that the work of a county health unit is preventive in character. It is not for the purpose of providing medical care. In that respect it does not interfere in the slightest degree with the medical profession.

Mr. TREADWAY. You mean the local medical profession? Dr. WALLER. The practicing physician. In fact, it has the opposite effect. The educational activities of a county health unit make more work for the practicing physician in that they bring our needs for medical care that otherwise would not be discovered, and direct cases into the hands of the private physicians.

The education work carried on by these units stimulates parents into having their children vaccinated against diphtheria, typhoid fever, and smallpox, and this work is added to the work that the practicing physician is called upon to do.

The personnel of a county health unit consists, first, of the full-time medical health officer, who is the director of the unit. This health officer is not just an ordinary practicing physician. He has to have special training in preventive work. That is his specialty, and it is just as much a specialty as is the specialty of practice on the eye, ear, nose, and throat, or the specialty of surgery.

In addition to this director of the unit, we have public-health nurses on the staff. We also have sanitary engineers or sanitary inspectors as members of the staff, and then, finally, we have the clerical personnel that must be particularly skilled in the handling of vital statistics, records, and so forth.

As to the functions of the unit, one of the primary functions is the control of communicable diseases. The health officers and nurses carry out the quarantine procedures in the control of cases of communicable diseases, to prevent the further spread of these diseases from cases that have occurred.

One of the most effective means that they employ in the control of communicable diseases consists in urging parents to have their children vaccinated against diphtheria, scarlet fever, typhoid fever, smallpox. Typhoid fever and diphtheria today are almost entirely preventable, and it is now regarded almost a disgrace for any community to have an outbreak of either of these diseases.

Just lately we have also discovered a means of immunizing children against scarlet fever. We have a new immunizing agent that can be used successfully for this purpose. It has been shown by officers of the Public Health Service to be almost as effective as the toxoid against diphtheria.

Mr. VINSON. Your statement, Doctor, is eminently true, but it is a statement in generalities. It does not paint the picture that I want to present to the committee. I wanted you to tell this committee and the House just how they operate in these county health units. I should like the committee to know how they get into their automobile and travel out into the school districts, and hold

a clinic out there for these vaccinations and inoculations. They go through the districts and get samples of the water supply, and all that sort of thing. Those are the things that actually do the work.

Of course, what you said was true, as far as it went.

Mr. TREADWAY. Suppose we put the gentleman on the stand.

Mr. VINSON of Kentucky. I am perfectly willing to testify, because I have had personal observation and knowledge of how those things work in my own country. It is the hardest-working crowd that I know about. They go out into these school districts and they vaccinate all the children that have not been vaccinated. Of course, that is a continuing proposition.

Then they go back and give them a second vaccination or a third vaccination, whatever the number of times is that they have to vaccinate these children. In other words, they carry this preventive medicine into the roots of our rural society and, to my mind, it is the most splendid work that the Federal Government participates in. In Kentucky it is done in cooperation with the medical profession, I am very happy to testify.

Mr. TREADWAY. May I ask Mr. VINSON, or let me ask the doctor, whether the testimony that our colleague has just given correctly represents the work of the public-health units in the 580 counties that cooperate with the Federal Government?

Dr. WALLER. Yes, sir.

Mr. TREADWAY. That is a correct picture, is it not?

Dr. WALLER. Yes, sir.

Mr. TREADWAY. Therefore you are willing to corroborate the testimony given by our colleague, and you are willing to have it made a part of your own testimony as a description of the work of the Public Health Service?

Dr. WALLER. I think, so far as he has gone, he has told the story better than I could tell it.

Mr. TREADWAY. I thought perhaps you would say that.

Mr. VINSON of Kentucky. Let us testify some more. Not only do they do these things, but they make examinations of children who otherwise would not be examined for physical defects, and call that condition to the attention of their parents. You have mentioned how they bring these matters to the attention of the parents. Not only is the child improved when the defect is corrected, but you have the happiness of parents, all growing out of that activity.

Dr. WALLER. Exactly.

The CHAIRMAN. In that connection, it is also part of their work frequently to look after the dental needs of the children, is it not?

Dr. WALLER. That is quite an important part of the work.

The CHAIRMAN. I know it is in the country where I live.

Dr. WALLER. That is an important part of the health program of these units in the schools.

Mr. TREADWAY. Doctor, I am glad to know that we have one expert on this committee in connection with a part of this bill at least. I wish we were sure we had experts on all of it.

#### THE WORK OF THE COMMITTEE

Mr. Chairman, I desire to express again my appreciation to the House for the privilege of serving on the Ways and Means Committee, particularly during the 3 months that have been so intensely devoted to a study of what history will probably consider the greatest piece of humane legislation that has been before any one of the 74 Congresses since the Constitution was adopted. During these 3 months I have had the pleasure of that close personal contact with our able and distinguished chairman and members of the committee that has enabled me to properly appreciate and evaluate their interest and their worth. As we approach the termination of general debate on this epochal measure, I wish to pay particular tribute to the great Chairman of the Ways and Means Committee, the gentleman from North Carolina [Mr. DOUGHERN]. Sprung from the soil of the rugged mountains of North Carolina, acquainted with the rugged simplicity of mountain life, and knowing the problems of the folks on the hillside and in the hollows along the creeks, he has approached the consideration of the several titles of this bill with a profound knowledge of the real folks who sent him to represent them in Congress. In my whole public experience I have never known more devoted service. Sincere, interested, impartial, unbiased, capable, he has proceeded in extracting his real views from every witness; and in trying to make this measure as broad and as useful to the folks back home as was intended when our great President wrote the message which provided the underlying philosophy for this legislation. The gentleman from North Carolina is a most distinguished statesman, coming from a State which has produced leaders since the days of the Revolution, and he has earned the confidence and gratitude not alone of the people of his own district and State, but of every district and State in this Union.

Being a mountaineer myself, I particularly enjoyed the fine, humane philosophy of two great mountaineers on this

committee—the gentleman from North Carolina [Mr. DOUGHERN] and the gentleman from Maryland [Mr. LEWIS]. Mr. LEWIS was the chairman of the subcommittee in the last session which held extended hearings on the subject of unemployment compensation. I am sure that I represent the attitude of every member of the Ways and Means Committee when I testify to the tremendous value, not only of those hearings, but of the learning and interest displayed by these gentlemen in the perfection of the bill. You have heard their great addresses before this Committee of the Whole House and to what they have said on these subjects, but little can be added.

I desire also to pay a particular tribute to all the other members of the committee. They have been constant in their attendance at the meetings of the committee and took an active part in the formulation of the legislation and the reports bearing upon it.

In my sincere judgment no bill ever received more intensive study and effort by any committee in any Congress than has this measure.

I also desire to express the profound appreciation which the committee feels to its permanent staff and to the legislative counsel and the technical staff of the Joint Committee on Internal Revenue and Taxation who, because of their expert knowledge, have been of invaluable assistance in the preparation of this bill. I would not overlook Tom Eliot, Assistant Secretary of Labor, who rendered most valuable service.

Mr. Chairman and gentlemen, for 3 months we have been laboring during most of the hours of the day and during many of the hours of the night in consideration of the tremendous accumulation of information, the study of which has been necessary to enable us to prepare and support this legislation. It is presented to you as the first great step toward economic security for the masses of America.

#### TRULY A SECURITY BILL

This measure, H. R. 7260, comes to the Congress with two messages from our President. On June 8, 1934, with a message that resounded throughout our land—the great security message—the President said “among our objectives, I place the security of the men, women, and children of the Nation first.

Security is the central theme of this program. Security is the name of each corner rock which upholds this structure. We see security for the aged in pensions and benefits, security for children in those sections dealing with dependent children, crippled children, and child welfare. Caring for each end of the life span, the youth and the aged, we next find in this measure, security in health in the maternal and child-health sections thereof, and also in the separate title that treats of the development of local health units together with the research activities that will mean added health security to the citizenship of our country. Then we find titles looking toward security in employment, which with the benefits provided for the aged, not only perform a humane obligation, but provides a stabilizer and gives added security to the economic future of our country.

Security is the thread that runs throughout this legislation. The philosophy that the strong will care for the weak, that the more fortunate will lend a helping hand to their less fortunate brothers and sisters.

For the first time in the history of our American Government there is presented for consideration a well rounded out social-security program. We recognize that the experience of the years will call for supplementary legislation, yet we urge its passage as the first substantial step toward a worthy goal.

We urge with all the seriousness at our command that our colleagues hesitate long before they strike at its just and carefully considered provisions. [Applause.]

[Here the gavel fell.] •

The CHAIRMAN. All time has expired.

Mr. REED of New York. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD and to include therein an analysis of the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. LUNDEEN. Mr. Chairman, I ask unanimous consent to extend my remarks and to include a statement concerning constitutionality as published in the Labor Committee hearings.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

*Be it enacted, etc.,*

**TITLE I—GRANTS TO STATES FOR OLD-AGE-ASSISTANCE  
APPROPRIATION**

**SECTION 1.** For the purpose of enabling each State to furnish financial assistance assuring, as far as practicable under the conditions in such State, a reasonable subsistence compatible with decency and health to aged individuals without such subsistence, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$49,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Social Security Board established by title VII (hereinafter referred to as the "Board"), State plans for old-age assistance.

**STATE OLD-AGE-ASSISTANCE PLANS**

**Sec. 2. (a)** A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that, if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan—

(1) An age requirement of more than 65 years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as 70 years; or

(2) Any residence requirement which excludes any resident of the State who has resided therein 5 years during the 9 years immediately preceding the application for old-age assistance and has resided therein continuously for 1 year immediately preceding the application; or

(3) Any citizenship requirement which excludes any citizen of the United States.

**PAYMENT TO STATES**

**Sec. 3. (a)** From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing July 1, 1935, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each individual who at the time of such expenditure is 65 years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (2) 5 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be de-

duced, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified, increased by 5 percent.

**OPERATION OF STATE PLANS**

**Sec. 4.** In the case of any State plan for old-age assistance which has been approved by the Board, if the Board, after notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any age, residence, or citizenship requirement prohibited by section 2 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 2 (a) to be included in the plan; the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

**ADMINISTRATION**

**Sec. 5.** There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$250,000, for all necessary expenses of the Board in administering the provisions of this title.

**DEFINITION**

**Sec. 6.** When used in this title the term "old-age assistance" means money payments to aged individuals.

Mr. SNELL (interrupting the reading). Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. SNELL. As I understand it, the Clerk is reading title I, and when he completes the reading of title I the Committee will rise?

The CHAIRMAN. The gentleman is correct.

Mr. LUNDEEN. Mr. Chairman, that will not preclude anyone from offering amendments tomorrow?

The CHAIRMAN. It will not.

Mr. CONNERY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CONNERY. When the Committee rises that will not preclude the offering of an amendment, which will be offered in the form of a new title before title I?

The CHAIRMAN. It will not.

The Clerk concluded the reading of title I.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 7260, the social-security bill, had come to no resolution thereon.

Mr. KRAMER. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

Mr. SNELL. Mr. Speaker, I am sorry, but I shall have to object.

**EXTENSION OF REMARKS**

Mr. CONNERY. Mr. Speaker, I ask unanimous consent to extend my remarks by including in the speech that I made today a statement of the cost of the Lundeen plan.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I make the same request as the gentleman from Massachusetts [Mr. CONNERY] to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

#### SOCIAL-SECURITY BILL

Mr. ZIONCHECK. Mr. Speaker, I ask unanimous consent to extend my remarks upon the social-security bill.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. ZIONCHECK. Mr. Speaker, I do not feel the need of making a speech for "home consumption" on this present bill for social security. The people of the First Congressional District of the State of Washington, whom I have the privilege of representing, know how I feel about such legislation. I have before me my campaign pamphlet from the 1932 campaign, wherein I promised to fight for social insurance covering accidents, sickness, old-age, and unemployment. In 1934 the keynote of my campaign was that economic planning of consumption rather than production was the paramount issue of this day; that we must see that every person who is willing to work must be guaranteed a security of income and the purchasing power of the people must be increased to insure permanent prosperity; that social insurance covering accidents, sickness, old-age, and unemployment must be regarded as a matter of right rather than a matter of favor—because there is plenty for all if we only work out a sane and sensible scheme of distribution.

But at the same time I promised to fight for increased gift, income, and inheritance taxes in the higher brackets to break up huge incomes and thus equalize the distribution of wealth. I also promised to fight against sales taxes.

Now, Mr. Chairman, I feel that I am compelled to vote for the final enactment of this bill because of the broad recognition of at least partial responsibility for taking care of the aged, unemployed, dependent children, maternal and child welfare, crippled children, vocational rehabilitation, and public health. Such a recognition is a great step in itself, but my vote for this present bill does not mean that I approve of many of its provisions. The fact of the matter is that I do not approve of this bill in many respects, and feel it to be my duty in my representative capacity to point out what, in my opinion, are its defects, and at the proper time to try to help improve it by way of amendments.

My chief criticism of this so-called "social-security bill" is that it does not place the burden where it properly belongs; that is, on the higher income group of our Nation and on those receiving large gifts and inheritances. The fact of the matter is that the burden is placed on the lowest income groups in this bill. The ultimate 6-percent tax on pay rolls will be passed on to the consumer, of which the working classes compose approximately 80 percent. This type of taxation in effect amounts to a sales tax, just the same as the processing tax has resulted in increased prices, and, despite its name, it has proven itself to be a sales tax nevertheless. The additional 3-percent tax on the employee, which is deducted from his wages and paid over by the employer to the Government, decreases the employee's buying power in just that amount. Such taxes are wrong in principle and can only aggravate our distressing economic mess. It seems that every measure that is coming before Congress today is still based upon the economy of scarcity rather than the economy of abundance.

I feel that the old-age pensions that are not to exceed over \$30 a month are miserly and inadequate. Just what can an aged person do with merely \$30 if he has no other source of income or relatives to support him? It would require at least \$15 a month for rent alone, and that would leave but \$15 a month for food and clothing. Think of it—50 cents a day. To me this sounds like anything but social security. The \$30-a-month pension is particularly inadequate from a Federal standpoint, when the Federal Government is to match State funds on a 50-50 basis, the Federal responsibility at no time amounting to more than \$15 a month. In my opinion, the Federal Government should provide the entire amount of an adequate pension necessary to give the

aged the necessities and comforts of life as a matter of right, looking upon these pensions as merely deferred payments to the aged, for everyone knows that those people produced a great deal more in their productive years than they ever received for their work in wages.

The provision in this bill that a person must be 65 years of age or over is entirely too high, and I for one am going to do what I can to reduce it to 60 or even 55 years. It is virtually impossible for a man of 50 years to obtain gainful employment under our present industrial system, and would it not be better to provide adequate pensions for all those of 55 and over, and remove them from the labor market, and thus make room for the young people who today find themselves unemployed?

The provisions in this act for unemployment insurance are totally inadequate and in no way provide for insurance or relief for the present unemployed. According to experts, technological unemployment under our present profit system will be a constant and ever-increasing problem. Labor saving devices and machinery today are displacing workers by the thousands, and, according to those who have studied this problem, if we were to increase our production to that of 1929 we would still have from six to eight million unemployed.

The remedy for this depression is not unemployment insurance. Employment is the only solution, and if those who own and control the means of production have not the sense and social vision to adjust their profits, interest, and dividends, and get a more reasonable balance between consumption and production, then it is high time for the Government to step in and do it for them. In the interest of maintaining order, as well as providing a good life for all the people, our minimum program must be that every man and woman who is able and willing to work must be given employment at a wage that will get for him and for her the necessities, comforts, and some of the luxuries of life, for there is plenty for all if we but work out a sane and sensible scheme of distribution. In my humble opinion, any government that does not do just that does not justify its existence.

#### THE SOCIAL-SECURITY BILL

Mr. O'NEAL. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record.

The SPEAKER. Is there objection?

There was no objection.

Mr. O'NEAL. Mr. Speaker, it is not difficult for critics to pick flaws in proposed legislation, especially when it traverses new fields and deals with such enormous problems as those in this bill. I compliment the committee upon this example of sincere study and high intelligence. The comments I make are in no sense critical of the committee but are mere "obiter dicta", and because of the character of the men and their intense application to this subject, it is my inclination to support their recommendations. But I feel impelled to make some random comments, for I cannot help but feel that the best unemployment insurance is to aid business, the employer, and I am concerned about the recurring effort to have our Government attempt to cure all national ills. It is well to reflect upon the demands of all groups and classes upon our Federal Government and to consider not only the worthiness of the cause but the ability of our Government and its citizens to carry the load and the far-reaching effect upon the character of our people.

We are prescribing remedies for all of our country's maladies, and the medicines, no doubt, are efficacious as far as the disease is concerned, but the doses are so numerous and heroic that I fear for the patient, our country.

One thing is encouraging to observe in the treatment of social security, and that is the unanimous sentiment of sympathy for the aged, the unemployed, the afflicted mothers and children, and the other unfortunates to whom life has willed misery and misfortune. Every man in this Congress is interested in aiding the casualties of the strife of life, and to that extent all is well. Even this much idealism is a basis of hope for our country, but beyond the generous spirit of sympathy for the unfortunates, certain characteristics arise in our midst which are less idealistic and quite contrary to the Golden Rule so well exemplified in our sympathies.

Through failure to analyze ourselves, through mistaken loyalties to groups to which we belong, to intense State and partisan devotions, we sometimes forget American traditions and lose our fundamental ideas of American justice and liberty. The greatness of our country and the inheritance of the rare gift of American citizenship have been due to the wisdom and conscience of the founders of our country and their successors. They kept uppermost in their minds the freedom of its citizens and that no citizen might be deprived of life, liberty, or property without due process of law and without just compensation. Imposition of an unequal or too heavy tax is closely akin to attainder and confiscation.

Our forbears enjoyed the greatest liberty ever granted to mankind because the conscience of America and its leadership kept ever in mind the sacred rights of the individual to work, to improve his condition, to be provident and to retain that which he won by effort, character, and self-denial. When work and ambition in America, as we knew it, drove men on to greater achievement, there seemed to be less class and group selfishness, and men scorned to seek or accept that which belonged to another. There was pride in every American that he could carry his part of the burden and he asked favors of no man, and did not seek to place his obligations upon another. In my opinion, that spirit of independence made America great, and the loss of it will mean that our country, as we knew it, will be no more. So it is of the greatest importance in passing legislation that we think not only of the condition to be corrected, but also of the far-reaching alterations of citizen character and individual morale. The greatness of America was built upon stern reality, courage, and conscientious work. Today there seems to be a class philosophy of jealousy of those who have succeeded, a weakening of moral fiber, an ambition to avoid work, and a group selfishness which breeds disunion and the death of American ideals.

It appears to me that we, in Congress, should strive to foster the true American spirit of personal pride and independence, and be careful that we do not develop a national weakness of character. It should be brought home to the people that our Government will be fair to every group of its citizens; that special privilege shall not be granted to individuals or to groups; that the malingerer cannot live at Government expense; and that the care of our unfortunates is the obligation of every citizen in the United States.

We hear much these days of the socialization of America. In my opinion, when you arbitrarily place a tax on business or the individual without considering their ability to pay nor the justice of making them carry the common load, you are breaking with American experience and American tradition. Our country's trials are grievous at this time, and they challenge America for a solution. But we cannot solve the problem by arbitrary seizures against business or other singled-out groups of our citizens. In order to preserve America we must attack our problem "with malice toward none" and charity, or, at least, justice, to all.

There was a time when one's country was aroused at the favors granted to special interests through special privileges. America awakened and has remained awake to the menace of great corporations and great wealth which took advantage of the people. In a different way our citizens have now divided, and many groups are seeking special privileges from our country, which is not true to the American tradition of equality before the law. This problem will never be solved by hating, and much of our proposed legislation is born of temper and nourished by fancied wrongs. The attack too often is punitive and not guided by equitable principles. When America disunites to give special advantages to one or to place common burdens on the back of another, it is un-American and confusion or worse will result. Let groups in America seek to do equity and each assume its just burden. When that is again the rule, our country will have regained its birthright.

I do not believe that we have given sufficient consideration to, nor correctly analyzed, the place of business in American life. It is the keystone of America as we know it. We who

believe in the profit motive as a fundamental of human character and happiness believe that there would be no profit motive without business. Therefore, it should be encouraged, and interfered with as little as possible. The products of the farmer, the labor of the worker, the existence of the professions are indissolubly linked with business. Our country would not be what we have cherished should it become the employer. Our socialistic theorists would find the result to be a national flabbiness, deteriorating into moral paralysis. The only cure for unemployment is employment, and business is the employer, and honest work is the salvation of every man. In our legislation we should recognize that business must be treated justly and freed from oppression, or even fears of oppression, if all of the rest of America is to labor and prosper.

We draw our laws with little thought as to the psychology of our people, whereas we should consider their effect upon our national character. Yesterday the average American was as a group frugal, thrifty, proud, and conservative. Today, because of our laws drawn without considering their effect upon character, we find our citizens wasteful and extravagant in their demands upon our Government. The Federal Government apparently is a boundless reservoir of money, upon which they can draw without limit for every need or even whim. It is time in drafting our laws that we emphasize fair play to all, and the fact that every Government expenditure eventually means an expense to each individual citizen, and that each national extravagance culminates in an individual charge. When our people realize the true situation America will return to the faith of its fathers.

In conclusion I wish to compliment the committee for the intelligent and conscientious effort that has been put forth. My remarks are in no sense critical. But I wish the start could be made here and now to appeal to the abiding American spirit in the hearts of most of our citizens. Just as in a war of defense, everyone is called to arms, so in the case of human misery in America let us tell our people that it is a burden upon every one of us. Let us not attempt to aid the worthy causes in this bill by charging its costs alone to business or to any other group of citizens.

Let us assemble the cost of alleviating the suffering of America as described in this bill, and tell our country that these burdens must be borne by all Americans, and that it will cost each year a certain definite amount. Let us say to them that their burden cannot be shifted to the backs of the successful only, or upon business or any other class, and if it could be, it would not be right to do so. A load of this kind is an obligation of every man who is earning any money and the latent character of our country would revive and courageously meet the challenge. It has been found in our churches that the widow's mite was gladly given and the spirit of it made many of our American institutions great as they have been through the generations. If we could carry the need of the unfortunates back to every earner in America, I am idealist enough to believe that America would respond with approval, enthusiasm, and a renewed faith in our country. Every citizen in America should be required to pay a part of his earnings for the care of the unfortunates of America.

I concur heartily in the worthy intentions of this bill, but I regret that an effort is not made to test the spirit of our people by offering to them all the right and the privilege of assuming, according to their individual ability, the care and protection of their less fortunate fellow countrymen. If such were the case, I would dare to hope that the pride, independence and the cherished freedom of America might return.

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. MONAGHAN. I desire to propound a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MONAGHAN. Would it be in order, following the reading of the first title of the bill, to offer an amendment inserting a new title to precede title I of the bill? If it is in order, would such an amendment have to be disposed of before amendments to title I are offered?

The CHAIRMAN. It is in order, and it would be disposed of before amendments were offered to title I of the bill.

Mr. COOPER of Tennessee. If the gentleman will yield, I believe we can agree, the amendment offered by the gentleman having been printed in the RECORD, to dispense with the reading of the amendment. Would that be agreeable to the gentleman?

Mr. MONAGHAN. That would be agreeable to me.

Mr. SNELL. Is this the McGroarty bill?

Mr. MONAGHAN. It is the last one.

Mr. SNELL. The last edition.

Mr. MOTT. Mr. Chairman, I object. I think the Members should hear the proposition read.

The CHAIRMAN. Before recognizing anyone to offer an amendment, the Chair desires to make a statement. The general debate on the bill has been 23 hours, a longer general debate than the Chair has ever known in this House. The bill has been ably and well discussed. It is the purpose of the Chair to give every Member who has a bona fide amendment to offer an opportunity to do so. It is also the purpose of the Chair to recognize, whenever he can do so, Members who have bona fide amendments rather than those who offer pro forma amendments; in other words, bona fide amendments will have the preference. It is likely that there will be many Members who will ask for recognition. The Chair wants to ask the Members of the House to cooperate with the Chair in keeping order and also to be present.

Mr. CONNERY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CONNERY. When will it be in order for me to offer the Lundeen bill in a similar manner to this?

The CHAIRMAN. After the other amendments are disposed of.

Mr. JENKINS of Ohio. Mr. Chairman, I propose to offer an amendment to include the blind. That amendment will be just like title IV, except that title IV deals with dependent children. As I understand it, so far as title I is concerned, an arrangement has been made whereby the McGroarty bill will be introduced before title I. Will we be compelled to introduce amendments such as I propose before title I is disposed of?

The CHAIRMAN. Not necessarily so. The gentleman from Montana is recognized.

Mr. MONAGHAN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Mr. MONAGHAN offers the following amendment: On page 1, following the enacting clause of the bill, insert the following as a new title:

" TITLE I  
" DEFINITIONS

" SECTION 1. The term 'transaction' for the purposes of this act shall be defined so as to include the sale, transfer, barter, and/or exchange of either or both real or personal property, including any right, interest, easement, or privilege of commercial value therein or related thereto, whether actually made at the time or only then agreed to be made and whether under executed or executory contract or otherwise; also including all charges for interest, rent commissions, fees, and any other pecuniary benefit of any kind directly or indirectly derived from or for any loan, deposit, rental, lease, pledge, or any other use or forbearance of money or property; and also including the rendering or performance of any service for monetary or other commercially valuable consideration, whether by a person or otherwise, including all personal service, also transportation by any means, and telephone, telegraph, radio, amusement, recreation, education, art, advertising, any public utility, any water rights, and/or any and all other service of any and every kind whatsoever, but excepting and excluding therefrom any single isolated transfer of property of fair value less than \$100 or any other isolated transaction of the fair value of \$50 or less, which does not arise or occur in the usual

SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7260, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. MONAGHAN rose.



course of an established business, trade, or profession, and excluding any loan, deposit, withdrawal from deposit, hypothecation, or pledge of property or money.

"The word 'person' shall include any corporation, firm, copartnership, or association.

"The term 'transfer' for the purposes of this act shall be defined to mean the passing of property, real or personal, or the title ownership or beneficial interest therein, from one person to another, and also includes the rendition of service in connection with the transfer.

"A purchase obligation is not a loan under this act.

"Barter and/or exchange is defined as a plurality of transactions to the extent of the fair value of the property and/or service transferred or rendered other than money.

"The term 'income' for the purposes of this act shall be defined so as to include the gross amount of any and all money or its equivalent received from or for any service performed or from or for any proceeds or profit from any transaction, inheritance, or gift whatsoever.

"The term 'net income' for the purposes of this act shall be defined so as to include all money and/or commercially valuable benefit or its equivalent actually received by the annuitant, after deducting only such charges and expenses as are directly incident to producing such net income.

"The term 'gainful pursuit' for the purposes of this act shall be defined so as to include any occupation, profession, business, calling, or vocation, or any combination thereof, performed for monetary or other commercially valuable consideration, remuneration, or profit.

"The term 'annuity' and/or 'annuities' for the purposes of this act shall be defined so as to include the various sums and/or amount of money distributed and paid pro rata and otherwise to the various persons who shall become and be the beneficiaries under this act.

"The term 'executory contract' for the purposes of this act shall be defined so as to include any and all conditional sale agreements and contracts, and all other agreements and contracts the completion of which is or may be delayed to some time subsequent to the time of making thereof.

"The term 'gross dollar value' for the purposes of this act shall be defined so as to include the sum representing the total fair value of the entire property or service transferred or proposed to be transferred, without deducting any amount of encumbrance or offset of any kind, except a mortgage encumbrance of record upon real property.

#### " TAXES AND COLLECTION THEREOF

"Sec. 2. (a) There is hereby levied a tax of 2 percent upon the fair gross dollar value of each transaction done within the United States and Territories; also, in addition to all other taxes, a tax equal to one-tenth of the tax levied upon all incomes under the provisions of the Revenue Act of 1934 or any amendment thereto; also, in addition to all other taxes, a tax of 2 percent upon the fair dollar value of all transfers of property by devise, bequest, or other testamentary disposition or legal descent and distribution of property, as now are or hereafter may be taxable under the laws of the United States; and also, in addition to all other taxes, a tax of 2 percent upon the fair gross dollar value of every gift in excess of the fair value of \$500: *Provided*, That said taxes shall not be levied upon such transactions involving the issuance, sale, or transfer of Federal, State, or municipal bonds or other securities as would be otherwise exempt from Federal taxation under existing law, and shall not be levied upon any transaction done by the Federal or by a State or municipal government, which would be otherwise exempt from Federal taxation under existing law.

"(b) Except as hereinafter otherwise provided, all tax returns for the taxes imposed by this act shall be made by, and the tax shall be paid by, the grantor, vendor, lessor, and/or legal representative thereof, and by the legal entity by whom the service is furnished, for each and every transfer of property and/or rendition or performance of service, and for all transactions arising under executory contract the return shall be made and the tax shall be paid as of the date such executory contract is entered into, regardless of the time of the completion thereof: *Provided*, That in every case of compensation for personal service other than for professional service, the person or legal entity by whom such payment is made shall deduct the amount of the tax and withhold it out of such compensation and shall make the return and the payment of the tax for such cases in lieu of the return and payment by the person who performed the service.

"(c) All taxes imposed by this act shall be deemed levied and shall become payable upon all taxable transactions beginning and occurring on and after 30 days after this act takes effect.

"(d) Every return of taxes, together with the payment of the taxes, as required by this act, shall be made to the collector of internal revenue of the United States, or to such other person as may be designated by rules and regulations issued under this act, for the district from which such return is made, as of the end of each calendar month during which such taxes become fixed and chargeable, and shall be delivered and paid to said collector of internal revenue or other person not later than 10 days after the expiration of the calendar month for which such return is made.

"(e) The Secretary of the Treasury shall enforce the payment of the taxes required by this act to be paid, and shall promptly deposit in the United States Treasury all funds received by him through or from the collection of such taxes, all as required by

rules and regulations to be issued and promulgated by the Secretary of the Treasury of the United States.

"(f) Within the limitations of sections 1 and 2 of this act the Secretary of the Treasury shall by rules and regulations prescribe what shall constitute a taxable transaction within the meaning of this act, in any particular case, and may determine and prescribe the number of transactions to be taxed in the course of the production, distribution, and sale of any article or commodity. He shall also create and maintain a board of review which shall have jurisdiction to hear and determine any claim arising out of the administration of sections 1 and 2 of this act, upon the part of anyone paying or liable for the payment of any of the taxes imposed herein. Said board shall consist of not more than five members who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive a salary to be fixed by the President, not exceeding \$10,000 per year. The decisions of said board shall be subject to appeal to the district court of the United States of the district where the claim arises, in the manner prescribed by law for appeals in income-tax matters.

"In making the rules and regulations herein provided for the Secretary of the Treasury shall be governed by the following basic rules, which are hereby declared to be the policy of the United States with regard to the levy and collection of said taxes:

"(1) Where the transaction involves the physical transfer of property, or the ownership, title, or beneficial interest therein, the tax shall be levied upon the gross dollar value of the property so transferred; except that in the transfer of real property under a contract of purchase, purchase-money mortgage, or other purchase obligation the tax shall be levied and collected upon the amounts paid under such obligation as and when the same are paid.

"(2) Where the transaction consists of the rendition of service only in connection with the transfer the tax shall be levied and collected upon the gross dollar value of the service rendered.

"(3) The gross dollar value in either case shall be the price actually charged for the property or service, unless it shall appear to the Secretary of the Treasury that such price is obviously inconsistent with the fair value thereof, in which case the Secretary of the Treasury shall determine the fair value and levy the tax thereon accordingly.

"(4) A transaction done by a broker, commission merchant, carrier, bailee for hire, or warehouseman in the ordinary course of his business as such in connection with personal property, shall be deemed to be a service transaction.

"(5) Where several transactions are done in the course of the production, manufacture, distribution, and sale of personal property and/or service rendered in connection therewith, all of such transactions, if otherwise taxable hereunder, shall be taxable whether said transactions are done in whole or in part by, within, or under the control of a single person, firm, corporation, copartnership, or association, or whether they be done in whole or in part by separate persons, firms, corporations, copartnerships, or associations; the purpose of this clause being to prevent avoidance by larger business firms and combinations of payment of the same tax for which smaller or independent businesses would ordinarily be liable under this act.

"(6) Where articles are manufactured in whole or in part by the process of assembling together such component parts thereof as are ordinarily purchased from other manufacturers, such, for example, as automobiles, machinery, furniture, etc., the transaction tax herein provided shall be levied upon the gross dollar value of such component parts regardless of whether the same were made by the manufacturer of the assembled or completed article or whether they were purchased by such manufacturer from another, and where the manufacturer of an article upon which a transaction tax is payable hereunder is the producer of the raw material or other material from which said article in whole or in part is made, then the transaction tax upon such material, if the same has not been paid and would be otherwise taxable hereunder, shall be paid by such manufacturer.

"(7) Every person engaged in the sale of goods at retail shall be deemed for the purposes of this act to be an independent operator and not the agent or employee of any producer, manufacturer, wholesaler, or distributor of such goods.

#### "A SEPARATE FUND

"Sec. 3. There is hereby created in the Treasury Department of the United States a fund to be known and administered as the 'United States citizens' retirement annuity fund.' All revenue derived from the taxes levied in and under this act shall be deposited by the Secretary of the Treasury in this United States citizens' retirement annuity fund, and shall be disbursed only for the payments of the sums expressly authorized by this act to be paid therefrom, and for no other purposes.

#### " ONLY UNITED STATES CITIZENS ARE ELIGIBLE

"Sec. 4. (a) Every citizen of the United States 60 years of age and over, or who shall attain the age of 60 years after the passage of this act, shall be entitled to receive, upon filing application and qualifying as hereinafter provided, an annuity payable monthly during the life of the annuitant in a sum to be determined as hereinafter provided in this act.

"(b) The right of any person to receive an annuity under this act shall date from and begin on the date of proper filing of an application therefor, when and if such application is supported by proper and sufficient proofs in compliance with rules and regulations issued pursuant to the provisions of this act, but subject to the limitations upon time and manner of payment as hereinafter provided by this act. In such application the applicant shall dis-

close the nature and extent of any annual or monthly income then being received or due to be received by the applicant.

"(c) The annuitant shall not engage in any gainful pursuit.

"(d) The annuitant shall covenant and agree to expend and shall spend all of each month's annuity during the current calendar month in which it is received by the annuitant, or within 1 month thereafter, within the United States of America or its Territorial possessions, in and for the purchase of any services and/or commodities, and/or a home or an equity in or lease of a home, or for the payment of any indebtedness lawfully arising for any such purchase: *Provided, however,* That the annuitant shall not directly or indirectly expend a total of more than 10 percent of any such monthly annuity for gifts or contributions to any person or to any public or private institutions, associations, or organizations.

"(e) This annuity shall not be payable to any person who directly or indirectly receives from any source a net income of any kind or nature in excess of the amount of the annuity to which he would be otherwise entitled under this act.

"(f) Any person otherwise qualified to receive an annuity hereunder, and who at any time receives any net income of any kind or nature not arising from personal services of such person and which in total amount is less than \$2,400 per year, shall promptly make full and complete disclosures in writing under oath, as required by rules to be issued under this act, fully disclosing the amount and source of any and all such income, and thereupon the pro rata monthly amount of any such annual income not arising under this act shall be pro rated over the year and shall be deducted monthly from the monthly annuity payment to which such person under this act would otherwise be entitled, and the remainder shall be the annuity of such annuitant payable under this act: *Provided, however,* That all of the income of any such annuitant, whether arising under this act or otherwise, shall be expended as required for annuity paid under the provisions of this act.

#### "ADMINISTRATION PROVISIONS

"SEC. 5. (a) The Administrator of Veterans' Affairs shall create and maintain boards of review, within the several States, as he may deem necessary to carry out the provisions and purposes of this act, and he shall issue and promulgate and enforce proper and suitable rules and regulations governing the manner and place of registration by applicants for the annuities provided for under this act, and the method of identification of and registration by such annuitants, also to require and secure the proper spending of the annuity money by the annuitant as required by this act, and adequate and sufficient accounting thereof, and such other rules and regulations as he may deem necessary, all in accordance with the intent and purposes of this act; and he shall cause to be paid at regular monthly intervals, to each person who lawfully qualifies to receive annuities under this act, such amount as shall become due the respective annuitants lawfully qualifying under this act.

"(b) Proper and suitable boards shall be established by the Administrator of Veterans' Affairs, within each State as he shall deem necessary, such boards as have exclusive jurisdiction to hear and determine all issues arising under this act, subject to rules and regulations issued and promulgated under this act, concerning annuitants residing within the jurisdiction of the boards, respectively, but subject to the right of either party to have the decision of any such board reviewed by the State court having general jurisdiction over the area in which that board is situated.

#### "APPORTIONMENT AND DISTRIBUTION OF FUNDS

"SEC. 6. From and out of the proceeds of such taxes collected and accumulated under the provisions of this act, disposition and disbursements shall be made in the following manner and order, to wit:

"(a) All proper and necessary expense of administering this act shall first be paid or provided for, and upon a monthly basis whenever practicable.

"(b) A reserve fund shall at all times be maintained sufficient to protect and provide proper payment of any and all annuities, the payment of which for any cause is deferred because of delay in approval of application for the annuity or otherwise.

"(c) All other money available in any month or period, from or out of said tax collections or any undistributed residue thereof, as hereinafter referred to, shall be distributed and paid monthly, pro rata, except as hereinafter provided, to all qualified annuitants who are of record on the last day of the calendar month period or longer first period as hereinafter specified, during which the tax collections and/or residue are accumulated for distribution, in such amount as may properly be paid from the funds accumulated during that period, and in the following manner, to wit:

"(d) First. The total amount available for distribution shall be divided by the total number of the annuitants entitled to share therein, and except for cases where deduction is to be made as hereinafter referred to, the result shall be the pro rata annuity amount.

"Second. The proper deductions provided for by section 4, paragraph (f), of this act shall then be made from the pro rata amount so determined, as to all persons who have any income not arising under this act as annuity.

"Third. The amount so determined to be due each of the annuitants shall then be paid in manner and by method as follows, to wit:

"(e) The total amount of the deductions made as provided in section 4, paragraph (f), of this act shall constitute a residue

which shall be carried over into the next following month and be merged into and become a part of the fund available for that month for distribution to qualified annuitants as provided for in this act.

"(f) All of the funds accumulated under this act during the period extending from the time this act goes into effect and to the end of the first full calendar month after this act takes effect and hereby designated as the 'first period', shall be promptly paid for and as of the 1st day of the fifth full calendar month after this act takes effect, to such annuitants as are of record on the last day of such 'first period' and as hereinbefore provided for in section 6, paragraph (c), of this act.

"(g) All of the funds accumulated under this act during the second full calendar month after this act takes effect, hereby designated the 'second period', shall be promptly paid for and as of the 1st day of the sixth full calendar month after this act takes effect, to such annuitants as are of record on the last day of such 'second period' and as hereinbefore provided for in section 6, paragraph (c), of this act.

"(h) Subsequent monthly payments to the annuitants shall be made by this same method, monthly, as follows:

"Accumulation of third period to be paid on 1st day of seventh month.

"Accumulation of the fourth period to be paid on 1st day of eighth month.

"Accumulation of the fifth period to be paid on the 1st day of the ninth month, and so forth. And continuing so long as any funds are available therefor under this act, to the annuitants identified monthly in accordance with section 6, paragraph (c), of this act.

#### "RULES AND REGULATIONS

"SEC. 7. All administrative details not specifically otherwise provided for in this act shall be governed by rules and regulations issued and promulgated by the Administrator of Veterans' Affairs.

#### "APPROPRIATION FROM THE FUND

"SEC. 8. The Secretary of the Treasury, upon demand by the Administrator of Veterans' Affairs, is hereby authorized and directed to pay from money or moneys available in said United States citizens' retirement annuity fund, the money necessary to cover the monthly annuities as designated by said Administrator to be paid to qualified annuitants, and for other purposes, in a total amount as elsewhere provided in this act, but in any event not to exceed at any time the amount on deposit in said fund; and there is hereby authorized to be appropriated such sum or sums as may be necessary to establish and maintain this act, subject to reimbursement out of funds collected hereunder, pursuant to the provisions of this act.

#### "ANNUITIES NOT SUBJECT TO GARNISHMENT, AND SO FORTH

"SEC. 9. Any annuity granted under this act, and the money proceeds thereof due or in the hands of the annuitant shall be wholly exempt from attachment, garnishment, execution, levy, and/or any other judicial process.

#### "DISQUALIFICATIONS

"SEC. 10. No annuity shall be paid under this act to any person who is not at the time of payment domiciled within the United States or its territorial possessions.

#### "SUSPENSION AND FORFEITURE

"SEC. 11. The right of any person to receive an annuity under this act may be suspended and/or forfeited for any of the following causes:

"(a) For engaging in any gainful pursuit.

"(b) For violation of any of the provisions of this act.

"(c) For unreasonable and unnecessary maintenance of any able-bodied person in idleness and/or for unreasonable and unnecessary employment of a person or persons or the payment to any person of any salary or wages or any other form of compensation in disproportion to the service rendered.

"(d) For willful failure or refusal to obey any rule or regulation issued under this act.

"(e) For willful refusal by any annuitant to pay any just obligation.

#### "DELAY IN PAYMENT—REMEDY

"SEC. 12. If in any case the payment of an annuity to any person is delayed to an extent which causes an accumulation of 2 months or more of annuities, then, and in that event, the expenditures by the annuitant for the amount of any such accumulation shall be made upon the basis of 2 months for every month of such accumulation.

#### "CERTAIN OFFENSES A FELONY—PENALTY

"SEC. 13. It shall be a felony, and punishable as such, for any applicant for an annuity, or for any annuitant, or any person required by this act to make any return for the payment of any tax, to make any false statement, or to knowingly withhold any facts material to the proper administration of this act, with intent to defraud the United States, under a penalty of a fine of not more than \$1,000 or imprisonment for not more than 1 year, or both.

#### "CONSTRUCTION OF THIS ACT

"SEC. 14. If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act or the application of such provision to other persons or circumstances shall not be affected thereby."

Mr. COOPER of Tennessee (interrupting the reading of the foregoing). Mr. Chairman, I renew my request and

ask unanimous consent that the further reading of the proposed amendment be dispensed with, and that it be printed in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate upon this amendment and all amendments thereto be concluded in 30 minutes.

The CHAIRMAN. Is there objection?

Mr. MOTT. I object. I shall not object to making it an hour.

The CHAIRMAN. The gentleman from Montana is recognized for 5 minutes.

Mr. MONAGHAN. Mr. Chairman, I shall not endeavor to explain in the brief 5 minutes accorded me the provisions of such a comprehensive measure as the revised McGroarty bill. I merely wish to answer at the outset the unjust attack to which it has been subjected as amended. Ladies and gentlemen of the Committee, you will recall that the McGroarty bill was presented as one of the first measures during this session of Congress as a recovery measure. It was revised at the suggestion of friends who listened to the testimony before the Committee on Ways and Means; revised to meet technical objections made by that distinguished committee. No effort has been made to revise the amount. There has been a move to change the method of taxation so as to include income, inheritance, and gift taxes, to increase the amount that might be raised by the bill. The most misinterpreted concession that has been made is the one made to disarm the insistent objections and criticisms that the bill would not be able to raise the amount provided as the annuity.

Two years of untiring, ceaseless effort upon the part of the great President of our Republic, Franklin D. Roosevelt, and the membership of both the House and the Senate has been engaged, and yet we face the tragic situation in our Republic where 11,000,000 men are still unemployed. The malady affecting our Nation is maldistribution of wealth. Machine production from endless-chain belts to mighty steam shovels, occasioning compulsory, permanent unemployment, is the landmark of that uneven distribution, where the few have much too much and the many have little too little. Proper and effective regulation and legislation would concur that condition. Jobs, and jobs alone, can accomplish recovery. Harking back to that great inaugural address that was delivered on the Capitol steps March 4, 1933, which I believe will go down in history as one of the greatest speeches of any statesman in our Republic, I recall to your minds the words of the President, when he said:

Our greatest primary task is to put people back to work.

It is true that much has been done in the proper direction by public works, by the N. R. A., and by other methods that have been employed to put people back to work, but, by and large, the vast army of the unemployed remains with us even to today. Only one measure has been enacted to date that has fundamentally affected the situation of unemployment in our land and that is the one reported and pushed through in the dying hours of the last session of Congress, the Railroad Retirement Act, which when first put into operation and before it was enjoined by court order in those towns where railroading is the principal industry absolutely abolished unemployment in the ranks of railroad men. There is only one way to meet the ever-changing machine age of our country. There is only one successful method of putting them back on the pay roll of industry in our Nation, and that is the method which even the chiselers and unpatriotic leaders of industry who denounce such progressive methods as this cannot dodge, avoid, or escape, and that is by the pensioning of those noble men and women who pioneered the upbuilding of industry and commerce to make the glory of our Republic.

What shall we do about the man who has given his best to society, who has slaved long and arduously in an economic order devoid of compensation sufficient to provide for old age, who faces that foul blot on a great nation—that soul-

crushed, heart-despairing abode, the poorhouse? The conscience of the Nation shouts the answer with clamorous voice; an adequate national old-age pension; not one that quibbles over age or amount; not one that is a makeshift; but one so sound that it will adequately take care of this great problem. The welfare of the State and legislation looking to the advancement of the individual and his protection should be the endeavor and is the highest ideal of sound government.

Let us have a better America that is economically free, with every man enjoying the right to life, to liberty, and the pursuit of happiness—where the fires of greed and avarice are extinguished by liberty-loving and public-minded officials. The hope of America, the hope of its Constitution, the hope of the people all depend upon that one great principle, the principle that every American shall have the right to live as a decent American.

Amend this bill to the point where it will become a real bill; substitute a new bill in lieu thereof. Then a new America will be built, an America of peace, security, and an America of freedom from worry in old age and unemployment in youth—an America with a new Declaration of Independence as glorious and as great as that which freed the Thirteen Original Colonies, greater because we will have written upon the statute books of America all that will insure us against greedily and avariciously plunging into war as a method of recovery, one that will prevent crime by making life free from financial worry, one that will build a glorious republic and be a challenge to the Old World to follow America to economic freedom even as America was followed to spiritual liberty and political freedom.

Then mines, mills, and factories will reopen at full force. Homes will be remodeled, materials will be purchased. Farmers can sell their products. Despondency will be banished with the poorhouse in its unholy wake, and we will march forward again, a free people economically as well as spiritually, to the tune of the Stars and Stripes Forever, under the splendid leadership of that man who lives for America and its welfare alone, Franklin D. Roosevelt, our fearless and peerless President.

If we enact at this session of Congress a law which will take a sufficient number of men out of industry, and enact again a law that will cut down drastically the hours of labor, those two measures, and those two alone, will fulfill the desire of the great President of our Republic when he said that the greatest primary task is to put people back to work. [Applause.]

Mr. O'CONNOR. Mr. Chairman, when the rule for the consideration of the social-security bill was brought before the House, there was a great deal of ridiculous affirmation it was a gag rule. We, of the Rules Committee, who reported it, tried to show that it is a wide-open rule, and that no rule could be more open. At that time a number of the supporters of the so-called "Townsend plan" and of the "Lundeen bill" took the floor and protested as expert parliamentarians that neither of those bills would be in order under the reading of the bill in the committee for amendment. I stated then that I hoped the Townsend bill would be in order and that I felt personally that it was in order. Today we find that the alleged "Townsend bill" is in order. We have had a lot of commotion about nothing, therefore. What was said then has, however, gone throughout the country, and principally from that great State of California some of us have been lambasted as supporters of gag rules, trying to stop the consideration of measures in this House. Nothing could be farther from the truth, and every Member of this House knows it. We could easily have prevented the consideration of the Townsend scheme and the Lundeen bill, if we felt so inclined, but I for one, stood against any such gag from the very beginning. The irate people of California and other Townsend provinces may never believe it, but this House in fairness knows it.

Let me say to you today that in all the consideration of this bill before the Ways and Means Committee, in all the conferences between the Speaker and me, in all the discussions before the Rules Committee, no one ever even suggested that

either the Townsend plan or the Lundeen bill was not in order under an open rule such as we brought in. It was never intimated that those bills were not in order. So, therefore, there was no attempt directly or indirectly to prevent those bills from being in order.

Mr. Chairman, that the country may know the truth instead of the falsehoods peddled to this great army of misguided people, that the country may understand the extent of the activity of the champions of the Townsend plan and the Lundeen bill, let me say right here now that if those emotional supporters and champions ever entertained the fears they expressed on the floor of the House when the rule was reported, as to whether either of these plans might be in order, they certainly slept on their rights for a long time, because never one man or one woman, championing either plan or bill, ever took the precaution to see or request that his or her proposition be made in order, although they expressed great fears founded on their astute parliamentary knowledge that they might not be in order. If those bills might not be in order, let me say to the country and to these poor, decent, distressed, desperate, but deluded, people of our Nation that if the Townsend plan was not held in order, I was prepared to do my utmost to make it in order so that it might be considered in this great assembly. With myself, that was the attitude of your great Democratic Speaker, through all this consideration of the method by which we would consider this bill. Why, Mr. Chairman, we never heard from the leaders of the Townsend plan; we never heard from the leaders of the Lundeen bill, asking us to make their bills in order, although those leaders said the bills were not in order. Where were those champions? Were they diligent in their great "battle"?

Mr. CONNERY. Will the gentleman yield?

Mr. O'CONNOR. No; not now.

The social-security bill has been considered for 23 hours. The debate has been one of the enlightening chapters in the deliberations of this great House. It has been conducted on a high plane. We are now at the period where we read the bill.

Of course, I have heard politics being played in reference to the bill. I could hear, especially on the other side of the aisle, politics being played. I could see politics being played especially by the Republican Members from California, and it made me think of that expression of their last President, and the last President the Republicans will ever have [laughter]—I thought of the expression he coined, which made such an appeal at the time.

The CHAIRMAN. The time of the gentleman from New York [Mr. O'CONNOR] has expired.

Mr. O'CONNOR. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CONNERY. Will the gentleman yield?

Mr. O'CONNOR. Yes; I yield.

Mr. CONNERY. I just want to say to the gentleman from New York, for whom I have the greatest admiration and respect, that the Lundeen bill was passed favorably by the Committee on Labor and reported favorably to the House, and the next day I drew up a resolution asking the Rules Committee to give us a favorable rule in the House, and we received no rule.

Mr. O'CONNOR. The gentleman is talking about a subject matter so far distant from what I have been referring that there is not even a connection, let alone germaneness. I said that if you, Mr. CONNERY, worried about the Lundeen plan being in order in the consideration of the social-security bill, where were you? What effort did you make to be sure it was in order?

Mr. CONNERY. I was here.

Mr. O'CONNOR. But the gentleman did not ask to have the Lundeen bill made in order. Now, that is the fact.

Mr. CONNERY. We had it all drawn up to be in order, however, and it is in order now.

Mr. O'CONNOR. The gentleman is talking about a separate rule for the consideration of the Lundeen bill by itself.

The gentleman interrupted me, a good Democrat, when I was talking about my Republican friends on the other side. [Laughter.]

Mr. CONNERY. I beg the gentleman's pardon for that, I would not stop him for a moment on that.

Mr. O'CONNOR. The last Republican President for all time [laughter] coined the expression, "Playing politics with human misery." I saw it played here during the debate on this bill. I saw it played especially on the Republican side of the aisle and by the Republicans from California—men, who in the ordinary conduct in this body, would never vote for some of these measures we are now advocating; men who would never think of bringing before this House any social-security bill. When did the Republicans ever think of old-age pensions during all the years they were in power? Why, they always fought every humanitarian piece of legislation, from the Workmen's Compensation Act down to old-age pensions. [Applause.] We Democrats are entitled to credit for this great bill. We are pioneers in behalf of our people for the benefits of old-age pensions.

This is a happy hour in this House when, under Democratic leadership, an opportunity for all these great propositions to be considered is presented to the House.

This House is a cross section of the entire country, representing not only geographically, but mentally, morally, and emotionally every current of thought in our Nation. With that background, we cannot be wrong. That this great bill represents the spirit of America will be evidenced by the fact that every one of these much discussed propositions, antagonistic to its plans, will be voted down by at least 8 to 1, and the bill will pass with not more than a score of the peoples' Representatives voting against it.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I renew my unanimous-consent request that all debate on this amendment and all amendments thereto be concluded in 20 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

Mr. LUNDEEN. Reserving the right to object, will the gentleman agree to a roll call on the bill?

Mr. TREADWAY. Reserving the right to object, we have reached an agreement, or at least I understood it was an agreement, to be very liberal in the use of time on amendments.

It does not strike me as quite the right thing to do for the chairman just at the beginning of consideration of the bill, under the 5-minute rule, to endeavor to force a closure in 20 minutes. Let us start out by having liberal consideration of the amendments offered. I think this would be advisable.

Mr. DOUGHTON. I will say to my friend from Massachusetts that we have had 23 hours of general debate. Numerous amendments are to be offered, and if we set the precedent of having an hour or two of debate on each amendment we shall not make much progress. If we allow it in one case we must allow it in all.

Mr. TREADWAY. If no objection is raised to the gentleman's request that debate on the pending amendment close in 20 minutes I hope it will not be construed as setting a precedent of allowing only 20 minutes on the other important amendments, for a great many Members want the opportunity of speaking on them.

Mr. DOUGHTON. We are going to be reasonable. Let us see how the Members feel about it.

Mr. MOTT. Mr. Chairman, reserving the right to object, may I offer a suggestion to the gentleman from North Carolina? Instead of submitting his unanimous-consent request now, why does he not allow debate on the amendment to run along for 20 minutes and then if the Members think there has been sufficient discussion, let him renew his unanimous-consent request that debate close immediately or in 5 minutes. I would like 5 minutes on this amendment, but it is very doubtful if I can obtain it.

Mr. DOUGHTON. Mr. Chairman, I renew my request.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. FORD of California. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, I rise in support of the McGroarty-Townsend bill for the reason that the social-security act we are now considering in my judgment has three defects in the old-age pension phase of it. The first is that the sum to be allotted by the Federal Treasury to the States, of \$15 per person per month, is too low; the second is that the age limit we have fixed in this bill is too high; and the third is that under the provisions of the bill not over 5, 6, or perhaps 10 States at the outside, will be eligible to take advantage of its provisions because of, first, financial, and, second, constitutional or other legal limitations existing in the various States.

Mr. Chairman, had the social-security act, or an act of similar character, been put into operation or attempted to be put into operation along in 1924 or 1925 when the country was fairly prosperous, it could have been justified; but we are bringing this bill in at a time when the country is almost prostrate, at a time when 7,000,000, 8,000,000, or 10,000,000 elderly people are without means of subsistence. We are in a critical period, a period that is similar to a man stricken with appendicitis. You cannot cure his appendicitis by prescribing a diet, the only way you can cure it is by an operation. We have got to take a drastic step here and see that the people of this country are given an opportunity to get some help at this time.

The McGroarty bill will do that now. It will not affect the Treasury. The money to put it into operation will be collected over the country, and I feel in my soul that the average person would be willing to pay the 2-percent tax necessary to assure the millions of aged people being taken care of now.

Mr. Chairman, I withdraw my pro forma amendment.

Mr. MOTT. Mr. Chairman, I rise in support of the motion of the gentleman from Montana.

Mr. Chairman, in discussion of this matter during the course of the 23 hours' debate on the pending economic-security bill I have tried to avoid anything that could be construed as political or partisan. I think I have succeeded so far, and I am not going to say anything political now. I cannot refrain from observing at this point, however, that I do not agree with the statement just made by the gentleman from New York [Mr. O'CONNOR] as to the reason why we are permitted to have a vote on this amendment, the revised McGroarty bill, H. R. 7154, at this time. I believe, if it were not rather certain in the minds of the majority leaders that the amendment would be defeated, a vote would not be allowed on it under the rule.

I am entirely satisfied—and so, I believe, is everyone here—that if the McGroarty amendment had any chance of adoption today, a point of order would immediately have been made against it on the majority side on the ground that it was not germane, and that the point of order would have been sustained. However, I do not intend to discuss that point now. It is enough that we are at least to vote on it.

There are 435 Members of the House. All of them have had an opportunity to study the revised McGroarty bill, which is now offered as a substitute for title I of the economic-security bill; most of them have had opportunity to talk upon it, if they desired to do so. The text of the revised McGroarty bill, with certain highly important perfecting and clarifying amendments, appears printed in the RECORD on pages 5888-5890. I hope every Member who has not already done so will read it. I do not expect everyone to be able to study it as carefully as it ought to be studied, but I want to suggest to gentlemen who intend to oppose it that they should at least be familiar enough with it to oppose it for what may appear to them to be valid reasons.

I have listened carefully to everything that has been said on this proposal in the general debate, and, frankly, I have been surprised at the apparent lack of information in regard to it that has been displayed by many of the able gentlemen who have seen fit to oppose it. With the exception of two or three of the gentlemen who have spoken in opposition to

it, the only arguments offered against the McGroarty proposal upon the floor of the House to date have been in the nature of ridicule.

Now, you cannot ridicule this thing out of existence, nor can you laugh it out of existence, even though you might not agree with it. Some 20,000,000 people in this country have by their petitions said that they desire enactment of a much more drastic and far-reaching old-age-pension law than that proposed in the revised McGroarty bill, and I say to you that you cannot ridicule out of existence a legislative proposal supported in good faith by 20,000,000 Americans.

What is the revised McGroarty bill, which we now propose as a substitute for the old-age-pension provisions of the administration bill? What is its purpose and how does it propose to translate that purpose into statutory law?

The fundamental purpose and object of the revised McGroarty bill is to provide an opportunity for every person in the United States who has reached the age limit of his economic usefulness to retire completely from competition with those who have not yet reached that age and to live the remainder of his life in decency and comfort and happiness. The McGroarty bill proposes that this great blessing of security shall be extended to the aged of our Nation, not as charity but as a matter of right.

So far then as the purpose of the bill is concerned, I venture to say that no one can very logically oppose it, because to do so would be to deny what is universally conceded now to be not merely a desirable thing but a demonstrated necessity. The only question, therefore, which I think can be properly raised is this: Does the revised McGroarty bill offer a feasible, a sound, and a practical method of achieving this admittedly worthy object? Let us examine it with this question in mind and see whether reason and experience, when applied to the provisions of the bill, will not answer the question for us.

The bill places the age of eligibility for a pension at 60 years. Why? For two reasons: First, because experience has shown that in modern industry—and in that term I include industry and business of every kind—the limit of the average person's real economic usefulness is reached, and that the majority of people above that age have not been able to exist in modern industry in competition with people who have not reached that age. The second reason is that 9 people out of 10 above the age of 60 years do not have an income sufficient to support themselves, and that the majority of people of that age are objects of charity in one form or another. Ninety percent of all the people past 60 who are holding jobs at the present time are holding them at the expense of younger people who are better fitted to do the work, and they are thus keeping out of employment millions of people who are still within the age which qualifies them to do the work required by modern industry.

Looking at the problem, therefore, from the viewpoint of economic necessity and desirability alone, I think most people will agree that the age of 60 is the proper age of eligibility under any comprehensive Federal old-age-pension law. From the humanitarian angle also an age limit not greater than this commends itself to most students of this problem.

Not all people over 60 would be eligible under the revised McGroarty bill, as they would have been under the original bill. This bill provides that no person having an income of more than \$2,400 a year shall be eligible in any event. It also provides that if a person who is otherwise eligible has any independent income under that amount, the same shall be deducted from the amount of the pension he would otherwise be entitled to receive. This provision of the revised bill, I think, is proper and equitable both from the economic and humanitarian viewpoint.

No one, of course, is obliged to accept a pension under this bill. If he does accept it, however, he must agree to spend the entire amount of the pension every month. There are two reasons for this provision. The first is that since the pensioner is to be assured of an adequate annuity monthly during the remainder of his life, there is no economic necessity for his having to save it, and the second is that it is economically desirable to put this huge pension fund into

immediate and continuous general circulation. That the compulsory circulation of several billions of dollars a year will tend to increase business, to create new jobs, and to otherwise help to bring about a recovery, there can be little doubt. This is an important feature of the McGroarty bill, and it is entitled to the very thorough and thoughtful consideration of the Congress.

The McGroarty bill is unique among the many old-age-pension proposals pending here in that it provides a definite method for raising the necessary revenue to finance the pensions. It does not depend upon borrowing to finance it, as does so much of the so-called "recovery and reform legislation" enacted by Congress during the present administration. Neither does it depend for its financing upon taking out of the Treasury a part of the money raised for general governmental purposes. Finally, it does not propose to increase existing rates on any of the taxes which are now employed by the Federal Government for revenue-raising purposes. The bill proposes an entirely new kind of tax which is to be used exclusively for the financing of the pensions to be paid under it and for no other purpose.

The revised McGroarty bill provides for the raising of the revenue necessary to create the fund wherewith to pay the pensions by the levy of a 2-percent tax upon transactions. Under the original bill both the character of the transactions which could be taxed, as well as the number of taxable transactions, was unlimited. Under the revised bill taxable transactions are carefully limited by very strict definition.

There are two reasons for this change in the revised bill. The first is that it was felt that a tax upon all transactions, unlimited either as to scope or number, might lead to considerable confusion and that it might also impose upon industry a tax burden greater than was necessary to provide an adequate pension. This, in my opinion, is the most important change in the revised bill, and it was a frank concession to those who believed in the fundamental principle of the plan involved in the bill, but who could not see their way clear to support the proposal to place a tax upon the gross dollar value of every conceivable sort of transaction involved in our very complicated industrial and financial system. It is not believed it will be necessary to go that far in order to raise the required revenue.

The second reason why it was thought necessary to put some limitation upon the character and number of taxable transactions was that without such limitation the small independent operator would be put to a disadvantage, because the large operator would be able to eliminate certain taxable transactions which the independent operator could not eliminate. Under the bill as now drafted the tax affects everyone alike and in equitable and exact proportion to the business he transacts. This is true whether the transaction be done by the independent corner grocer or whether it be done by the biggest chain store in the country. For example, under the revised bill an automobile such as that manufactured by Henry Ford, who makes all the parts which go into his product, would be subject to exactly the same number of taxable transactions as an automobile assembled by a company which buys most of its parts from other manufacturers. Under the revised bill, an article of merchandise purchased at the neighborhood drug store is subject to exactly the same tax and the same number of taxable transactions as a similar article purchased over the counter of the great chain drug store, which is merely the retail branch of the company which manufactures, distributes, and sells that article.

This part of the revised bill, namely, the limitation by definition as to the character and number of taxable transactions, and the provision for the equitable distribution of that tax burden upon everyone, large and small alike, is, as I have said, perhaps the most important change in the bill aside, of course, from the elimination of the original bill's compulsory requirement of a \$200 a month pension; and with these changes it seems to me that all of the really valid objections to the original bill have been removed. When the gentleman from California [Mr. BUCK] and the gentleman from Wisconsin [Mr. BOILEAU] criticized the bill a few days ago on the

floor upon the ground that a transaction tax would give an unfair advantage to the large operator, I am sure they were not aware of amendments 5 and 6 to section 2 (f) of the bill as it appears printed in the RECORD this morning. It is this revised and amended text of H. R. 7154, of course, and not the printed draft of H. R. 7154, as introduced, which has been offered today as a substitute for title I of the administration's economic-securities bill.

To the printed draft of H. R. 7154 I think the objections of these able gentlemen were valid and to the point; but it is my opinion that the amendments I have referred to have met these objections and that no question can now be properly raised as to the complete and equitable distribution of the tax burden imposed by this bill.

Some question has been raised as to the amount of revenue which a 2-percent transaction tax, such as is contemplated under the revised bill, would provide. It has been contended that we do not know just how much that revenue will amount to, and that therefore we cannot calculate what the amount of the pension will be. I am perfectly willing to admit that, but I do not admit that that is a valid objection to the bill. No one can tell in advance of the actual levy and collection of an entirely new kind of tax just how much that tax will raise. Before the first Federal income-tax bill was passed it was admittedly impossible to estimate accurately the revenue to be expected from it. This has been true of every new tax bill. It was largely for that very reason that the revised McGroarty bill, unlike the original bill, does not undertake to prescribe the amount for the monthly pension. The bill simply provides that out of the revenue raised by the 2-percent tax on transactions, together with the other minor taxes provided in the bill, the pensions shall be paid, pro rata monthly, to those eligible to receive them under the bill. I do not contend that the bill is perfectly drawn in this respect. My own preference would have been to specify such a pension for the first year as could have been ascertained with certainty from the expert testimony given on this point by Dr. Doane before the Ways and Means Committee—page 1120 of the hearings. However, I did not draft the bill, and I certainly do not expect this or any other great piece of controversial legislation to conform to every idea that I may personally have on the subject.

And now in this connection I want to make an important observation. It is this: There has been entirely too much controversy as to the probable amount of the pension to be paid under this bill. The amount of the pension to be paid during the first year or two of the operation of this law, if the revised McGroarty bill becomes law, is not, in my opinion, very important at this time. I know that many at first will differ with me in this, but further consideration, I am sure, will persuade those very people to concur in this opinion. The important thing is not to get a law which will immediately pay a fixed pension large enough to satisfy everybody. Great legislation such as this is not made that way. The important thing here and now is to get the fundamental principle of this bill enacted into law and to set up the tax machinery to finance it. That fundamental principle, as I have so often repeated, is to provide a pension for everyone who has reached the age where he ought to retire in an amount sufficient to enable him to retire in complete comfort and in peace of mind, so that he may be freed entirely from the necessity of competition, and so that he may safely turn over the job he now holds to a younger man who is out of a job and who is being kept out of that job largely because it is necessary for the old worker to hold on to it as long as he can in order to live.

This, and not the precise amount of the pension, is the fundamental principle, the dominant idea, behind this proposed legislation. And when we have enacted that proposal into statutory law, we will have accomplished two great things which have never yet been accomplished in the whole history of the world. We will have changed the period of old age from a period of fear and want and despair into that period of happiness and blessedness which the Creator surely meant it to be. That is what this bill will do from the humanitarian angle of it. Upon its economic side it will take

the greatest step toward the solution of our unemployment problem that has ever been taken, because it will immediately and automatically release millions of jobs to the young people of our Nation who now, through no fault of their own, find themselves without work while they are still living in the period of their greatest economic usefulness.

Therefore, I want to say again that whether the revised McGroarty bill will furnish an immediate pension as large as some have claimed or hoped for is not at all the important thing at this particular time. The important thing is that this pension, which will at least be an adequate one, will actually enable the old people of our country to cease competition and to retire. And this great purpose, having once been actually translated into law, that law can be amended at any subsequent session of the Congress so as to fix the pension at whatever figure experience and good judgment may then show that the tax proposed in this bill can properly and safely sustain.

I come now to the question of the tax itself, and although this is the most controversial feature of the bill it is my intention to discuss it only briefly. It has already been thoroughly discussed and everyone, I believe, knows what it is.

The objection advanced against the transaction tax is that it is a multiple sales tax and that a sales tax is wrong in principle because it does not assess the taxpayer in accordance with his ability to pay.

I answer that objection first, by admitting that for purposes of general revenue for ordinary governmental purposes the sales tax is not an equitable tax, because under it the poor man is more heavily burdened than the rich man. This is because the poor man must spend everything he makes in order to live while the rich man needs to spend only a portion of his income for that purpose. But I contend that this objection is valid only when the sales tax is used for the general revenue-raising purposes. When it is used for a specific and exclusive purpose, for the purpose of financing a necessary and indispensable activity outside of the usual and ordinary functions of government, then this objection largely disappears, because then the tax is used for the direct and special benefit of those who pay it.

There are many examples of the truth of the statement I have just made. I will cite you only one; that of the gasoline tax, which is purely and simply a sales tax. The sales tax on gasoline in most States amounts to a tax of from 20 percent to 25 percent of the retail price of the gasoline. No one would tolerate such a tax for general governmental purposes. But the gasoline tax is paid by motorists, for whose benefit the roads are built, and it is used exclusively for road building. Without the gasoline-sales tax the motorist knows his automobile would be useless to him. Therefore he willingly pays the tax, which is several times as high as the tax contemplated in the revised McGroarty bill, because he derives the entire benefit of the tax he pays. I venture to say that the most outspoken opponent of the general sales tax—and I, myself, happen to be one of them—would not for a moment consider doing away with the gasoline sales tax, or even reducing it in any considerable amount.

The same reason that makes the gasoline-sales tax desirable and necessary for the special and exclusive purpose of road building makes such a tax as the transaction tax desirable and necessary for the financing of this new and special and necessary governmental activity, which is for the direct and special benefit of those who pay the tax, and without which tax the benefit cannot be given.

The objection to the tax feature of this bill is a fundamental objection, of course, but I think a complete answer can be given to that objection by asking this question: Is the benefit to be derived by the taxpayer from this bill great enough and necessary enough to warrant the tax burden which it must necessarily impose upon the taxpayer? If it is, then the objection fails, no matter what the objector may think of this particular tax, because without some special tax of this kind it would be impossible to raise enough revenue to finance any comprehensive adequate Federal old-age pension. To finance it by raising the rates on existing taxes

would more than double those rates, because the financing of adequate pensions will require as much money annually as the entire present Federal tax revenue.

Therefore if it be once conceded that we should have an adequate Federal old-age pension system, and nearly everyone now does concede that, then we must provide for its financing; and to do that we must of necessity employ a tax which is capable of raising the necessary revenue. Since no other tax entirely capable of doing this has as yet been proposed, or appears likely to be proposed, it follows as a matter of ordinary logic that this is the tax which should be employed.

And who pays the tax under this bill? Obviously everybody pays it. Who directly benefits by paying the tax? Again everybody, because everybody living in the United States, no matter what his age, will be eligible to the benefits of the act, if he needs them, when he reaches the eligible age. And please do not forget in this connection that experience has already demonstrated that 90 percent of the American people now living will need its benefits when they arrive at that age. That is a plain, cold statistical fact which should give pause to everyone in his consideration of this bill.

It has been argued here that this bill is a tax on poverty. I do not agree with that, nor do I think such a contention can reasonably be sustained. It is a tax upon the rich and the poor alike. But to those who say that the poor will pay most of the tax because they constitute the great majority of our population, because they make up the major portion of the ultimate consumers, and because they must spend all they earn in order to live, I reply that it is the poor who will most surely be the direct beneficiaries of this bill. I reply also that it is not the poor who are objecting to the taxing features of the bill. And if the poor themselves do not object to being taxed for the purpose of insuring to themselves a little comfort and happiness when finally they enter upon the twilight of the evening of their lives, surely no one else should be heard to raise his voice against it.

I wish it were possible to find a tax which the very poor did not have to pay at all, but no one, I am sure, believes that this is possible. It is the poor who have always been really taxed, regardless of what the form of taxation has been. The great-income taxpayers, for example, have always managed to pass along most of the tax to the consumer, although the tax the income-tax payer pays is merely a tax upon his profits. Even this tax he passes on to the ultimate consumer who, as has truly been said, is for the most part poor. Throughout all history that has been the case. The rich always have been few. Always the poor have been multitude. From the beginning the poor have carried upon their backs the burden of the world. They still carry it. They have fought its battles, they have created its wealth, they have paid its taxes, and as their reward they have died, as they have lived, still poor. I say this has always been so. But has not the time now come to inquire whether it must continue to be so forever? Is there always to be no hope, no reward, no surcease from the never-ending toil of the masses of our people?

Mr. Chairman, for the first time in the history of legislation I see in this bill the hope that the age-long burden of the poor may be lightened, at least toward the end of the journey. This bill does not propose to make the poor man rich. It does not propose, as has mockingly been said, to make spendthrifts of the aged. It does not propose to bring about any revolutionary change in our economic system. It does not propose to take away wealth from anyone. But it does propose and it does undertake to insure to all the people of the United States, no matter how poor they may be, that when they have reached that age in life where they are no longer fitted by nature to continue the strenuous fight for existence that they shall receive back something of the wealth they have already created as their reward and their due for having created it. It does undertake to say to them that when, by virtue of their years, the time comes for retirement that they shall be entitled to retire as a matter of right and that their retirement shall be one of comfort and security.

It undertakes to liberate from the minds of all the devastating fear of poverty in their declining years and to bless those years with the sunshine of peace and happiness. And while doing all this it undertakes, at the same time, a rational effort to solve at least a part of the vital problem of unemployment, which must be solved if the Nation is to endure, but which all the billions expended and all the volumes of legislation of the past 2 years have as yet failed to accomplish.

A bill having such things as these for its goal and purpose must, in my opinion, ultimately become law. I believe this bill will go far toward accomplishing these ends, and I consider myself fortunate, therefore, in having the opportunity to support it upon its initial introduction in the Congress. [Applause.]

Mr. WHITE. Mr. Chairman, I move to strike out the last four words.

Mr. Chairman, I am in favor of this amendment presented by Mr. MONAGHAN and known as the "McGroarty old-age-pension plan." I regret that, as a Member of this House, I shall be forced to vote on this bill as a whole, which attempts to legislate, as it does, on so many different social features. I know that the people whom I have the honor to represent favor some of the legislation embraced in this measure and are opposed to others. I believe until this Congress can be induced to give this country a good, workable, adequate money system to supply the needs of the country that we must resort to some recovery measure of this kind. I am in favor of a national old-age pension. I am in favor of a pension plan that will pay as it goes. I am also in favor of a national old-age pension plan modeled somewhat along the lines that we use to pay our ex-service men—with money raised by taxation and paid to the beneficiaries by the National Government. The pension system that is being followed by the National Government in caring for our ex-soldiers is successful. If the men and women of the generation that is passing—who have brought forth the present generation and endowed it with the wealth and institutions of this great country—are to be safeguarded in their declining years in security and comfort and ease, our National Government must come to their assistance by enacting a liberal national old-age pension law that will provide for their care.

Mr. Chairman, I have read the social-security bill that we have been discussing the last few days from one end to the other, and I believe it is not feasible, that it is impracticable and unworkable, and will not do the things which it is designed to do.

For these reasons I am in favor of and shall vote for the McGroarty revised old-age pension plan.

Mr. TRUAX. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. TRUAX. Is an amendment to the amendment now pending in order at this time?

The CHAIRMAN. It is.

Mr. KRAMER. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. KRAMER to the amendment: Page 8, line 12, after the word "of", strike out \$2,400 and insert in lieu thereof "\$1,200". and in line 18, strike out "\$2,400" and insert in lieu thereof "\$1,200."

Mr. MOTT. Mr. Chairman, I make a point of order against the amendment. As I understand the amendment offered by the gentleman from Montana, it consists of the text of the bill as printed upon page 5888 of the Record. There is no provision for \$2,400, or any other amount in the text of that amendment.

Mr. KRAMER. If the gentleman from Oregon will read the bill he will see it refers to \$2,400. It accepts the amount on page 8 and says that the person who receives a pension will be eligible to receive \$2,400.

Mr. MOTT. I make the point of order that language is not in there at all.

Mr. O'MALLEY. The \$2,400 is not in the amendment.

The CHAIRMAN. The point of order is overruled.

Mr. MICHENER. Two thousand four hundred dollars is not mentioned in the amendment which we are to vote on.

The CHAIRMAN. The Chair overrules the point of order.

Mr. KRAMER. Mr. Chairman, I do not believe it is necessary to make a lengthy speech for the benefit of my constituents, as the good people back in my home community know very well how I feel now and how I have always felt toward an old-age pension. The people in the Thirteenth District of California know that this has been my most earnest desire for more than 3 years, and I want to emphasize the fact again—just as I did during my last campaign and the campaign 2 years before that—that I am heartily in favor of an old-age pension, and it, therefore, gives me great pleasure to support the McGroarty amendment to the Doughton bill, known as the "social-security bill", which is now under consideration in the House of Representatives.

Although there are some provisions in the McGroarty bill, which is now being offered as an amendment, many of my good colleagues have stated that no bill is perfect when it reaches the floor of the House. However, the thing that is confronting our Nation today is the fact that we must sometime commence to take care of our aged, our helpless children, and others who are unable to provide for themselves. There is no better time than the present to start this great humanitarian work which has been promulgated by our great President during the last session of Congress, as well as during this session of Congress.

I exceedingly regret, however, that I cannot agree with the members of the Ways and Means Committee in the enactment of the present bill without the McGroarty amendment just submitted, because the amount set forth in this bill in the way of pension, benefits, or whatever you may choose to call it, is wholly inadequate to provide for a decent and comfortable subsistence for our aged.

And may I also add that the age limit is too high in this bill. There are any number of men and women today who are holding positions but who are wholly unfit to do so—they should be retired and allowed to enjoy their declining years in peace and quiet, and also to make room for the younger generation who needs these positions. A man or woman should not be obliged to work up until their last day, but should have the security of a decent income so that they may enjoy their old age and get the pleasure out of life that was meant for all of us—rich and poor alike—without any discrimination.

There are a great many portions of the committee bill which have excellent humanitarian and meritorious qualities, and I know that the committee—the chairman of which I hold only in the highest esteem and respect—are anxious to enact a fair and acceptable bill; but, as expressed by some of the ranking members of the minority side of the House, it does not take care of the immediate needs of our aged.

I am in no way criticizing the committee for the manner in which they have submitted this bill, as I know they have labored unselfishly and untiringly night after night for more than 90 days in order to bring out the best bill which would be applicable to the needs of our old people and one which would pass the House. But I do not feel that I can support the bill in its present form, and I am therefore taking the floor today in support of the McGroarty bill as an amendment to title no. 1.

Mr. Chairman and Members, it behooves us to do that which is only right, decent, and proper to repay these old people for their labors and sacrifices through the years. We have prescribed and supported many other ventures throughout the country to take care of the needs of the unfortunate. Why cannot we do as much for our old folks who have given their all for the younger generation? We have been very liberal in appropriating money for other purposes, and I think that now is the time for us to do that humanitarian act and provide for the mothers and fathers in order that they may enjoy the short span of life that is before them.

I know there is no Member in this House who would not reach down in his own pocket and help some aged man or woman or some helpless child or mother who may be in need, so why not put our thoughts and feelings into legislation at



this time and do this one fine and humanitarian thing which none of us will ever regret?

Out in sunny California—the Golden State of the Union—we try to live up to the Golden Rule and do unto others as we would have others do unto us; and I can tell you sincerely that the cries of the aged throughout the Nation reach to the heavens above for the Members of Congress to vote for a fair old-age pension plan.

As I said before, the passage of this legislation at this time will not only be a great aid to the aged but will open up opportunities for the younger generation, inasmuch as it will provide additional positions and greatly relieve our unemployment situation.

We must all strive to carry out the American spirit and American principles to enact humanitarian legislation, and not develop a national weakness. We should be fair to all our citizens in every walk of life and, our fairness should not be tainted with any selfishness.

In conclusion, let me say that while this is entirely new legislation, and while we are pioneering, we must give a great deal of consideration to the many problems confronting us relative to the passage of this bill. I therefore sincerely hope and pray that every one of you men here will open up your hearts and support this legislation.

[Here the gavel fell.]

Mr. TRUAX. Mr. Chairman, I offer an amendment which I send to the desk.

The CHAIRMAN. The Chair may state to the gentleman from Ohio that there is an amendment pending to the amendment offered by the gentleman from Montana [Mr. MONAGHAN], therefore the amendment to the amendment offered by the gentleman from Ohio, being an amendment in the third degree, would not be in order.

Mr. MOTT. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MOTT. Mr. Chairman, in looking at the print, copy of which was offered as an amendment, now pending before the House, and which is supposed to be a duplicate of the text as printed in this morning's RECORD, I notice that it does not eliminate the \$2,400. May I ask now if it would be in order to ask unanimous consent that the print which is in the hands of the Clerk may be amended to conform with the print in the RECORD in that respect, which takes the \$2,400 out? If that is in order, I ask unanimous consent that that change may be made.

Mr. KRAMER. That is my amendment.

Mr. MOTT. So that it will conform to the text appearing in the RECORD.

Mr. VINSON of Kentucky. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. VINSON of Kentucky. I could not hear just what the unanimous-consent request was.

Mr. MOTT. There is a typographical error appearing in the print now in the hands of the Clerk, which is supposed to be a duplicate copy of the printed text of the revised McGroarty amendment in the RECORD.

Mr. VINSON of Kentucky. I understood the gentleman to say that certain language had been left out of the RECORD.

Mr. MOTT. No; I should have stated it the other way around. The figures \$2,400 appear in the text which the Clerk has, but they do not appear in the text as printed in the RECORD.

Mr. VINSON of Kentucky. Is this a fifth Townsend plan?

Mr. MOTT. The gentleman will have to ask the gentleman from California [Mr. BUCK], because he is the authority on the number of revisions.

The CHAIRMAN. The gentleman from Oregon asks unanimous consent to modify the Monaghan amendment in the respect stated. Is there objection?

Mr. KRAMER. Mr. Chairman, I object.

Mr. MOTT. Then, Mr. Chairman, I move that the amendment be so modified.

The CHAIRMAN. Such motion would not be in order at this time.

Mr. MCGROARTY. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I just want a minute or two to answer some things that have been said this morning and have been said before.

The distinguished Chairman of the Rules Committee, my very dear friend Mr. O'CONNOR, has put out not only the innuendo but the statement that the advocates of this bill are playing politics with human misery. The trouble with Mr. O'CONNOR is that he lives among the skyscrapers of New York and does not know the country. If he knew his countrymen as he should, if he should take a trip to California, where he has never been, and meet with people, he would know that no American worthy of the name would play politics with human misery. [Applause.]

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. MCGROARTY. I only have 3 minutes.

Mr. O'CONNOR. The gentleman is mistaken. I said the Republicans were playing politics with human misery. [Laughter.]

Mr. MCGROARTY. Well, I do not believe it. I do not believe that even a Republican would do that. [Laughter and applause.]

Mr. Chairman, let us look this thing in the face. Before you vote on this amendment think twice. Thirty million of your countrymen and countrywomen want this bill enacted into law as amended now in the committee. This is the truth, and do not forget that they are hanging upon every word that is said in this House this morning and upon every vote that is cast. Use your own convictions if you want to—that is what you ought to do—but for God's sake think of these old people, so near to the heart of God, who need your help, and the only way they can get it is through this amended bill. Do not tell me that this social-security bill as presented to this committee means a thing. It means no pension, and you know it. It means nothing. [Applause.]

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, certainly I was a prophet and spoke correctly day before yesterday when I said that the bill then pending before the House bearing the name of the gentleman from California [Mr. MCGROARTY] would never be called to the attention of our committee for action.

We have an entirely new one here this morning, or at least, so the gentleman from Oregon [Mr. MOTT] has said, and he has stated that it answers all the objections which I made to H. R. 7154 the other day, which he was kind enough to say were valid objections.

Mr. MONAGHAN. Mr. Chairman, will the gentleman yield?

Mr. BUCK. No.

Mr. MONAGHAN. Will the gentleman, then, support the bill?

Mr. BUCK. The gentleman can judge when I finish these remarks.

I want to call your attention to just what some of these amendments do.

In spite of all the verbiage that is on printed pages 5888, 5889, and 5890 of the RECORD, the objections made by the gentleman from Wisconsin [Mr. BORLEAU] and myself, that under the proposed McGroarty bill independent operators and small retailers will be penalized at the expense of the large operators have not been met. Section 2 (f) (5) and (6), which is new matter, does not prevent the Atlantic & Pacific Co., or any other chain-store organization, from buying directly from the producer and then through its stores making direct sales to the consumer. They are given the advantage of eliminating the wholesaler and the jobber and thus avoiding from one to three turn-over taxes.

The gentleman from Oregon may think he has this covered by subdivision 7—

Mr. MOTT. No; subdivision 5.

Mr. BUCK. Subdivision 5 does not cover it.

Mr. MOTT. Read it.

Mr. BUCK. I have read it, and in the limited time I have I cannot enter into a debate with the gentleman, and the gentleman knows it; otherwise, I would be pleased to do so.

Mr. MOTT. I shall not interrupt the gentleman further.

Mr. BUCK. I want the gentlemen of the Committee to read the new proposed substitute for title I in the light of the objections I made the other day.

The gentleman from Oregon, in his revised draft, attempted to remove the words "\$2,400 per year" in section 4 (e) and substitute "the amount of the annuity to which he would be otherwise entitled under this act." I regret that he was prevented from doing this through a clerical error. But if it had been done and the words "the amount of the annuity to which he would be otherwise entitled under this act" had been substituted, this amendment taken in connection with the proposed elimination in section 6 (c) of the words "not exceeding \$200 per month" would permit the payment of pensions up to \$1,000 per month or more if the United States Government were fortunate enough to collect that much money. It eliminates all restriction whatever and is even worse than the original Townsend plan.

Furthermore, in connection with the powers granted the Secretary of the Treasury, the gentleman from Oregon, in his amendments, has gone further than ever. He has now given, in section 2 (f), the Secretary of the Treasury power to prescribe what shall constitute a taxable transaction, and the Secretary of the Treasury may determine and prescribe the number of transactions to be taxed, in the course of the production, distribution, or sale of any article or commodity.

Mr. MOTT. The gentleman should yield there, Mr. Chairman.

The regular order was demanded.

Mr. BUCK. The amendments attempt to remove, and have removed successfully, my objection to the tax being laid on the amount of any mortgage on a farm when sold, but this amendment does not remove the objection that if a man who has an automobile and has a chattel mortgage on it, or if a man who owns any other personal property with a chattel mortgage, or if a man who has a lien against his livestock, who sells, will have to pay a tax on the lien on such chattel.

This is still one of the most vicious multiple-tax propositions that has ever been presented to the House.

The gentleman from California, the kindly gentleman, Mr. McGROARTY, spoke to you about 30,000,000 people having endorsed this proposition. Good God, has any one human being had time to endorse this proposition that is presented to you to vote upon here today? I have been trying diligently throughout the course of these hearings to secure some concrete proposal that might make sense, and have it debated, but no one can pin the Townsend supporters down to any stable plan. It changes over night. But even this changed plan cannot overcome the fundamental objectives.

Everyone knows that so far as I am concerned I have been one of the advocates of the most liberal old-age-pension systems that can be adopted, but this, Mr. Chairman, is not an old-age-pension system. It is just as the organizers of the Townsend plan have described it, an attempt to work an economic revolution, and as I told you day before yesterday in the committee, the revolution that will be worked will not be the economic revolution that the proponents of the plan desire, but within 6 months after such a bill was passed there would be a revolution on the part of every worker in this country against the bill. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. KRAMER] to the amendment offered by the gentleman from Montana [Mr. MONAGHAN].

The question was taken, and the amendment was rejected.

Mr. TRUAX. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Page 4, line 13, strike out all of section 2 and insert a new section, as follows:

"Funds to provide for the purposes of this act shall be obtained by a capital-tax levy on all individual fortunes of \$1,000,000 and

over, on all inheritances and gifts, on all individual and corporation incomes of \$5,000 a year and over."

The CHAIRMAN. All time having expired, the question is on the amendment offered by the gentleman from Ohio.

The question was taken, and the amendment was rejected.

The CHAIRMAN. The question recurs on the amendment offered by the gentleman from Montana [Mr. MONAGHAN].

The question was taken; and on a division (demanded by Mr. MONAGHAN, Mr. McGROARTY, and others) there were—ayes 56, noes 206.

So the amendment was rejected.

Mr. SCRUGHAM. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

On page 1, following the enacting clause, insert the following as a new title.

"GRANTS TO STATES FOR OLD-AGE ASSISTANCE  
"APPROPRIATION

"SECTION 1. For the purpose of enabling each State to furnish financial old-age assistance there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$250,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Social Security Board established by title VII (hereinafter referred to as the 'Board'), State plans for old-age assistance.

"STATE OLD-AGE ASSISTANCE PLANS

"Sec. 2. (a) A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and (7) *Provided*, That each State must collect from the estate of each recipient of old-age assistance an amount equal to the old-age assistance furnished such recipient, and of the net amount so collected there shall be promptly paid to the United States such sum or a proportionate part thereof as contributed to such recipient during his or her lifetime. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title. *Provided, however*, There shall be exempt from such lien, claim, or charge against the estate of such recipient the home or homestead of such recipient of a value not to exceed \$3,000.

"The benefits under this act shall not be granted to any person who has within 5 years prior to making application for old-age assistance divested himself or herself directly or indirectly of any property for the purpose of defeating or evading the lien herein provided for the repayment of any assistance that may thereafter be given such person.

"(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan—

"(1) An age requirement of more than 60 years; or

"(2) Any residence requirement which excludes any resident of the State who has resided therein 5 years during the 9 years immediately preceding the application for old-age assistance and has resided therein continuously for 1 year immediately preceding the application; or

"(3) Any citizenship requirement which excludes any citizen of the United States.

"(4) The taking of a pauper's oath in order to enjoy the benefits of this act.

"(c) (1) No person shall receive old-age assistance under the provisions of this act until he or she actually withdraws from the field of competitive earning: *Provided*, That the occupation of agriculture shall not be hereby deemed a field of competitive earning where the total area of land so cultivated shall not exceed 5 acres and where no products of said 5 acres or less are sold or bartered or offered for sale or barter: *Provided further*, That if the recipient reenters the field of competitive earning, he or she shall be ineligible for pension during the period of earning.

"(2) The qualifications of eligibility and the monthly amount to be paid to each recipient subject to the provisions of this act shall be governed by the laws of the State of residence of such recipient.

## "PAYMENT TO STATES

"SEC. 3. (3) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing July 1, 1935, (1) an amount, which shall be used exclusively as old-age assistance, equal to twice the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each individual who at the time of such expenditure is 60 years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (2) 3 percent of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.

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

"(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-third of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

"(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

"(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified, increased by 3 percent.

"(4) Nothing in this act shall be construed as limiting the amount any State may pay as old-age assistance in excess of said total sum of \$30 per month.

"(5) *Provided, however,* That there shall be paid to all persons by the United States Government over the age of 60 years, who are citizens of and residing in the United States, commencing with the date of their eligibility, but not after June 30, 1937, who are now or who may hereafter be placed upon the public welfare rolls or who are receiving or may receive any aid or assistance from the Federal Government, State government, or any political subdivision thereof, the sum of \$60 quarterly, commencing with the quarter starting July 1, 1935, until the State of the residence of such recipient enacts appropriate old-age-pension legislation in conformance with and to obtain the benefits of this act.

## "OPERATION OF STATE PLANS

"SEC. 4. In the case of any State plan for old-age assistance which has been approved by the board, if the board, after notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

"(1) That the plan has been so changed as to impose any age, residence, or citizenship requirement prohibited by section 2 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

"(2) That in the administration of the plan there is a failure to comply substantially with any provision required by section 2 (a) to be included in the plan, the board shall notify such State agency that further payments will not be made to the State until the board is satisfied that such prohibited requirement is no longer so imposed and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

## "ADMINISTRATION

"SEC. 5. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$250,000 for all necessary expenses of the board in administering the provisions of this title.

## "DEFINITION

"SEC. 6. When used in this title, the term 'old-age assistance' means money payments to aged individuals."

Mr. DOUGHTON. Will the gentleman from Nevada yield?  
Mr. SCRUGHAM. I yield.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 30 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Nevada?

There was no objection.

Mr. SCRUGHAM. Mr. Chairman, there are many Members of this Congress who have a sincere and profound conviction that the pending committee measure to promote social security, as now drawn, is entirely inadequate to fulfill its purpose.

As a representative of this group, I first wish to express appreciation of the splendid spirit of fairness manifested by Speaker BYRNS and the House leadership, particularly the Chairman of the Rules Committee and the membership of the Ways and Means Committee, in giving us an open rule and permitting full discussions.

The essential features of this proposed amendment, which are largely the suggestions and ideas of the able Congresswoman from Arizona, may be enumerated as follows:

(a) Pensions are provided to be immediately available to those over the age of 60 now actually on the relief rolls, without the indefinite wait for enabling State legislation. With the exception of in a very few States, the prospect of any early relief for the aged under the terms of the Ways and Means Committee bill is a snare and a delusion. Disappointment and resentment on part of the proposed beneficiaries should not be invited, as in the pending committee measure.

(b) The next major point in which my amendment differs from the committee print is in the reduction of the required State contribution to a ratio of \$10 to \$20, instead of \$15 to \$15, and the eligibility and total amount to be paid is controlled by the State. Having possession of the power to coin money and to regulate the value thereof, it is only proper that the Federal Government assume the major monetary burden in the case. The tendency to drain the fluid wealth of the country into the great financial centers makes it impossible to have an equality of taxation between the States. Their resources for raising money are comparatively limited. The National Government should pay at least two-thirds of the cost of the old-age pensions.

The severe economic calamity from which we are just emerging is national in scope, and its mitigation is primarily a national and not a State responsibility.

(c) The next modification of the committee bill is in the authority to appropriate \$250,000,000 for the fiscal year ending June 30, 1936, instead of the sum of \$49,750,000. The latter amount is insufficient to give the relief intended.

(d) No pauper's oath is required. In case a beneficiary leaves an estate, it is made mandatory for the State to levy thereon an amount equal to the pension benefit paid, however, exempting a home or homestead up to the value of \$3,000.

(e) This amendment also compels the withdrawal of the pension beneficiary from the field of competitive employment.

(f) The State is given the right to exceed the \$30 per month pension if desired, the Federal contribution remaining at \$20 per month.

Recapitulating, this amendment markedly improves the committee measure, in that it actually provides an immediate pension for the aged, instead of an imaginary one, reduces the burden on the States, simplifies procedure, eliminates pauper oaths, and makes provision for refund of moneys paid to pensioners leaving estates. I trust that the amendment will prevail. [Applause.]

Mrs. GREENWAY. Mr. Chairman, those of you who have been courteous enough and have had the time to read the proposed amendment, must realize that its purpose and its method of administration are those of the bill that we are considering from the Ways and Means Committee. The language, in principal part, is the same. We wrote that deliberately for this reason. A great many of us in this House believe that the bill that we are considering and we are going to have to vote on shortly will not give to the old and destitute people of this country at this time anything whatever for practically 2 years. I have spent much time to try to present to you something that is reasonable enough to merit the support of the most conservative, something that is right, although inadequate, and something that will conform to all of our State problems, and that the Committee

on Ways and Means itself will concede, because our purpose is the same as the bill that has been reported to this House, namely, to give pensions to the aged.

We are dealing with people who are perfectly helpless. Who today, who is destitute and over 60 years of age, can help himself or herself? No one. We are not considering the distribution of wealth. We are considering the distribution of necessities of life that, in the language of the bill, ought to create "decency and health." The committee bill is written in such a way that most of the States cannot benefit therefrom until they have passed State legislation conforming to this bill. In many States that actually means a constitutional amendment to their State constitution and this cannot be obtained in any but a regular session of the State legislature. That puts off for 2 solid years our ability to function under this law and the aged will receive no pension meantime. The purpose and the administration of this amendment are like the bill that we are considering. I want to be honest, and not evasive. We have changed the years from 65 to 60 years, and have done that because I have in my files letters from departments of this Government saying that a man of 45 is too old to work.

What is going to happen to the people between 50 and 65 years of age? We have changed the matter of relief from 50-50 to one-third to two-thirds, the States to contribute one-third and the Government two-thirds. The argument against that is: What about the States that will pay the bill for the States that have not got the money to meet their share? Let us be honest. I can afford to be honest and proud. We try to take care of our old people in Arizona as best we can. We pay \$30 a month under certain conditions. Do you not think that the people of the United States generally who have developed the wealth in congested districts in some measure, thus fabricating the natural resources of the country, should care for the numerically few people in States like Oklahoma, for instance—wind-swept at this time, the very earth itself leaving the farms? Cannot we people throughout the United States who are better off afford to take care of the comparatively few thousand people in a place like Oklahoma and the other States which at the moment are hard up, but which over the history of time may come to be among the most wealthy States in the Union?

In this proposed amendment we do what may appear to be a very drastic and a very liberal thing, but it is a very deliberate thing. We make it compulsory that everybody applying shall give up gainful occupation, and that all people over 60 shall receive this pension. This is in order to avoid the overhead of bookkeeping and investigation. However, on the death of the recipient the amount received is refunded in its proportion to the State and the Federal Governments, and is held as a lien against their estate, with the exception of the home or homestead in which they live, and the pension is not a lien against that home. Also, under the amendment you can operate on a 5-acre farm, if you are not gainfully employed by selling your products for profit, and receive the benefits of such pension.

I congratulate the House on having taken even 20 hours to consider a bill that has to do with 45 years, and generations, possibly to eternity. It involves \$56,000,000,000, as I can read it. I ask you from the bottom of my heart to consider the merits of what I have given you, and to so vote that the people today who are receiving relief can be transferred to pensions in their helplessness until the State legislatures convene to conform to the provisions of the committee bill.

Mr. EKWALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. EKWALL to the amendment offered by Mr. SCRUGHAM: After the word "exceeds", on page 3, in line 26, strike out "\$30" and insert in lieu thereof "\$45"; on page 4, line 27, strike out "\$30" and insert in lieu thereof "\$45"; in line 36, on the same page, strike out "\$60" and insert in lieu thereof "\$90."

Mr. EKWALL. Mr. Chairman, I am heartily in accord with the amendment which has been offered by my good friend, Governor SCRUGHAM, of Nevada, and the gentlewoman

from Arizona, Mrs. GREENWAY, who are sponsoring the proposed amendment; but I am going a little farther than they. We are all from the West, where possibly our needs are different than in some of the other sections of the country.

I believe the age limit of the pensioners should be reduced to 60 years, and I believe that the monthly payment of the Federal Government should have a limit of \$30, rather than \$20, as provided in the proposed amendment.

I also believe that the provisions which require the States to meet this payment with one half as large should be deferred until the time set out in the proposed amendment, namely, June 30, 1937. Therefore, I have proposed this amendment providing that each quarter year the recipient shall receive \$90 rather than \$60.

I yield to no one in this House or anywhere else in my interest in the aged people of this country. I believe, however, that we should give them a law which will be operative, one which we have reason to believe the President will approve and sign, and which will do them some good immediately. I am heartily in favor of increasing these figures as herein outlined. I believe if we can raise the Federal contribution to \$30 a month and a provision is made that the States would not be required to match more than half that amount, those States which could match it fully or go beyond the required sum could certainly have the privilege of doing so and making the lot of their people that much better.

I believe this bill, if it is amended as proposed by my amendment to the amendment offered by Governor SCRUGHAM, will empty the poorhouses of this country and will bring a reasonable measure of security to our deserving aged people. I believe it will do many of the things that have been claimed for other bills which have been proposed. I have no quarrel with any of them. I am doing what I consider my duty, trying to use my efforts on behalf of the best bill that, I think, we can pass at this session of Congress and have approved by the President. I hope the men and women in this Chamber will give very serious consideration to this question of raising the Federal contribution and of lowering the age limit to 60 years.

I agree with the gentlewoman from Arizona when she says that many people are cast off long before they become 60 years of age. We certainly must do everything reasonably possible to meet this crisis and to provide a bill which in a practicable manner will really aid the people of this country. When we have finished our deliberations on this bill we should have the conviction that we have done everything possible for the aged people at this time under these circumstances, considering the financial condition of the country. It would be a movement forward, and from time to time we could improve on the law in the light of experience gained from its operation.

Mr. SHORT. Will the gentleman yield?

Mr. EKWALL. I yield.

Mr. SHORT. Does not the gentleman feel that the best feature of the pending amendment is that it provides for immediate benefits to old people?

Mr. EKWALL. Yes. I thought I made that clear in supplementing the remarks of the lady from Arizona. These payments will begin immediately without the necessity of the State legislatures having to convene in order to pass laws to synchronize with the provisions of this bill. It will be a godsend to the people of this country. Let us give them help now when they need it. I think now is the time to aid them with something that is really substantial, practical, and which in all probability will meet Executive approval.

Mr. WOOD. Will the gentleman yield?

Mr. EKWALL. I yield.

Mr. WOOD. Referring to subsection 5 of section 3 of the amendment, is it the gentleman's opinion that all persons over 60 years of age, who are in need and can qualify with reference to their needs, will immediately start drawing \$60 a quarter pension?

Mr. EKWALL. Ninety dollars.

Mr. WOOD. With the gentleman's amendment, \$90?

Mr. EKWALL. Yes.

Mr. WOOD. Now, what about the States which have old-age pension laws and have their regulations, providing, for instance, that they must be citizens for 5 years at least?

The CHAIRMAN. The time of the gentleman from Oregon [Mr. EKWALL] has expired.

Mr. WOOD. Mr. Chairman, I ask unanimous consent that the gentleman be given 1 additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. WOOD. There are 29 States that have old-age pension laws—

Mr. VINSON of Kentucky. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. VINSON of Kentucky. Is the discretion of recognition in the Chair?

The CHAIRMAN. It always is.

Mr. SAMUEL B. HILL. The question is, Mr. Chairman, how the time is to be divided. The time was limited to 30 minutes.

Mr. WOOD. I only asked that he be given 1 additional minute to answer my question.

The CHAIRMAN. The Chair recognizes the fact that the time is limited, but when the gentleman asked for 1 additional minute, if the gentleman from Washington had any objection, he had the right to object at that time.

Mr. WOOD. The only thing I want to get clear in my mind is this: There are 29 States which have old-age pension laws now. They have requirements that those old people must be citizens for at least 5 years. How is this amendment going to affect them?

Mr. EKWALL. This amendment will not have an effect on any State law until the waiting period for State participation is over, at which time the State provisions would have to conform to the Federal provisions contained herein.

The CHAIRMAN. The time of the gentleman from Oregon has again expired.

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the amendment.

I speak for the committee and in opposition to the substitute and the amendment thereto. I want to say personally that I am sorry the good lady from Arizona [Mrs. GREENWAY] did not appear before the committee when the committee was holding public hearings.

Mrs. GREENWAY. Will the gentleman yield?

Mr. McCORMACK. Yes; I yield.

Mrs. GREENWAY. I had no bill to offer. I only wanted to offer an amendment. I had to wait until I could see the bill which the committee reported and study it.

Mr. McCORMACK. I repeat, I am sorry the gentlewoman from Arizona did not appear before the committee with or without a bill to contribute to the committee evidence to which the members of the committee might give consideration when it went into executive session.

This substitute is suddenly offered. Nobody knows its contents. Somebody takes the floor and tells us it means an increase to \$20, and somebody else tells us it means a reduction of \$10 by a State. It contains some words to that effect. The age limit is reduced from 65 to 60, and the appropriation is increased from \$50,000,000 for the first year to \$250,000,000. No committee of the House has considered the plan which is offered as a substitute. Nobody knows how many people over 60 are on welfare in this country. We do know, however, there are approximately 1,000,000 people on the welfare list of the country who are 65 or over.

Mrs. GREENWAY. The welfare agencies can furnish statistics as to how many on relief are over 60 and how many are over 65.

Mr. McCORMACK. How many are over 60?

Mrs. GREENWAY. Just a little under 1,000,000; and their names and addresses are contained in the welfare catalogs.

Mr. McCORMACK. The gentlewoman from Arizona states that there are a little less than 1,000,000 on welfare who are 60 years of age.

Mrs. GREENWAY. No; who are over 65.

Mr. McCORMACK. Can the gentlewoman from Arizona give any information as to how many are on the lists who are over 60?

Mrs. GREENWAY. No.

Mr. McCORMACK. That answers my question and my argument. There has been no evidence submitted to this committee as to the number who are on the welfare rolls over the age of 60, and this matter has received no consideration. On the other hand, the Ways and Means Committee have given 3 months to the consideration of this bill.

Mrs. GREENWAY. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I am sorry; I have but a moment left.

In the consideration of this great movement we must not break down our dual system of government. I have great pride in State rights; I have great pride in our States' governments, and I have equally great pride in our Federal Government. This amendment is a step in the direction of the disintegration of our dual system. It provides for a two-thirds contribution by the Federal Government and one-third by the State government. Why not go the whole distance if you want to do this; why not federalize each of the unfortunates of our country rather than have them subject to the jurisdiction of their local government and subject to local sentiment? Why have the social workers from one part of the country go into other parts of the country where they have no knowledge of local conditions or of local sentiment and enter into the family life and dictate the principles of family life in the sections of the country into which they go?

We want local sentiment governing our social service with reference to the unfortunate dependents of our country. I want those who have knowledge of conditions in Massachusetts to administer the law in Massachusetts; and in California, Idaho, and other States I want those administering the laws to be people acquainted with local conditions, persons in whom the people have confidence.

I am speaking for the Committee on Ways and Means. This amendment is not meritorious, is impractical, and unworkable, and the committee hopes it will be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oregon.

The amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Nevada.

The question was taken; and on a division (demanded by Mr. MOTT and Mr. SHORT) there were—ayes 87, noes 165.

So the amendment was rejected.

Mr. CONNERY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Mr. CONNERY offers the following amendment: On page 8, before title I, insert the following as a new title:

"TITLE I

"The Secretary of Labor is hereby authorized and directed to provide for the immediate establishment of a system of unemployment insurance for the purpose of providing compensation for all workers and farmers above 18 years of age, unemployed through no fault of their own. Such compensation shall be equal to average local wages, but shall in no case be less than \$10 per week plus \$3 for each dependent. Workers willing and able to do full-time work but unable to secure full-time employment shall be entitled to receive the difference between their earnings and the average local wages for full-time employment. The minimum compensation guaranteed by this act shall be increased in conformity with rises in the cost of living. Such unemployment insurance shall be administered and controlled, and the minimum compensation shall be adjusted by workers and farmers under rules and regulations which shall be prescribed by the Secretary of Labor in conformity with the purposes and provisions of this act through unemployment-insurance commissions directly elected by members of workers' and farmers' organizations.

"Sec. 2. The Secretary of Labor is hereby further authorized and directed to provide for the immediate establishment of other forms of social insurance for the purpose of providing compensation for all workers and farmers who are unable to work because of sickness, old age, maternity, industrial injury, or any other disability. Such compensation shall be the same as provided by sec-

tion 1 of this act for unemployment insurance and shall be administered in like manner. Compensation for disability because of maternity shall be paid to women during the period of 8 weeks previous and 8 weeks following childbirth.

"SEC. 3. All moneys necessary to pay compensation guaranteed by this act and the cost of establishing and maintaining the administration of this act shall be paid by the Government of the United States. All such moneys are hereby authorized to be appropriated out of all funds in the Treasury of the United States not otherwise appropriated. The benefits of this act shall be extended to workers, whether they be industrial, agricultural, domestic, office, or professional workers, and to farmers, without discrimination because of age, sex, race, color, religious or political opinion, or affiliation. No worker or farmer shall be disqualified from receiving the compensation guaranteed by this act because of past participation in strikes, or refusal to work in place of strikers, or at less than average local or trade-union wages, or under unsafe or insanitary conditions, or where hours are longer than the prevailing union standards of a particular trade or locality, or at an unreasonable distance from home."

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto do close in 30 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. CONNERY. Mr. Chairman, my distinguished colleague, the gentleman from Massachusetts [Mr. McCORMACK], just gave as one reason for opposing the previous amendment, his desire to see State rights protected and not to have outside social workers coming into communities and interfering with the lives of the people. I agree with my friend on that proposition.

I call attention to the fact that in the Lundeen bill which I am offering at this time we prevent social workers from going into the States and interfering with the rights of the citizens. Under the Lundeen bill the workers elect their own representatives under the administration of the Secretary of Labor; and so in this bill the people of Arizona, California, Massachusetts, Florida, and every other State, have the say in how they want these funds to be administered. Concerning the bill before the House I have no fault to find with the Ways and Means Committee. That committee worked hard and deserve great credit for that reason.

They said they discussed that bill for 3 months. I want to call the attention of the Members of the House to the fact that the Committee on Labor, of which I have the honor to be chairman, has been considering that legislation for 15 years. We have considered old-age-pension legislation, unemployment insurance, maternity care, child-welfare care, and every phase of legislation contained in this bill, and as a result of 15 years of study by the Committee on Labor our committee reported favorably to the House of Representatives by a vote of 6 to 1 of the subcommittee and by a vote of 7 to 6 of the full committee the Lundeen bill which I am offering now as an amendment to the pending bill.

Mr. Chairman, we know all about unemployment insurance from the testimony before our committee in the past 15 years. We know all about old-age pensions. We know who is going to stand the burden of this bill brought in by the Ways and Means Committee before the House. We do not want the poor people of the United States to carry the burden of supporting themselves. We want the tax to come where it ought to come from. The other day in passing the McSwain bill taking the profits out of war, the House adopted an amendment providing for an excess-profits tax of 100 percent in order to take the profits out of war. We are asking you today in the Lundeen bill to take off the burden from the backs of the poor people to stop the big employers, the big money interests of the United States, from exploiting the great masses of the people. You now have the opportunity today to vote for this Lundeen bill in order to take care of the unemployed men and women of the United States, in order to take care of their dependents as well. Do not take the money from the poor by a pay-roll tax, but get the money where it ought to come from, namely, by taxing tax-exempt securities, by taking it from the big swollen fortunes of the United States, from men who do not want to pay the share which they ought to pay toward

taking care of those who are responsible for their wealth, the poor, helpless, and exploited masses of the American people. [Applause.]

Mr. LUNDEEN. Mr. Chairman, I rise in favor of the amendment. Permit me to call attention of the Members of this House to the fact we are not getting roll calls on these amendments. I cannot understand the frame of mind of these gentlemen in control. I think we should have roll calls on the McGroarty-Townsend amendment, as well as on the amendment presented by the gentleman from Nevada [Mr. SCRUGHAM], so ably supported by the distinguished gentlewoman from Arizona [Mrs. GREENWAY].

Mr. Chairman, we should have a roll call on the amendment presented by the gentleman from Massachusetts [Mr. CONNERY], the able Chairman of the great Labor Committee. But these amendments are all being voted down one after another and there are no roll calls on any of them. That is what we are objecting to. We ought to have roll calls so that the country may know how we voted on these various measures. The roll call is the best means of ascertaining where we stand.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. LUNDEEN. I yield to the gentleman from Tennessee.

Mr. COOPER of Tennessee. The gentleman understands, of course, that we cannot have a roll call in the Committee of the Whole under the rules of the House.

Mr. LUNDEEN. I grant that, but if I had the say and if there were a labor party in control of the House of Representatives, we would have a rule so that the people of America could find out how Congressmen stand on the McGroarty-Townsend bill and on the Lundeen bill, which has been favorably reported by the Labor Committee.

Mr. MARCANTONIO. Will the gentleman yield?

Mr. LUNDEEN. I yield to the able and courageous gentleman from New York.

Mr. MARCANTONIO. We could have had a roll call if they had brought this bill in under a special rule providing for two or more motions to recommit, as was done in the case of the bonus bill. The so-called "generosity" flaunted here this morning is, therefore, a sham, and we are still working under a trick rule.

Mr. LUNDEEN. The gentleman is right, and he reminds me of another matter. I am thinking of the huge appropriations which have been made for the next war, and I am in favor of adequate defense, but we have gone absolutely wild with appropriations of a billion dollars for 1936 to prepare for wars on other continents. At the same time we have no money for the veterans of America. I am for the Patman, so-called, "bonus bill." The administration says we cannot pay that. We ought to do something for the American people. The bill before us provides not a dollar, not a cent, not a nickel, for the twelve or fifteen million unemployed. What are you going to tell your folks back home when the unemployed rise up in the campaign and say, "Where do we come in?" You will have to say to them, "You do not come in." Perhaps they will have something to say to us then.

Mr. CONNERY. Will the gentleman yield?

Mr. LUNDEEN. I yield to our leader from Massachusetts.

Mr. CONNERY. Before the subcommittee the gentleman had some 80 witnesses appear, which witnesses covered every walk of life?

Mr. LUNDEEN. Yes; and some of them were prominent economists of the country, from Bryn Mawr College, Smith College; the College of the City of New York, Johns Hopkins University and from Bradford College.

Mr. CONNERY. And labor?

Mr. LUNDEEN. And labor. I thank the gentleman for his suggestion there. I may be mistaken, but I do not believe there has been a single labor union connected with the American Federation of Labor that has endorsed the administration bill. If so, I would like to have the name of that labor union. Can any of you gentlemen name me one? There seems to be no answer. We have endorsements of

thousands of labor unions in this country, American Federation of Labor unions. I refer you to the Senate Finance Committee hearings for the names of the organizations that have endorsed the Lundeen bill—they want unemployment insurance now. They want old-age pensions to commence with the passage of this bill, not in the dim, distant future, when half of these people are dead. We want to do something for the unemployed today, men and women who builded America into a mighty Nation, veterans, farmers, workers, now unemployed; they have a right to exist; they have a right to life, liberty, and the pursuit of happiness.

#### THE TOWNSEND PLAN

We just listened to eloquent appeals for the revised Townsend plan, demanding that we give adequate compensation to the aged now—today—and not wait until sometime in the future. The House has seen fit to vote down that proposal. I call attention to the fact that I was the fifth signer on the petition on the Speaker's desk to bring the Townsend plan before this House for discussion. Is there any reason why we should not fully debate so important a plan before this House and have a roll call vote which you are being denied today?

#### THE GREENWAY PLAN

We have listened to the distinguished lady from Arizona [Mrs. GREENWAY] one of the ablest and most courageous Representatives on the floor of this House, pleading that we do something now for the aged. Meanwhile, the administration bill talks about doing something in the dim and distant future when millions of these aged will have passed from this life, and certainly the proposal of the gentlewoman of Arizona deserves a roll call vote in this House.

You have voted down all of these proposals. You have beaten them back, and you have said to them, "We will not do anything for the aged now. We will not permit you to help the aged today or tomorrow or this year or next year. We will think about doing something for them several years from now."

#### HOUSE LEADERS DECLARE ADMINISTRATION BILL INADEQUATE

I say to the Members of this House that you will face the voters in 1936, and these aged people will rise up in your audiences and demand from you, "What did you do to bring us adequate, genuine old-age pensions in the Seventy-fourth Congress?" And I predict that they will not be satisfied to hear you say that "We voted something for you for sometime later on—years from now." And remember that the initial appropriation of \$49,750,000 has been rated by able men on this floor—Democrats, I might say, notably the gentleman from Arkansas [Mr. McCLELLAN]—as low as \$4.17 per month on the basis of 1,000,000 out of 7,500,000 people who are more than 65 years of age, and \$2.08 per month on the basis of 2,000,000 aged people who the gentleman estimates are in need of this relief. The gentleman from California [Mr. GEARHART] estimates that the initial old-age provision of the administration bill will provide \$6.56 per year, 54 cents per month, 1½ cents per day, and even then there are many States in such deplorable financial condition in the midst of this panic that they cannot pay even this pittance, pitifully and utterly inadequate, as provided in the administration bill.

I want Members of this House to know that the Lundeen bill, H. R. 2827, is designed to help all workers, men who toil in the shops and factories and transportation lines of our country; who walk behind the plow; domestic workers, professional and office workers, and all men and women who are unemployed through no fault of their own; and it is designed to begin payment now, not later on, but now; and I say to you gentlemen of this House that we are asking for only \$10 per week minimum and \$3 per dependent, and that is all. That is the minimum. Oh, you may say, what about the maximum. The maximum is the average wage of the community in which they live, which averages less than \$100 a month, as shown by official Government labor statistics. Why gentlemen of the administration were talking here yesterday about \$85 a month as not an unreasonable amount.

#### COST OF PRESENT RELIEF

Harry L. Hopkins, able Federal Emergency Relief Administrator, in a speech published by the President's Committee on Economic Security, page 3, says that—

We now have 4,600,000 families on relief, and 800,000 single persons in addition.

And he states on the same page, in a prior paragraph, that—

It is going to cost the American people far more in the future than the proposed \$4,000,000,000—perhaps twice four billion—if we keep up this relief.

Why, gentlemen, under the Lundeen bill, we are not asking for any more than the costs of actual adequate relief in the country, but we are asking for it on the basis of equality and on a basis of right. We are demanding it for the working people of these United States, whether they work in an office or in a shop, or on a farm, or in a factory. We are asking for it on the basis of respectability, for upstanding American citizens who do not have to beg for charity. We demand that these American men and women have the right of a pension, of the right of a compensation. For did they not build this country out of a wilderness, and did they not raise the mansions of the rich? Did they not build our factories and financial institutions and great cities here with their own hands and with their technical knowledge? We cannot drive these people into further distress and misery and poverty. Continued relief will tend to destroy their moral fiber and self-respect and tend to make of them medicants who beg for daily aid. That is not Americanism. That is going back to the medieval ages. That is going back to the day of the castles and the barons and the serfs. We want none of that.

#### "BONUS" PAID INDUSTRIALISTS

We talk about more money for the Army and the Navy, and I am in favor of an adequate defense of the home soil of our country, but we are overreaching ourselves. We are going mad with war preparedness and all at the very moment when we spend a billion for further armaments and battleships for wars to be fought in Europe, Asia, and Africa, we turn on the soldiers who fought and won the last war and tell them, "You shall not have immediate cash payment of your adjusted-service certificates. They shall not be paid until a million or more of you are dead. Then we will think about paying you in 1945." But we did not hesitate to pay the munitions makers, the bankers, and the railroads as soon as war ended when they clamored at the doors of the Capitol for millions and billions.

We promptly paid them. There was no hesitating; they were paid. We did not hesitate to loan to kings and emperors of Europe more than \$10,000,000,000 for rehabilitation to put the industries of Europe on their feet so that they could cut our own throats with our own money, and when that interest had been figured into 62 years, and the sum total amounted to \$25,000,000,000, we did not hesitate on this floor and in the Senate and in the White House to cancel one-half of that twenty-five thousand million dollars, principal and interest—about the year 1926; and I must say I had no part in that. I opposed these loans to Europe. We canceled, I say, \$12,087,667,000; and the kings and emperors and militarists of Europe went us one better. They said: "All right, you canceled half, now we will cancel the other half", and they did just that. We have unloaded from the backs of the European taxpayers twenty-five thousand million dollars, and we have placed that load upon the American taxpayer and he is staggering under that load today.

We did not hesitate to do that, to the everlasting injury and harm of the great American people; but when the aged come to Washington, these men and women who suffered and toiled and struggled to build this great and grand country of ours, then we have no money and then we proceed to talk about passing a camouflage bill that holds up the illusion like some mirage which they see in the distance, and that they ever walk toward and seek to find but never find. In the dim and distant future they are to get an old-age pension, and if they ever get it, if they live long enough to get it;

it is going to be as the gentleman from California [Mr. GEARHART] says during the first year \$6.26 for each person of the seven and one-half million over 65 years of age in these United States on a first year fixed offer of \$49,750,000, which amounts to 54 cents a month, or a little better than 1½ cents a day, for each of the seven and one-half million.

That is something, my fellow citizens and colleagues, to give the aged of the United States so that they can enjoy the blessings guaranteed by the Declaration of Independence: "Life, liberty, and the pursuit of happiness."

#### PROMINENT LEADERS SUPPORT LUNDEEN BILL

I want you, my colleagues, to remember the words of Congressman WILLIAM P. CONNERY, Chairman of the Labor Committee, on this day. I think his words will ring in your ears long after you have left this hall. I want you to remember the words of Congressman SROVICH, Chairman of the Patents Committee, who said, page 1602 of the RECORD for February 6, 1935:

I still consider the Lundeen bill as the only bill that would solve the social problem of old-age pensions and the unemployment insurance.

I want you to remember the words of Congressman KENT KELLER, Chairman of the Library Committee of this House, who said, page 5552 of the RECORD for April 12, 1935:

The Lundeen bill is an idea, and it is a broad-gaged idea. It is an idea that is worth the time of any Member on this floor giving attention to, because I am not willing to say it might not hereafter become the ideal plan to be adopted by the American people.

I want you to know that the Authors' League of these United States, the men who write the editorials and the news articles for the great newspapers of the United States—these men have endorsed the Lundeen bill.

I want you to know that professional organizations without number have endorsed H. R. 2827, known as the "workers' bill." I want you to know that thousands of American Federation of Labor local unions, international unions, six State federations of labor, and scores of central labor bodies have endorsed this bill after debate and over the opposition of high officials of the American Federation of Labor. I want you to know that thousands of these American Federation of Labor organizations have endorsed this bill, and I challenge anyone here on the floor today to show me a single union of the American Federation of Labor which has endorsed the administration bill. I may be mistaken. If I am, I want to be corrected now. I have heard of not one single such union, have you?

I want to repeat here the words of William Green, president of the mighty American Federation of Labor of these United States, with millions of members, who, in an article published in Labor for February 5, 1935, stated that the administration bill is "pitifully and utterly inadequate."

What more devastating, destructive, completely annihilating statement can any man make in this country today than that—"pitifully and utterly inadequate"? That is the statement of William Green, of the American Federation of Labor, and I want to say that I am proud today to have the leading labor leader of the House of Representatives, Hon. WILLIAM P. CONNERY, than whom no bolder warrior for the rights of labor ever stood on this floor, leading the fight today in behalf of the Lundeen bill, H. R. 2827, and I am proud to march in the ranks whenever he leads the way.

I want you to see, and I will be glad to show any Member of this House, wires and letters from scores and scores, hundreds and hundreds of great organizations—not just wires and telegrams from various individuals, but from great organizations who have thoroughly debated this measure and who are for this bill, and I will say without hesitation that there is no bill before the Congress today that has been endorsed by so many organizations as has H. R. 2827, known as the "Lundeen workers' unemployment, old-age, and social insurance bill."

#### OLD-AGE PENSIONS FOR THE DEAD

You have drafted a bill for unemployment insurance. You provide no insurance for those now unemployed. What kind

of an unemployment insurance bill is that? Please define that to me. You say this is a bill for the aged, and then you tell the aged that they must wait until they die before they get old-age pensions. You say that you will help the States, when you know that the States are bankrupt and financially wrecked because of the war which gentlemen on this floor and in the Senate and in the White House thrust upon the people of the United States, against their expressed vote in the November 1916 election, when they voted to keep us out of that war. I say that that Congress, and I say that the Government of the United States put the American people into this panic, into this terrific financial disaster and drove our people into this misery and poverty, and I say it is up to the Congress of the United States to pay our aged and unemployed people, and the way to pay these people is to tax the fortunes of the superrich in the United States.

We want a tax on all income figures above \$5,000. Leave the little fellow below \$5,000 alone, but when a man is earning five or ten thousand, or \$25,000, or a million or more, it is time to make him realize that he has a responsibility to the people who made this money for him; for he surely did not create all this wealth himself. He is merely a custodian for this money, which other people sweated and toiled and made for him. He may have been a good manager; he may have had a good business head, but others created the wealth for him. He is merely a custodian of that wealth, and he owes something to the man and the wife and the children of the man who created the wealth for him. I propose to lay a heavy hand of taxation upon these men who shouted for war and who were so "patriotic" in 1917 and who told the soldiers that they could have anything if they would go to Europe and protect their international investments; who told the American people that unless they went to war, the Kaiser and his legions would be marching up Pennsylvania Avenue.

#### ARE BRITISH MILLIONAIRES MORE PATRIOTIC THAN AMERICAN MILLIONAIRES?

These men are responsible for the terrible tragedy that we are in. I say, let them pay! I say that we have a splendid method of taxation in mind, not an untried method of taxation. It is the British system of taxation. We have a great habit in the United States of trailing along behind the British Government, in recent years, at least, I must say. Now, I propose to follow them at least in one respect, although no one can say that I have been much for legislating in the wake of England—and that is, the British have a system of income and inheritance taxes which they have enforced upon the superwealth of their country, and that system of British taxation if it had been applied to the United States in 1923, it would have yielded us more than \$5,000,000,000. This you will find in reading the hearings of the Labor Committee as placed in the RECORD, by noted economists.

We might have collected over five billion, which would have been enough to take care of all of the provisions of the Lundeen bill. It is true that in years subsequent to 1928 their incomes have been somewhat decreased, but I am informed by reliable financial authorities that large incomes have increased in the last 12 months and that wealth is piling up and men are growing richer at this very moment, so I say the time has come to apply the British income-tax and inheritance-tax rates on incomes about \$5,000, and the time has come to levy income, inheritance, and gift taxes, so that the Treasury of the United States may have the war funds with which to fight this depression. I want to recall to your minds—and you know that I am telling you the truth—that every dollar of this money that you pay to these people in compensations and pensions will be infused into the arteries of commerce and that it will flow into the channels of trade and stimulate business. Then men will once more in America walk erect, look their fellowmen in the eyes, and stand erect in the sunlight of God, self-respecting American citizens instead of cringing before the relief administrators in front of some counter where some haughty clerk looks them over and passes upon their means test or pauper test—foundations of financial poverty and distress.



The time has come to end this shameful condition in this country, and I say to the ladies and gentlemen here, and I hold all of you good colleagues of mine in high regard, that if we do not solve it and solve it as self-respecting Americans should solve it, we will be given a vacation from the Congress of the United States and an angry citizenship will rise up and send here to these halls men and women who will dare to carry out the wishes of the rank and file and the mass of American voters.

#### LABOR COMMITTEE HEARINGS REVEAL MERITS OF LUNDEEN WORKERS' BILL

The Committee on Labor, which held hearings on the Lundeen bill, H. R. 2827, reported the measure favorably and without amendment and recommended the passage of the bill.

The hearings commenced on February 4, 1935, and concluded on February 15, 1935, during which time testimony was heard from 80 witnesses who appeared to speak in favor of the bill. The witnesses included seven economists, specialists in the law, social service and relief, women in industry, maternity care, and medical service; 12 representatives of American Federation of Labor local unions, most of whom were delegated by district committees of American Federation of Labor locals representing hundreds of locals; farmers, veterans, unemployed workers, small home- and land-owners; a representative of the railroad brotherhoods; representatives of professional workers, including writers, teachers, physicians, architects, engineers, chemists, and technicians; dentists, and many others. All of the above-mentioned witnesses testified as to the wide-spread necessity for genuine unemployment and social insurance and testified in favor of this bill, H. R. 2827.

#### FEATURES OF THE BILL

The bill provides for the immediate establishment of a system of social insurance to compensate all workers and farmers, 18 years of age and over, in all industries, occupations, and professions, who are unemployed through no fault of their own, and for the entire period of this involuntary unemployment. To prevent the lowering of minimum standards of living, insurance benefits are to be equal to full average wages in the locality; and in no case less than \$10 a week, plus \$3 for each dependent. Those employed part time who are unable to find full-time employment, are to be paid the difference between their earnings and the prescribed insurance benefit. As a further safeguard of the minimum standards of living, stability of the purchasing power of the insurance payments is to be maintained by requiring the minimum compensation for unemployment to be increased with increases in the cost of living. Administration of the insurance and adjustment of the minimum compensation shall be controlled by unemployment-insurance commissions directly elected by workers' and farmers' organizations under rules and regulations prescribed by the Secretary of Labor in conformity with the purposes and provisions of the act.

Similar social insurance would be established by the Secretary of Labor for all workers and farmers who are unable to work because of sickness, old age, maternity, industrial injury, or any other disability.

Moneys necessary to pay the compensation and to administer the act would be paid by the Government of the United States out of funds in the Treasury not otherwise appropriated, increased if necessary by levying additional taxation on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over.

#### DIFFERENCES FROM OTHER PROPOSALS

This bill differs from other proposals in that (1) it covers all the unemployed for the entire period of their unemployment, whereas other systems limit the occupations covered and the duration of benefits so that numbers of the unemployed who are outside its scope or who have exhausted benefit payments are left dependent upon private charity or public relief; (2) it derives its funds from current taxation instead of from reserves built up through taxation on pay rolls, which inevitably raises prices to the consumers, taxes wages and salaries, directly or indirectly, and by the reserve features complicates the debt-credit structure of the mone-

tary system, thus tending to prolong depression and to create further maladjustment between funds available for investment and money available for consumers' purchasing power; (3) it provides democratic administration by workers' representatives.

#### WHY SOCIAL INSURANCE IS NEEDED

Testimony summarizing the need for this new form of social insurance showed that the continuation of extensive mass unemployment demands comprehensive action to provide insurance for all workers, in lieu of income from earnings now cut off through long-continued depression. Estimates of present unemployment placed before the committee ranged from 14,000,000 to 17,000,000. Indices of employment and earnings were cited showing that both are still considerably below the level of 1923-33 or 1925-27, but that total earnings are disproportionately low as compared even with the continued low level of employment, indicating a lowering of the purchasing power of the masses. At the same time, output per man per hour has considerably and disproportionately increased, indicating the probability of increase in permanent technological unemployment.

The great and vital need of the unemployed for means with which to buy the necessities of life for themselves and their families is not and cannot be met by the uncertain and inadequate provision for relief. The new proposed work-relief program will, at best, if enacted, provide relief for approximately one-third of the jobless in the United States who are seeking employment. Yet there are at least 20,000,000 persons in this country whose sole or chief source of subsistence is obtained through the program of the Federal Emergency Relief Administration. For these only an assured and immediate social-insurance program can prevent appalling destitution which will permanently undermine standards of living.

Mass unemployment, though unusually long continued and wide-spread in the present crisis, is not an unusual emergency, but has occurred at frequent intervals in this country. Between 1793 and 1925 the number of depressions was 32, with an average period of 4 years from panic to panic. For every year of depression, there was only one and a half years of prosperity. The time has come for definite recognition of the obligation of government and the economic system to insure continuity of income.

The Lundeen bill is a practical proposal. Technicians and scientists agree that the productive capacity of the United States is equal to a far greater measure of security and to far higher standards of living than have yet been established; and science and invention promise to expand this productivity to a higher level if the productive system can be freed from the recurrent burden of industrial depression.

This, however, cannot be achieved merely by rearranging workers' earnings by taxing pay rolls for reserves for future unemployment. The first step is compensation for insecurity by taxing higher incomes, not pay rolls.

As a continuing problem, mass unemployment requires congressional action because of the mandate laid upon Congress by the Constitution to provide for the general welfare. The general welfare is undermined at all points by mass unemployment.

#### ESTIMATES OF COST OF THE BILL

To determine the cost of the social insurance which would be provided in H. R. 2827 requires several estimates, which should be used with caution. In the first place, the United States has no current basis for ascertaining accurately the number of the unemployed.

The second and more important point requiring caution relates to the estimate of the effect of social insurance upon purchasing power, and its consequent results in decreasing the amount of unemployment through stimulation of reemployment. No experience in this country is available to indicate the extent to which an increase in consumers' purchasing power for those in the lower income groups would stimulate production and increase employment.

If it is assumed, however, that the entire amount of benefits paid under the provisions of this bill would appear in the market as new purchasing power, economists have cal-

culated that 60 percent of this total would become available as wages and salaries. Therefore, on the basis of given average wages and salaries, it can be estimated how many persons could be reemployed, and this would result in a corresponding decrease in the number of unemployed eligible for benefits, and therefore in a reduction of costs.

Having in mind the above cautions, it may be said at once that if there be 10,000,000 unemployed, the annual gross cost, after taking care otherwise of those who should receive old-age pensions and those who are unemployed because of sickness or disability, and eliminating those under 18 years of age, to whom the bill does not apply, would be \$2,355,000. Deducting from this the estimated decrease in the cost of unemployment insurance on account of the reemployment of workers following the establishment of a social-insurance program, \$6,090,000,000, and adding to it the cost of old-age pensions, sickness, disability, accident, and maternity insurance, and deducting present annual expenditures for relief amounting to \$3,875,000,000, we would have a net annual increase for the Federal Government imposed by the provisions of the bill amounting to \$4,060,000,000.

If the number of unemployed be equal to the average number estimated as unemployed in 1934, as 14,021,000, then the annual net increase in cost, after deducting present expenditures for relief and estimating the reemployment which would follow adequate social insurance, would be \$5,800,000,000.

The estimate of total costs of the program for social insurance under the bill should be compared with the amount that workers have lost in wages and salaries since the beginning of the depression. According to estimates published in the Survey of Current Business for January 1933, total income paid out to labor since 1929 was as follows (in millions):

	1929	1930	1931	1932	1933
Total income.....	\$52,700	\$48,400	\$40,700	\$31,500	\$29,300
Loss from 1929.....	-----	4,300	12,000	21,200	23,400

The total loss to workers in wages and salaries in the first 4 years of the depression has amounted to \$60,900,000,000. It is with these huge losses sustained by American workers during these 4 years that the costs of security provided by the bill should be compared. Furthermore, in view of the inadequacy of present relief measures, it must be realized that the cost of truly adequate relief would be the cost of this bill.

#### SOURCES OF FUNDS

An important difference between H. R. 2827 and other proposals is in the source of funds. Other proposals, including H. R. 4120 and H. R. 7260, the Wagner-Lewis-Doughton bills, depend on the building up of reserves in advance of payment of benefits, these reserves to be secured by a tax on pay rolls. Several serious objections are made to this method. In an article in the *Annalist*, published by the *New York Times* on February 22, 1935, by Elgin Groseclose, professor of economics, University of Oklahoma, under the title, "The Chimera of Unemployment Reserves Under the American Money System", attention is called to the provisions in H. R. 4120 in these words:

The Wagner bill, as introduced in Congress, sets up in the Federal Treasury an "unemployment trust fund" in which is to be held all moneys received under the provisions of the act, and directs the Secretary of the Treasury to invest these moneys, except such amount as is not required to meet current withdrawals, in a defined category of obligations of the United States or obligations guaranteed as to both principal and interest by the United States.

The *Annalist* article summarizes the objections to these reserves for unemployment insurance as follows:

(1) Finance reserves can be effective only in cases where contingencies can be calculated and determined by actuarial methods and where these contingencies arise in sufficient regularity to permit the arrangement of reserves in accordance therewith. (2) The incidence of depressions are irregular and unpredictable, and hence defy actuarial procedure. (3) Purchasing power can-

not be stored up en masse under our money system, which is a system of debt, rather than metallic circulation. (4) The attempt to create unemployment reserve will intensify booms. (5) Unemployment reserves are incapable of mobilization when needed and any attempt to mobilize them will only result in further intensification of depressions.

Testimony before the Committee on Labor on H. R. 2827 brought out the further objection that a tax on pay rolls is a tax on cost of production which is passed on to the consumer in higher prices to all consumers and to workers in lower wages as well as in higher prices to them as consumers. It tends to reduce rather than to expand purchasing power, causing in itself recurrent industrial depression which arises out of the failure of consumption to keep pace with production, or a disproportion between money available for consumers' purchases and funds available for investment in increased production.

Moreover these reserves, even if they could be accumulated without these disastrous effects upon consumers' purchasing power, and upon the monetary system, would be inadequate to cover more than a fraction of needs. The Commissioner of Labor Statistics and Senator ROBERT F. WAGNER—in radio addresses on March 7—have estimated that if H. R. 4120 had been in effect from 1922 there would have been set aside by 1934 the sum of \$10,000,000,000; yet, the figures on the national income published by the Department of Commerce show that in 4 of those years workers lost \$60,000,000,000 of wages and salaries. Therefore, even if reserves seem to involve saving the Treasury from obligation, as a matter of fact, they leave unsolved the real problem of protecting workers against the destitution of mass unemployment.

As the only adequate solution of the problem, and to avoid the unsound idea of setting aside reserves, the funds required in H. R. 2827 are made an obligation upon existing wealth and current higher incomes of individuals and corporations. These sources may be indicated as follows:

First. Income taxes of individuals: If the United States were to apply merely the tax rates of Great Britain upon all individual incomes of \$5,000 or over, a considerable sum would be available for social insurance. These rates in 1928 would have yielded the Federal Government five and three-fourths billion dollars as against slightly over one billion actually collected. In 1932, a year of low income, we would have collected on the same basis \$1,128,000,000, as against the actual receipts of \$324,000,000.

Second. Corporation income tax: Compared with other countries also our corporation tax is very low. Taking a flat rate of 25 percent, we would have raised in 1928 the amount of \$2,600,000,000 instead of \$1,200,000,000.

Third. Inheritance or estates: Here again the United States is very lenient. In 1928 on a total declared gross estate of three and one-half billion dollars, the total collected by Federal and State taxes was only \$42,000,000, or a little over 1 percent. If an average of 25 percent were taken this would have been raised in 1928 to \$888,000,000.

Fourth. Tax-exempt securities: Exact figures on the total are not available, but here is an important source of large additional returns which should be available for the general welfare.

Fifth. Tax on corporate surplus: In 1928 the corporate surplus, representing the accumulation by corporations of funds which had not been distributed to labor and capital amounted to \$47,000,000,000, and even in 1932 it was over thirty-six billions. Made possible as it is by the cooperation of labor and capital, thus surplus which is now set aside to meet capital's claims for exigencies certainly should be also a source of funds for labor's social insurance in the exigencies of unemployment. The Department of Commerce has showed in its study of the national income that labor has lost a larger percentage of its earned income in the depression than capital has lost in interest charges, because capital has been sustained by drawing both on current income and on accumulated surplus. The great economist, Adam Smith, 150 years ago, called the industrial system a "collective undertaking." It is both logical and just to provide a tax on corporate surpluses as a source for social insurance.

## THIS BILL IS UNQUESTIONABLY CONSTITUTIONAL

This bill provides for the appropriation of Federal moneys out of the Treasury of the United States for the payment of compensation to the unemployed, the sick, the disabled, and the aged. It is simply an exercise of the appropriating power, the power of Congress to spend money. The bill does, indeed, do more than provide for appropriations; it provides for the setting up of the administrative machinery. But the appropriating power of Congress necessarily carries with it the incidental power to provide administrative machinery for disbursing the moneys appropriated and for insuring their proper application to the purposes sought to be achieved by Congress.

One of the enumerated powers set forth in the Constitution is the power of Congress to "lay and collect taxes, pay debts, and provide for the common defense and the general welfare of the United States." To limit this power to spend moneys for the "general welfare", the power to spend money for the execution of other enumerated powers, is to rob the "general welfare" clause of its meaning, and thus to violate an elementary principle of constitutional construction. Such distinguished constitutional authorities as Washington, Madison, Monroe, Hamilton, Calhoun, and Justice Story have repudiated the conception of an appropriating power limited by the other powers. Our highest authority, the United States Supreme Court, has, in the famous Sugar Bounty case, definitely upheld appropriations by the Government in payment of purely moral obligations, entirely beyond the scope of the other specifically enumerated powers. Congress itself has uniformly and consistently exercised its appropriating power for any purpose which it deems for the general welfare, and irrespective of whether the purpose came within the specifically enumerated powers or not. Surely it could not be said that a bill which will provide a system of unemployment and social insurance for millions of unemployed, sick, disabled, and aged is less for the "general welfare" than other bills, such as the one above. If Congress passes the bill, it will thereby declare that, in its judgment, the bill is for the "general welfare", and no court has the power to substitute its judgment on this question for that of Congress.

While the bill does indeed invest the Secretary of Labor with large discretion, this does not render the bill unconstitutional. The United States Supreme Court has again and again sustained delegations of power to the President, Cabinet officers, and commissions. The Tariff Act of 1922 was held constitutional, although it vested the President with the power to raise or lower the tariff upon any important article whenever it found that American products were at a competitive disadvantage with those imported from abroad. Again an act of Congress which gave the Secretary of the Treasury, on the recommendation of experts, the power to fix an established standard of purity, quality, and fitness for consumption of certain commodities imported into the United States was held constitutional.

In H. R. 2827 the discretion vested in the Secretary of Labor is narrow, for the beneficiaries who are to receive the compensation are named, the minimum compensation is prescribed, the maximum compensation is ascertainable, and the nature of the compensation is fixed. Certainly the discretion here vested in the Secretary of Labor is far less wide than that vested in the Secretary of Agriculture by the Agricultural Adjustment Act of 1933, wherein the Secretary of Agriculture was granted the power "to provide for rental or benefit payments in connection with crop reduction in such amounts as the Secretary deems fair and reasonable."

No specific amount is appropriated by this bill, but this does not render the bill unconstitutional, for general indefinite appropriations are common. The first of such general indefinite appropriations was passed when Congress directed that all expenses accruing and necessary for the maintenance of lighthouses should be paid out of the Treasury of the United States. Since then hundreds of statutes containing similar indefinite appropriations have been passed.

This bill deprives no one of his property without the "due process of law" guaranteed by the Constitution. Unlike all

other unemployment and social-insurance plans, this bill does not involve the setting up of "reserves" created by enforced contributions by employers or employees. The only way that any person could regard himself as in any-wise deprived of property for the purpose of financing this bill would be by regarding this bill as a taxing measure. The bill provides that—

Further taxation necessary to provide funds for the purposes of this act shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year or over.

But even if it can be argued that this is a taxing measure, the bill is a proper exercise of the taxing power of Congress, since Congress has the power under the Constitution to lay taxes for the "general welfare", subject to two limitations only. In the case of duties, imports, and excises "this must be uniform." In the case of direct taxes they must be apportioned according to the census. Neither limitation, however, applies to incomes, gifts, or inheritances since the sixteenth amendment. Once Congress has levied such a tax, the tax cannot be assailed by a taxpayer, since the courts will not review the exercise of the congressional discretion involved. The decision of Congress is thus final.

This bill in no way involves a question of usurpation of the rights of the States. While the power of Congress to regulate commerce and industry is limited to the "interstate commerce power" and any matters "not commerce" is unconstitutional, this argument is wholly inapplicable to the present bill. This bill is not an exercise of the interstate commerce power; it is an exercise of the appropriating power. This bill does not involve any regulation of interstate commerce of matters "not commerce." It does not involve the setting up of "reserves." It does not set up such business relationships as might possibly be involved in the creation of special accounts with employers or employees based on their contributions to a reserve fund. The Supreme Court has explicitly declared that no State will be heard to complain that the Federal Government is invading State rights when it simply exercises its appropriating power.

The Congress which passed the Agricultural Adjustment Act of 1933 declared that the loss of the purchasing power of the farmers endangered the entire economic structure of the Nation. The mechanism set up by that act was conceived as a device to restore purchasing power. Similarly this bill is an effort to restore purchasing power and may be therefore conceived to remove obstacles to the free flow of interstate commerce by creating purchasing power for the masses who must spend the money for the necessities of life and who, in spending the money for these necessities, will thereby remove obstructions to the free flow of interstate commerce.

Since this bill is merely an exercise of the appropriating power, it rests upon the same constitutional basis as do the Reconstruction Finance Corporation Act and Home Owners' Loan Corporation Act, which involve merely an exercise of the power of Congress to spend Federal moneys. The Reconstruction Finance Corporation Act, the Home Owners' Loan Corporation Act, and, indeed, the bulk of the national emergency legislation which has been enacted during the Hoover and Roosevelt administrations, involve recognition of the national character of our problems. These acts all provide for direct aid to persons, firms, and corporations in the States. The Reconstruction Finance Corporation Act supplies Federal moneys directly to banks throughout the country. Unemployment and social-insurance problems are even more clearly Federal problems. They require a similar national solution.

The Congress which passed the Reconstruction Finance Corporation Act, the Home Owners' Loan Corporation Act, and the bulk of the national emergency legislation clearly conceived that it was for the "general welfare" that individuals, corporations, and banks should be given money out of the Treasury of the United States. When Congress passes this bill it will have realized that it is for the "general welfare" that all human beings in the United States who through no fault of their own are unable to earn the necessities of life should receive money representing their contribution to production so that they may purchase the

necessities of life and, in so doing, maintain not only their lives, but the economic life of the United States. In view of the foregoing considerations this bill is clearly constitutional.

This bill is necessary to prevent and relieve wide-spread destitution; practical in view of the great productive capacity of the Nation and its surpluses available for taxation; sound in its probable effects upon purchasing power and the monetary system; and constitutional under the obligation of Congress to legislate for the general welfare.

**STRENGTH OF A GOVERNMENT DEPENDS UPON THE LOVE OF ITS PEOPLE**

Now there are a lot of good people in these United States who are worrying about the flag. They are afraid somebody is going to pull it down. They are worried about the Constitution, that someone is going to tear it up. They talk about the Reds, Bolsheviks, the Communists, Socialists, and radicals, and what not, and they lie awake nights seeing the red bogeyman in the attic.

Now, I want to say that I know how to allay their childish fears. I can tell you the remedy for that situation. If you wish to preserve and protect this country, and we all do; if we want to live on in peace, common sense, health, and happiness, then let us pass real, genuine, adequate social-security, unemployment, old-age, and social-justice legislation, and put it in force now—immediately—and stop this relief business, because, after all, the safeguard of any flag or any constitution or any government is not in its armies or in its navies or in its guns or in its magazines for war, but in the love of the people for that country and that government, and you can gain the affection of the American people in no greater measure than by passing adequate and genuine social-insurance legislation. That will be the best way to protect the flag and to safeguard the Constitution written by our forefathers, and it is up to us to show that we are worthy of the trust handed down to us by our forefathers and that we do not pattern after European medieval castles and that we are not believers in peasantry, serfdom, and peonage; but if you want to imperil this flag and put the Constitution in danger—and I cannot conceive of any sane person in the United States who wants that—if you want to do that, proceed as you have been doing and build up your relief rolls and increase your unemployment rolls until you have so many millions of unemployed that you cannot even count them, so that no man on this floor will know how many unemployed we have, but we can only guess how many tens of millions are on relief and unemployed lists.

**SOCIAL SECURITY MEANS GOVERNMENT SECURITY**

If you want to imperil this Government and shake it to its very foundation and have marching into Washington great masses of people who may come here not to overthrow the Government, but for the purpose of demanding their rights—if you wish to avoid this, you can do so very easily and very readily by passing the Lundeen workers' bill, H. R. 2827, giving social justice and social security to the American home and the American fireside.

I say to you, my fellow citizens, you shall not crucify American labor upon the cross of international finance. You shall not press down upon the brow of labor the crown of destitution, misery, and poverty. The American people, all of them, are entitled to life, liberty, and the pursuit of happiness. We are entitled to that; less than that we will not consider. We mean business, and those who legislate must act now. There may come a day when it is too late. "For of all sad words of tongue or pen, the saddest are these: 'It might have been.'" We will fight on until life, liberty, and the pursuit of happiness are ours finally and forever. [Applause.]

Mr. TRUAX. Mr. Chairman, I offer an amendment to the pending amendment.

The Clerk read as follows:

Amendment offered by Mr. TRUAX to the Connery amendment: On page 3, line 8, after the word "on", strike out the remainder of lines 8 and 9 and insert in lieu thereof "all individual fortunes of \$1,000,000 and over, inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over."

Mr. TRUAX. Mr. Chairman, I happen to be a member of the Labor Committee that reported, by a vote of 7 to 6, the Lundeen so-called "workers' old-age pension and unemployment bill."

There is only one thing that I see wrong with this bill. The gentleman from Minnesota [Mr. LUNDEEN], in his bill proposes to tax inheritances, gifts, and all annual incomes of individuals and corporations in excess of \$5,000 per year. This provision of the bill, in my judgment, does not go far enough. We ought to tap right now, once and for all time, every fortune in this country of ours of \$1,000,000 and over.

Mr. Chairman, how long do you think it is going to take the United States of America to recover and to rehabilitate the 20,000,000 who are on Government relief rolls or on doles? How do you ever expect to reemploy 11,000,000 men who seek jobs, but where jobs cannot be found? You cannot do this by continually and everlastingly skimming the skim milk off of the wealth of the country. You have got to get down to the cream of wealth, the millionaire crowd, down to the enormous fortunes, and to the swollen, predatory wealth of the country. Why, this is the reason you are considering this very legislation today. It is because you have too many millionaires and too few people with an annual, livable income, or people of modest means.

Where do you expect to get the money? I do not care if you amend this bill and make it \$30 or \$50 a month, which I favor for all men and women who are destitute at the age of 60, and \$75 for all men and women who are destitute at the age of 70, but where will you get the money if you amend this bill and adopt these amendments?

This committee has made an intelligent, a worthy attempt to solve this problem. They have gone as far as the present orthodox system of government financing will stand, and when you go further you have got to get at the swollen, plutocratic wealth of the country. For one, I would take old Morgan and let him bear the entire expense of this humanitarian legislation until you got his swollen fortune down to \$1,000,000. If he cannot live on \$1,000,000, let him leave this country and go to England, the country in which he lives, and in which he pays taxes. I would take old Andy Mellon, who is now spending his declining days in attempting to defraud the Government of \$3,000,000, and I would let him bear the cost of this legislation for a while until you scaled his fortune down to \$1,000,000. Then, I would go after the fellows with incomes of \$50,000 a year and more. This is enough income for any man or woman in this country.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. TRUAX. Not now; the bankers are all against my plan, anyway. [Laughter and applause.]

[Here the gavel fell.]

Mr. MARCANTONIO. Mr. Chairman, I rise in favor of the amendment proposed by the gentleman from Massachusetts [Mr. CONNERY], which is commonly known as the "Lundeen bill."

I think the only proper way in which to approach this question is by comparing the Lundeen bill with the present bill under consideration by this Committee. There are two outstanding, glaring defects in the bill proposed by the Ways and Means Committee: First, it does nothing for the present 11,000,000 unemployed; second, the Ways and Means Committee bill provides that the burden of taxation for unemployment insurance and for old-age pensions eventually must fall on the shoulders of the wage earners of America.

You may call this a pay-roll tax in one case to be imposed on the employer, but as I explained yesterday, any form of pay-roll tax, any form of direct taxation of this sort, is bound to fall on the wage earners of America who cannot afford to pay any tax today and cannot defend themselves against any wage cuts.

By your bill and our bill we agree that unemployment insurance is inevitable; we agree that old-age pensions are inevitable, but there is one fundamental difference between yours and ours, and that is, in your bill you place the burden on the poor of the Nation and in our bill we place it on the wealth of the Nation, where these burdens should be imposed. [Applause.]

The form of taxation provided under your bill, and I have asked the members of the committee about it repeatedly in general debate, is just as vicious as a sales tax. I have repeatedly challenged the committee to distinguish between a pay-roll tax and a sales tax. In effect, they are both the same. They fall on the poor of the Nation. I shall never forget March 24, 1932, when I sat in the gallery up there, before I ever dreamed of coming to Congress, when I heard the following words spoken on the floor of this House:

My reason for opposing a sales tax is that I know it is unsound in principle and will be harsh, burdensome, and unjust in its operation. It contravenes every accepted theory of taxation. Not even in the emergency of the World War did our Government seriously consider such a tax.

Are we willing now, with our boasted wealth, to admit that conditions are so desperate and that other sources of taxation have been exhausted and are inadequate and we must violate the time-honored policy of our Government, as advocated by both the great parties, and adopt a sales tax? Are we Democrats willing to make a record in this House, after being out of power for 12 years, and accept the responsibility for the enactment of the sales tax, notwithstanding the fact that such bill has been recommended by the Ways and Means Committee? I served notice when the bill was reported by the committee that I would offer an amendment to strike out this part of the bill; and if it were not stricken out, that I would vote against the bill on final roll call.

Remember, if you do this, you will be writing on the statute books of the Nation a record that you never can explain—never can justify—and it can be justly capitalized as a campaign issue against you for generations. But let me make this prediction: If this sales-tax provision remains in the bill and becomes a law, you Republicans will not only have to take the blame for its necessity, if there be one, but also the responsibility of its enactment; for certainly a majority of the Democrats in this House will by their action this day demonstrate that they not only do not approve but will not accept this unjust, unreasonable, unnecessary, and unconscionable form of taxation. Who are urging this sales tax anyway, and where did it have its birth and inception? That Andrew Mellon, William Randolph Hearst, and the millionaires and multimillionaires have had for their sole purpose and determination for years to get a sales tax fastened on the country in order that they may be relieved of paying income taxes, everyone knows.

Now is the time and the accepted time to demonstrate to the American people that their Representatives have heard their voice and know their will and will obey it. Let us kill it now, kill it dead, and trust it is killed forever.

Mr. CONNERY. Who said that?

Mr. MARCANTONIO. These are not my words, these are the words of a man whom I revere and respect, and I revere and respect this man for his great fighting qualities. America owes this man an everlasting debt of gratitude for having defeated the sales tax on the floor of this House. I am referring to fighting BOB DOUGHTON, the author of the present bill under consideration [applause], and I appeal to him that the same reasons urged by him on March 24, 1932, against a sales tax exist today against a pay-roll tax, which is just as un-American and vicious as a sales tax.

I appeal in the name of the wage earners of America, in the name of the aged of America, in the name of the unemployed of America, let us kill the pay-roll tax and let us, like humane and just Americans, place the burdens of taxation for the care of the poor on the shoulders of the wealthy, on the shoulders of the community, where it belongs, and hence preserve our American institutions, our American form of government, and be justly proud of our actions as representatives of the American people. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment. It may be that there is some good in the Lundeen bill. I am frank to say that I am not thoroughly familiar with all of the provisions of that bill, not having had the time to examine it in detail, being so busily engaged on the bill under consideration by the House.

I may say that notwithstanding there may be merit in the Lundeen bill—and I do not care to criticize it at this time—I am sure that the Lundeen bill has no place in this bill.

This bill under consideration now under the rules of the House has had 23 hours of general debate, wherein Members of the House could sit here and hear explanations of every title, every provision, every section, every line, and every word of the bill, so that they would have an opportunity to vote intelligently on the proposed legislation. They have been so busy that they may not have time or the opportunity

to give intelligent consideration to the Lundeen bill, which every Member of the House ought to give before he is called upon to discharge the solemn responsibility of voting on legislation of this importance.

Now, the gentleman from New York referred to a speech I made on the floor of this House with reference to a sales tax. I will say that I have nothing to recant, nothing to take back, nothing to apologize for as to that speech. I would make the same speech again under the same conditions, but the situation today is not what it was at that time when that bill was under consideration.

The tax imposed in this bill is not a sales tax. It is an income and an excise tax, not for the purpose of balancing the Budget. A sales tax may be justified in a great emergency, and under some circumstances I might vote for it, but this legislation is not to meet an emergency, but to provide permanent legislation.

Mr. LUNDEEN. But why not tax great wealth?

Mr. DOUGHTON. I will say that we are taxing great wealth. If we were not taxing great wealth the expenses of this Government could not be met. Great wealth is now taxed for all purposes for which a tax can be legitimately imposed by this Government. You cannot tax wealth until it disappears. If you did, then how do you propose to finance the cost of government?

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. LUNDEEN. The British income-tax rates are the ones we advocate, and would be thoroughly adequate, and Britain announces that she is on the high road to prosperity.

Mr. DOUGHTON. Oh, very often it is a case, Mr. Chairman, of those who "darkeneth counsel by words without knowledge." Great Britain has only one taxing authority for all of the units of the British Government. They are all provided for in one tax, whereas in this country we have a State and a county and a municipal and a Federal tax and a tax going and a tax coming and a tax for the living and a tax for the dead, tax without end. [Applause.]

The CHAIRMAN. The question is on the amendment of the gentleman from Ohio [Mr. TRUAX] to the amendment of the gentleman from Massachusetts.

The amendment to the amendment was rejected.

The CHAIRMAN. The question now recurs upon the original amendment offered by the gentleman from Massachusetts [Mr. CONNERY].

The question was taken; and on a division (demanded by Mr. CONNERY) there were—ayes 52, noes 204.

Mr. CONNERY. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. DOUGHTON and Mr. CONNERY to act as tellers.

The Committee again divided; and the tellers reported—ayes 40, noes 158.

So the amendment was rejected.

Mr. COLMER. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. COLMER: Page 4, line 19, after the word "to", strike out the words "one-half" and insert in lieu thereof the words "four-fifths", and on page 5, line 16, after the word "than", strike out the words "one-half" and insert in lieu thereof the words "one-fifth."

Mr. COLMER. Mr. Chairman, like every Member on this floor I have been intensely interested in seeing the aged people of my congressional district receive some benefits from the legislation which has been proposed and is now being advocated for the security of these aged people. Frankly, in my judgment, there are going to be very few aged people benefited under this legislation as it is now written, and, as it is quite apparent, it is going to be passed by this Committee of the Whole. I call attention particularly to the fact that, assuming that your States can qualify by the proper legislation, there are many States in the Union that are not financially able to match dollar for dollar the amount put up by the Federal Government. I have no idea that my State can qualify, and I dare say that, if you will give as much thought to the question of your own particular State as I have to mine, you will come to that same conclusion.

This should be recognized as a national problem. The States should not be required to contribute dollar for dollar. If I had my way about it I would eliminate entirely State participation, but I realize as a practical measure what we are up against here and so I have offered this compromise measure. I trust when you are called upon to vote for or against this amendment you will take into consideration the aged people in your districts in the States less wealthy and bear in mind they are not going to get anything under this legislation and that you will have to face that proposition when you get back home.

Mr. DONDERO. Does the gentleman's State now have any tax at all for the aged?

Mr. COLMER. It does not and I doubt if it could afford one. I shall not dwell on this longer. I hope you will not railroad this amendment down but will give the aged people in these States that are not able to put up this money an opportunity to qualify under the bill. My amendment simply means that if the State puts up a dollar, then the Federal Government will put up \$4 for this proposition. It does not materially change the bill. It only changes it in that one aspect. It will give these States an opportunity to participate and these people an opportunity to receive benefits. I appeal to you in the name of the aged people in your districts to give them this opportunity. I hope you will agree to the amendment. This piece of legislation if enacted into law without amendments will stand out as the greatest disillusionment possibly of any piece of legislation ever passed the House. I repeat that very few of the States will be able to qualify, and the hundreds of thousands of aged people seeking relief at the hands of this Congress will be keenly disappointed. Our aged people are clamoring for bread and we offer them a stone. This legislation does not meet the demands; it is highly inadequate. And frankly, Mr. Chairman, there is little inducement offered to vote for it. If my amendment does not prevail I shall feel very despondent indeed about it. And the only justification that I could possibly find in voting for the bill as it was reported out of the committee would be that possibly it would be a step in the right direction and because of the other wholesome provisions of the bill aside from the old-age pension. [Applause.]

Mr. FORD of Mississippi. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Mr. FORD of Mississippi offers the following substitute amendment for the amendment offered by Mr. COLMER: Title I, page 3, line 16, strike out the word "one-half" and insert in lieu thereof "99 percent"; and on page 4, line 19, strike out the word "one-half" and insert in lieu thereof "99 percent"; and in line 25, strike out "\$30" and insert in lieu thereof "\$15"; and on page 5, line 16, strike out the word "one-half" and insert in lieu thereof "1 percent."

Mr. FORD of Mississippi. Mr. Chairman, I concur in what my colleague from Mississippi [Mr. COLMER] has said to the Committee this morning. That is why I have offered the substitute amendment for the consideration of the Committee, because I realize there is opposition on the part of the membership of this House to increasing the amount of the pension to be paid over the sum of \$15. I would like to see the Federal Government put up \$25 and the States put up \$5, and provide \$30 for the old people of this country, but after seeing the amendments heretofore offered voted down, I fear that the majority of the membership of this House will not vote for more than \$15 to be paid by the United States. It is with that in mind that I come before the membership of this House this afternoon and appeal to you. If we intend to do anything for the old people of this country, you should support the substitute amendment I have offered to the amendment offered by my colleague from Mississippi. I want to briefly explain it to you. Under the proposed legislation now under consideration it is required that the Federal Government pay \$15, provided the States match this sum with \$15. My amendment simply strikes out the provision that the State pay one-half, and provides that the Government pay 99 percent and that the State pay 1 percent, thereby retaining the provision that the States will administer this fund, and pro-

tect the State rights which the able gentleman from Massachusetts was talking about a moment ago.

I do not say this in criticism of the membership of the Ways and Means Committee, but I say it to you in fairness and frankness that the old people living in some of the States of this country will not be able to obtain one dollar in pensions, because the States which they reside in are not able to finance the payment required of them under the bill now before the House.

Mr. TAYLOR of Tennessee. Will the gentleman yield?

Mr. FORD of Mississippi. I yield to the gentleman from Tennessee.

Mr. TAYLOR of Tennessee. I am in thorough accord with the provisions of the gentleman. I am wondering how he would have this 1 percent provided by the State. Would that require an act of the legislature?

Mr. FORD of Mississippi. Yes. It would require all States to enact legislation as provided in the bill, but would relieve the States from having to pay \$15 before the aged living in those States could qualify. It does not change anything in the bill except to provide that the Federal Government will pay 99 percent of the \$15 and the States will put up 1 percent, and will have charge of administering the fund under the plan set out in the bill now under consideration.

Ladies and gentlemen, I appeal to you in order that we may reach all of the old people of this country and not discriminate against those who may not be fortunate enough to live in a rich State. I hope you will vote for this amendment so that we may give a universal pension of \$15 a month to the old people of this country. By doing this the legislature of every State can increase the amount if they desire. [Applause.]

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I rise in opposition to the amendment. The amendment offered by the gentleman from Mississippi [Mr. COLMER] proposes that the Federal Government contribute four-fifths of the total amount of a pension of \$30 per month and that the State contribute one-fifth of the total amount of the pension. The substitute offered by the gentleman from Mississippi [Mr. FORD] proposes that the \$15 provided in the bill as presented be the total amount of the pension and that the contribution by the Federal Government be 99 percent thereof. In other words, \$15 is the total amount of pension contributed by both the Federal Government and the State government. Out of that, under the substitute amendment offered by the gentleman from Mississippi [Mr. FORD] the Federal Government will contribute \$14.85 of the \$15, and the State will contribute 15 cents of the \$15 to the total pension of \$15. It is so obvious on its face that that is simply a subterfuge, that the State under that provision would not be participating in any substantial amount, that it does not justify further argument in opposition to it.

I therefore ask that the Committee vote down the substitute and then vote down the amendment offered by the gentleman from Mississippi [Mr. COLMER].

[Here the gavel fell.]

The CHAIRMAN. The question arises on the substitute amendment offered by the gentleman from Mississippi [Mr. FORD] to the amendment offered by the gentleman from Mississippi [Mr. COLMER].

The amendment to the amendment was rejected.

The CHAIRMAN. The question now arises on the amendment offered by the gentleman from Mississippi [Mr. COLMER].

The amendment was rejected.

Mr. TREADWAY. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. TREADWAY: On page 2, line 10, strike out "\$49,750,000" and insert "\$69,750,000"; on page 4, line 25, strike out "\$30" and insert "\$40."

Mr. TREADWAY. Mr. Chairman, I am offering this amendment in carrying out the attitude and policy of the minority members on the Ways and Means Committee. We

have said from the very beginning that we favored old-age pensions, and we favored a larger amount than appears in the bill. The bill calls for an appropriation of \$49,750,000 "in order to assure reasonable subsistence compatible with decency and health to aged individuals without such subsistence."

Now, I claim, Mr. Chairman, that there are a great many instances where \$30 a month is not sufficient to care for aged people in the manner in which section 1 of the bill provides. If we match \$20 with \$20 from the States, an aged person can then receive the amount of \$40 per month, which is \$10 more than is provided for in the matching manner that the committee has suggested.

In my remarks on page 5709 of the RECORD during the general debate I covered this item as fully as was necessary, and I refer the members of the Committee to what I said at that time. We are simply asking that this Committee and the House carry out the idea that in aiding aged people we do it decently and sufficiently to care for their needs in their old age.

The minority report reads:

We favor such legislation as will encourage States already paying old-age pensions to provide for more adequate benefits and will encourage all other States to adopt old-age pension systems. However, we believe the amount provided in the bill to be inadequate and favor a substantial increase in the Federal contribution.

I am, therefore, asking that this substantial increase be made, \$20,000,000, in order that the purpose of aiding the aged may be accomplished to a certain extent.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield for a question?

Mr. TREADWAY. I have only 5 minutes; I prefer to use my time. I am sure the gentleman can get recognition. Now, that is a very definite proposition; and while I realize there are many pending amendments to title I, I think this is the crux of the matter, whether the House intends to favor a decent allowance to the aged people or whether it intends to scrimp them. Twenty-eight States already have adopted old-age pension systems. This would encourage them and would encourage others to go along with them. It is something in which the American people have shown their interest. It is the most important title in the bill. In fact, it is one of the outstanding features of the bill. Members on this side of the House have said from the beginning of the consideration of the bill and from the beginning of the debate in the House that we stood solidly behind an amount sufficient to care for the aged people in a decent and respectable manner, which they are entitled to. I trust, therefore, this amendment I have offered will be given the favorable consideration of the majority, and I assure the majority that we on this side of the House will go along with them in an effort to provide proper care for these aged and unfortunate people. [Applause.]

[Here the gavel fell.]

Mr. MARTIN of Colorado. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I would not want to go into the RECORD uncontradicted the statement of the gentleman from Massachusetts that in proposing an increase in this appropriation by the paltry sum of \$20,000,000 he is providing adequate pensions for the poor aged people of this country. After sitting on the Ways and Means Committee for 3 months on this bill, the gentleman certainly ought to know that an increase of \$20,000,000 would not be adequate; that an increase of \$200,000,000 would not be adequate.

This bill carries provision for about \$50,000,000. It takes a very short problem in simple arithmetic to show that \$50,000,000 would pay not more than 300,000 people the sum of \$15 a month. The gentleman's proposal is to raise the pension from \$30 up to \$40. I might go along with him on that increase if he had any system of increasing the number who would get it. If you adopt his amendment, the additional number of people who will be provided for by it would hardly be worth making the change in the bill; in fact, it would not add any more to the number of beneficiaries; 300,000 out of the 4,000,000 or 5,000,000 who should be pensionable under the terms of this bill. It gives these

300,000 people \$5 or \$6 a month more, about \$5, but it does not add another single aged person to the pension roll of the country.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I yield.

Mr. DUNN of Pennsylvania. It is a fact, though, that those aged who would be benefited under the bill will be benefited to the extent of an additional \$10.

Mr. MARTIN of Colorado. I admit that if the gentleman's amendment is adopted it will mean that 300,000 people will receive a few dollars apiece more, maybe \$5, but it will not add one additional person to the pension rolls of the country. The hearings show that there are 1,000,000 people in this country over the age of 65 who are on F. E. R. A. relief or public charity. Certainly these million people are all qualified for pensions, and we ought to pass a bill which will give them all a Federal pension of at least \$15 a month, and it will take the sum of \$180,000,000 to give 1,000,000 people over 65 years of age, all of whom are now on F. E. R. A. or public charity, \$15 a month; if the gentleman proposes to increase the monthly pension to \$40 from \$30 and pay for it out of \$20,000,000 under the pretext that he is furnishing the poor people of this country an adequate pension, it ought to be voted down as an insult to them instead of giving them an adequate pension.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I yield.

Mr. TREADWAY. I appreciate the gentleman's courtesy, because I declined to yield to him; but I want to call his attention to the clause following the amount where my amendment would be inserted:

Amount of \$69,750,000 for the first year ending June 30, 1936—

And quoting the language of line 10:

And there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purpose of this title.

Mr. MARTIN of Colorado. I am not interested in the other years now; what I am interested in is the first year. The sum provided in this bill and the sum provided in the gentleman's amendment would not grease a skillet. I say the House should pass a half-way decent old-age-pension bill, which would pay now.

Mr. LEHLBACH. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Colorado. I yield.

Mr. LEHLBACH. Does this amendment in any way cut off or add a beneficiary? Does it not merely increase the benefits of those who will be taken care of; and is not the situation the gentleman attacks to be found in the bill instead of in the amendment?

Mr. MARTIN of Colorado. I agree with the gentleman that it will simply increase by a few dollars a month the pension these 300,000 people will receive but will not add any beneficiaries.

Mr. LEHLBACH. That is the fault of the bill.

Mr. MARTIN of Colorado. Yes; that is the fault of the bill.

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, it is very evident from the debate for the last 30 or 40 minutes that none of these amendments representing the ideas of any of these special groups are going through. We are about through with this title. What are you going to do about it? Do you want \$5 a month more from the State and \$5 more from the Government? Do you not want to raise it \$5 for the Federal Government and \$5 for the State, making \$10 altogether? If so, here is your chance.

Mr. Chairman, there is nothing about this that needs a lengthy explanation. It is simply a straight out-and-out proposition. This is about our last chance to vote on the proposal. I, for one, think we ought to extend this benefit so that the rich States may come forward with more money, if they desire, without imposing any additional compulsory burden upon any of the smaller States. The poor States are not compelled to put up an extra nickel.

The amendment ought to satisfy everybody. The Republicans will vote for it, and the Democrats should vote for it, especially those who have been on their feet for the last 30 or 40 minutes trying to get more money. No man is justified in saying he will not vote for this, because it does not do justice. The question is, Is this as much as you can get? Is this the last chance? I say it is. Now is the time to say whether you stand for a maximum as high up as you can get it, even if you cannot get it as high as you want it. Do you stand for a proposition that will permit the rich States to give the poor people all they want to give them and permit the poor States to give them as little as they want to give them? If you do, you should vote for this amendment.

Mr. Chairman, there is no compulsion about this. It is a fair, honest proposition. Personally I am satisfied with the \$15 limit now provided in the bill, but in order to satisfy those who are not satisfied this amendment is offered.

Mr. COOPER of Tennessee. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the majority members of the committee, of course, hope that this amendment will not prevail. We have always heard the expression "Beware of the Greeks bearing gifts." That is the situation here today.

The Ways and Means Committee spent 3 months carefully considering every phase of this important measure which has for its purpose social security for the people of our country. The gentlemen on the other side now rise to try to do what they say will make a contribution to this measure; yet we know from their speeches made here during the 23 hours of general debate that they are against the bill anyhow. I appeal to those Members who are interested in this legislation to carry forward the program of the President as we have brought it to you.

Mr. Chairman, what are the facts with reference to this amendment? There are only two States in the Union that have a law which would permit them to pay a greater amount than that provided here in the bill, and those are the wealthy States of New York and Massachusetts. The other 46 States of this Union could not receive any benefits under such an arrangement as is provided here, as their laws now stand. It should also be borne in mind that under the provisions of this bill, as it now stands, it gives larger benefits; it contains more liberal provisions than those afforded in the legislation of any other country in the entire world. This bill provides for \$30 a month. That is greater than now being paid in any of the 29 States which have old-age pension legislation. It is greater than is now being paid by any other country in the world.

Mr. Chairman, it should be borne in mind that we are now pioneering the way, we are now enacting legislation that is charting a new course in this country of ours. The President in his conferences with us about this bill, as well as those who have appeared before the committee and who have given thought and consideration to this important question, have stated that we should move cautiously, that we should start on a plan that we know can succeed and will not break down. We have presented to you the plan that has the best prospect of success in the great field of social security. The only purpose in bringing forward this amendment is to try to disrupt this program and try to defeat the very purpose we have set out to accomplish. I appeal to all the Members to vote down this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. TREADWAY].

The question was taken; and on a division (demanded by Mr. REED of New York) there were—ayes 85, noes 121.

Mr. TREADWAY. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. DOUGHTON and Mr. TREADWAY to act as tellers.

The Committee again divided; and the tellers reported there were—ayes 80, noes 142.

So the amendment was rejected.

Mr. KNUTSON. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. KNUTSON: On page 2, line 10, strike out "\$49,750,000" and insert "\$99,500,000"; on page 4, line 1, strike out "65" and insert "60"; and one page 4, line 25, strike out "\$30" and insert "\$60."

Mr. KNUTSON. Mr. Chairman, I am prompted to offer the amendment that has just been read because I certainly believe the provisions of the bill that we have before us are wholly inadequate. This is particularly true in the Northern States where \$30 per month would not give the aged and indigent economic security and, as I understand the purpose of this legislation, that is the aim of the present administration.

Mr. Chairman, I also feel that the age limit of 65 is too high to give material relief. It certainly will not be of any assistance in relieving the unemployment problem that so seriously confronts the country at the present time. If we are going to pass an economic-security bill in this Congress, we ought to pass something that is more than a mere gesture, and that is all \$30 a month is, so far as it applies to the northern United States.

I can understand that down in the Cotton Belt, perhaps, \$30 a month would be enough, but it certainly is not anywhere near enough in the sections of the country where the people have to buy fuel 6 or 7 months of the year.

I feel strongly, Mr. Chairman, that if we are going to pass legislation of this kind we should pass something that we do not have to go home and apologize for.

I realize that my amendment will not completely take care of the situation. There are a number of States that are unable to take any advantage of this legislation. As I see it, Mr. Chairman, the whole thing should go over until the next session of the Congress. It is plain to be seen from the debate we have had under the 5-minute rule in the consideration of this measure, that there are as many different opinions upon this proposition as there are varieties of preserves and condiments put up by a man named Heinz.

Mr. TAYLOR of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. TAYLOR of Tennessee. Would the gentleman be in favor of paying pensions to the aged in one State and denying such pensions to the aged in another State, even though the States may be adjoining?

Mr. KNUTSON. I would not. Such an idea is un-American and unfair, but what are you going to do with such a steam roller in operation as we have in this House? They talk one way and then they vote the other way when we have a teller vote. [Laughter.] Yes; this is a sample of your consistency—you talk one way and vote another.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. MOTT. It would require about \$4,000,000,000 a year to pay an adequate pension to all of the old people who need money in this country and who are over 60 years of age, would it not?

Mr. KNUTSON. I do not know just what the exact figure would be.

Mr. MOTT. Does the gentleman think it is possible to raise \$4,000,000,000 or any other amount that would pay an adequate pension by the system proposed in the pending bill?

Mr. KNUTSON. Of course not. This pension should be financed through a turn-over tax that would be equally distributed among all.

Mr. MOTT. Can it be raised in any other way?

Mr. KNUTSON. No; it cannot be raised except through a turn-over tax, and what we have before us is merely a shot in the arm—it is not even that. It will prove a bitter disappointment to our people.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Minnesota.

The gentleman from Minnesota is one of those men who is naturally in opposition to anything proposed even by his own party, to say nothing of this side of the House. It will



be recalled that after the minority had made a report on this bill, and I believe the gentleman from Minnesota concurred in that report, he went off by himself and, after sulking awhile, decided that the minority report did not suit him, and he made a separate report of his own.

If this side of the House had incorporated in this bill the very provision suggested by the amendment he has now offered, it would not have suited him, and he would have offered something else and would have jumped on the proposal offered by this side with all his strength. He is one of the men on that side of the House whose head is a fountain, whose eyes are rivers of water, on account of the great burden that is going to be imposed on industry in the payment of the taxes necessary to finance this bill, and yet he knows very well, because he is an intelligent man, that if we increased the amount as he has proposed in his amendment, this burden would fall on industry and would double the amount of taxes necessary to finance this scheme of old-age pensions.

The gentleman has not said a word about where he will get the money. In a few years it would take out of the Federal Treasury at least \$1,000,000,000 annually and yet he is one of the men who lament the fact that this measure will impose such an unbearable and intolerable burden upon industry, and because there are certain States that may not get any benefit at all, the gentleman proposes an amendment whereby industry will have to bear a still further burden and a burden much heavier than that proposed in the bill.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. KNUTSON. The gentleman speaks about raising money. Why, this administration has a magic wand with which it can go out and raise \$4,880,000,000 by simply calling on a few leaders. Let them call on a few more leaders and raise the money necessary to give the poor, downtrodden, hungry people something to eat.

Mr. DOUGHTON. That is just a sample of the billingsgate and the balderdash that this gentleman unloads on this House from day to day, and that is all it is.

I call for a vote, Mr. Chairman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The amendment was rejected.

Mr. ROBSION of Kentucky. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Mr. ROBSION of Kentucky offers the following amendment:

On page 2, section 1, line 10, strike out the figures "49,750,000" and insert the following "100,000,000 or so much as may be necessary."

On page 2, lines 12, 13, 14, 15, 16, and 17, strike out all in section 1 after the word "title" and period, and insert the following: "There shall be paid by the Federal Government as a pension to every needy citizen of the United States and its Territories and the District of Columbia 60 years of age or over, and to every needy blind person, and to every needy person totally and permanently disabled, who shall make application therefor and who shall make satisfactory proof of the requirements of the board or agency set up by the Government to administer this act, the sum of \$25 per month from the date of the passage of this act up to and including June 30, 1937, without any contribution from the State or States. Beginning with July 1, 1937, the Federal Government shall match funds provided by the several States, Territories, and the District of Columbia, to the amount of not exceeding \$20 per month for each person pensioned under this act."

Mr. ROBSION of Kentucky. Mr. Chairman and ladies and gentlemen of the Committee, under general debate I discussed this measure in detail and at some length. I pointed out how grossly inadequate the provisions of the bill were and that very few people in any State, and no one in Kentucky, would receive an old-age pension within the next year, and, perhaps, not within the next 2 years, and I also pointed out that while this measure is called an "unemployment" insurance bill, it would not put a single person back to work and did not provide a single dollar for the unemployed. I expressed the hope that liberalizing amendments would be offered and adopted. Many have been offered by several outstanding Democrats, men and women of the House, but were ruthlessly voted down.

The amendment that I have offered provides:

(a) To fix the minimum age at 60 instead of from 65 to 70 years as is provided in the President's bill.

(b) It authorizes an appropriation of \$100,000,000 and such further sum as may be necessary to carry out the provisions of this amendment, for the year beginning July 1, 1935, instead of \$49,750,000 as provided in the President's bill.

(c) It provides for the immediate payment of \$25 per month by the Government, without any contribution from the States, for each and every needy man or woman 60 years of age or over, and this payment to continue without the State's contribution until June 30, 1937. The bill of the President does not permit the Federal Government to pay out one dollar except and until the State or States change their laws and levy and collect taxes for that purpose, or at least provide a fund for that purpose.

(d) My amendment also provides the same pension to needy blind and needy people who are crippled and disabled, \$25 per month, whatever their age may be. The President's bill does not include needy blind people or needy crippled people, unless they are 65 years of age or over, and then the Federal Government will not pay anything unless the State first matches the Federal Government's money.

NO RELIEF FOR THE AGED, THE BLIND, OR THE CRIPPLES IN KENTUCKY

Under the President's bill, the State must first have its legislature meet and fix the qualifications under which needy old people could get a pension, and they may fix the minimum age anywhere from 65 to 70 years; and the State must agree to levy and collect taxes and provide a fund to meet the Government's money; and the pension would be limited to whatever the State fixed it—any sum from 1 cent to \$15 per month. The Government, under this bill, will not match more than \$15, and only \$49,000,000 in all is authorized under this bill for the year beginning July 1, 1935, and ending June 30, 1936.

There is little doubt but what there are at least 6,000,000 people in the United States over 65 years of age that are wholly dependent. Of course, if all applied and were allowed pensions and each State would match the Government's total contribution of \$15, it would only pay each person the sum of \$1.40 per month, or about 4½ cents a day, for the year beginning July 1, 1935, and ending June 30, 1936.

But the thing that alarms me most is that the aged needy in Kentucky will not receive anything for the next 2 years. We have been informed that it will be necessary to amend the constitution of Kentucky, and the constitution of Kentucky can be amended only by a vote of the people at a regular November election; and after our constitution shall be amended, it would be necessary for the legislature to meet and provide for the levy and collection of a tax for old-age pensions. This will mean more delay.

Kentucky already is heavily in debt. It has a burdensome sales tax, and even with the sales tax it is going deeper in debt every day. What if Kentucky is unable to raise the tax to match the Government's money?

So, under the President's bill, the needy old people of Kentucky must wait and wait and if Kentucky does not change its constitution and laws and match the Federal money, then there is no relief offered in the President's bill for these needy old people in Kentucky at any time.

The President's bill does not hint at any relief for the poor blind people or for poor men and women who are crippled and permanently and totally disabled.

The age limit is too high. Therefore, I am urging you, ladies and gentlemen of the House, to support this amendment of mine and fix the age limit at 60 years and include needy blind people and needy crippled people and to pay each of these groups \$25 per month, to begin just as soon as this measure becomes a law and to continue these payments until June 30, 1937. This will give Kentucky and other States similarly situated time and opportunity to amend their constitutions, change their laws, and provide a fund to meet the Government's fund, although so far as I am concerned I favor the Federal Government paying a

reasonable sum to each one of these groups so that all of our citizens may be treated alike and let each State that is able to do so add to the Federal contribution.

Of course, the rich States—New York, Pennsylvania, Massachusetts, New Jersey, and other rich States—will be able within the next few months to adjust their laws and finances to meet the Government's money because they now have effective old-age-pension laws.

Then we will have the spectacle of Kentucky, under the general revenue laws, as she did last year, pay between eighty millions and one hundred millions into the United States Treasury and that money go to help pay old-age pensions in other States out of this Federal appropriation and the old and needy, the needy blind, and the crippled people in Kentucky will not receive anything.

#### IS THE PRESIDENT'S BILL SACRED?

Scores of Democrats, including Mrs. GREENWAY, of Arizona, Mr. SCHRUGHAM, former Governor of Nevada, Mr. EKWALL, Mr. COLLINS, Mr. FORD, Mr. CONNERY, Mr. MILLER, Mr. MASSINGALE, Mr. SAUTHOFF, and several Republicans, have introduced amendments to liberalize this bill, with the purpose of getting relief to these old and needy people now; but your big Democratic machine in this House has rolled over them and defeated all liberalizing amendments.

As pointed out, the President's bill proposes no relief whatsoever to the needy blind and to the needy cripples. My amendment will provide a pension for them. If this is a bill for the relief of the needy, on what theory will you vote down this amendment for the blind and cripples? There are no groups in this country that need help more than they do.

There never has been a time in this country when poor old people needed relief as much as they need it now. My amendment provides immediate relief.

The distinguished chairman, Mr. DOUGHTON, says that I have roared like a mountain lion against this bill. I am one of those who sincerely and earnestly believe in immediate relief for the needy old people, for the poor blind, and the poor cripples of this country. Let me say to my good friend Mr. DOUGHTON that I am in dead earnest. I know how sorely disappointed will be these needy groups and the needy dependent children and poor widows if we pass the President's bill in its present form. Your machine has run over everybody here who has attempted to offer amendments to bring immediate relief to these needy groups, and more than likely your big Democratic machine will defeat my amendment. If this bill is passed in its present form, there will be persons roaring other than myself, and it will not be like one mountain lion but it will be more like the roar of 10,000 African lions. The wails of disappointed needy people in this country will be heard from one end of the Nation to the other. Your Democratic machine may run over us in the House now, but you have another problem when you undertake to run over the sentiment and the humanity of the American people next year, when you will be called upon to give an accounting of what you are doing here.

You have the majority; you can defeat this needful amendment; I can do no more than to present it to you and plead with you to forget party politics and urge you to adopt it. If you run over these needy old people, the blind, and the cripples, the responsibility is yours and not mine.

#### FAVOR MOTION TO RECOMMIT

Indications are that you Democrats at the behest of the President will jump through the hoop and pass this, the President's bill, as it has been submitted. I am advised that the Republicans will offer a motion to recommit. In that they will propose to increase the amount to each needy old person, fixed in this bill, and will vote to eliminate the section that proposes to tax the wages of the railroad workers, miners, and others. This motion to recommit does not go as far as I should like for it to go but, in my opinion, it is an improvement on this bill and I shall support it. I have not lost an opportunity and shall not lose an opportunity to vote for amendments and motions that have for their purpose to liberalize and improve this bill.

Permit me to repeat again, as I did in my speech the other day, the so-called "employment insurance" in this bill is a misnomer. This bill does not make any provision to give work to a single unemployed person, unless it is to an army of faithful Democrats in the many offices that are created by this bill. It does not provide a job for any one except for a Democratic politician. It gives no work to the unemployed. It does not provide for a single dollar for the unemployed, unless such unemployed persons are over 65 years of age and their respective States provide a fund to match the meager Federal old-age-pension fund set up in this bill.

But this bill does put a 3-percent tax on every dollar of wages of those who are employed or may become employed—mark you, not to provide any money or relief for the unemployed, but to help those who pay in the taxes, provided they pay them in a number of years and then become 65, or dead, or unemployed. Each worker must work and pay in for at least 5 years. The workers in Kentucky already have a sales tax of at least 3 percent on everything they buy with their wages, and under the railroad workers' compulsory pension law, they now pay 2 percent of their wages. If this measure should become a law, there would be at least 6 percent on every dollar earned by other workers and at least 8 percent on each dollar earned by the railroad workers in Kentucky. Therefore, in view of this fact, I think this motion to recommit is in the interest of those workers of my State and of this country, and it proposes to increase the amount of old-age pensions as fixed in this bill, and I shall vote to recommit the bill and have it amended with these provisions.

#### MUST LOOK TO THE SENATE FOR RELIEF

On final passage, I shall vote for the bill. A vote against it might be construed that I oppose old-age pensions and relief for needy widows and children and for public health and public welfare. My great objection to these features of this bill are the amounts set up are too small and the people in the poor States, and in my own State of Kentucky, will not get any relief now and, more than likely, will not for at least 2 years, and perhaps not at all. I want these needy groups in Kentucky and all other States to get this relief now. I do not want to put any additional taxes or burdens on the wages of the workers, most of them only getting one-half time, and they have more burdens than they can now bear with their small earnings and the high cost of living.

We are voting to send this bill to the United States Senate. I cannot believe that the Senate will pass this bill in its present form. I am very hopeful and confident that a lot of these salutary amendments that others and myself have been trying to get through will prevail in that body. If they do not God pity the needy old people, the blind, the cripples, and needy widows and orphan children of this country. Must they continue to suffer with hunger and cold?

This is the last opportunity I shall have to address you on this important measure, and permit me again to repeat that you Democrats have the majority and the power to defeat this and other helpful amendments. However, if you do, the responsibility is yours, and not those of us who have tried to bring relief now to these needy people. [Applause.]

Mr. DOUGHTON. Mr. Chairman, my distinguished and handsome friend the gentleman from Kentucky [Mr. ROBSION] roars like a mountain lion against this bill. If I recall, he has been a Member of Congress, a very able and distinguished Member of Congress, for many years, and it seems that just now he has awakened to the dire needs of the class of people for whom he speaks so eloquently.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. ROBSION of Kentucky. Oh, this is not the first time I have done anything of this kind. I helped to pass the bill for vocational rehabilitation, and the public-health and child-welfare legislation.

Mr. DOUGHTON. Did the gentleman appear before our committee with any proposition or suggestion, or offer us any help or assistance in any way when we were sitting

week after week holding hearings? He was silent as the grave, but now when this question is up here in the last hours of debate he comes with an amendment that even the expert draftsman cannot tell what it means, and he expects us to disrupt the entire bill by incorporating in it some half-baked, ill-considered suggestion, just for political purposes back home.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I do not yield.

Mr. ROBSION of Kentucky. It is not for political purposes.

Mr. DOUGHTON. I do not yield to the gentleman. If I understand the gentleman's amendment, it cuts out State participation for 2 years. I do not know whether it does or not, but that is what the legislative draftsmen tell us. It cuts out State participation for 2 years. That would disrupt the organization in every State that now has an old-age pension, and would turn its administration in those States over to Federal control, and necessitate the creation in those States of a Federal organization to carry out this law.

I do not think my good friend from Kentucky, when he sits down and thinks this over deliberately, would be willing to set up Federal commissions in each State in the Union to administer this law. If the Federal Government finances it, of course the Federal Government, as a matter of right, would administer the law.

Mr. ROBSION of Kentucky. Has not this Government for 3 or 4 years, and does it not now propose to turn over billions of dollars to the States?

Mr. DOUGHTON. Yes.

Mr. ROBSION of Kentucky. Why not turn over something now to the aged and needy?

Mr. DOUGHTON. What the gentleman refers to has been done in a temporary measure, but this is permanent legislation, and the gentleman knows that he would not set up temporary organizations in the State to administer this law for 2 years, with all of the expense and the bureaus that would have been established, as well as the expense in the State. The gentleman is bound to know that that would be impractical; and no one in this House would oppose a proposition of that kind more readily or eloquently than the gentleman himself. The truth is that he is bound to find some excuse, and that in his estimation nothing good can come out of the Democratic Party. The gentleman knows the inception and origin of this great humanitarian legislation came from and is now proposed by the greatest President this country has had, at least since the Civil War.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

The question is on the amendment offered by the gentleman from Kentucky.

The amendment was rejected.

Mr. ELLENBOGEN. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. ELLENBOGEN. Mr. Chairman, the social-security bill will in time affect everyone of us. It is so comprehensive in its scope and so far-reaching in its possibility of assuring security to the people of this country that we should thoroughly examine it and deliberate upon it before we vote on it.

In the short time allowed to me today I can only say a few words about it, but I expect from time to time to speak about the bill more fully and at length.

#### THE MAIN PROVISIONS OF THE BILL

I shall first review, if only in brief, the chief provisions of this bill.

The bill does not provide direct immediate payments to the aged, to the unemployed, or on behalf of children. The bill does not provide for direct immediate benefit payments of any kind. It does not set up a Federal system of old-age pensions or of unemployment insurance or of child care. I believe the people do not understand this fundamental principle

of the bill and will be bitterly disappointed when they realize it. To my mind, it is a fundamental weakness of the bill. The bill does not set up a Federal system of old-age insurance as distinguished from pensions. The payment of insurance benefits under that system to the aged of this Nation will begin January 1, 1942.

The bill does attempt to induce every State of the Union to create, establish, or improve an old-age-pension system or a system of unemployment insurance, called "unemployment compensation" in the bill. In the case of old-age pensions, the Federal Government undertakes to pay large sums of money to those States who have or will establish old-age-pension systems with certain minimum standards. One-half of all money expended by the States for old-age-pension payments is to be paid by the Federal Government.

In the case of unemployment insurance or unemployment compensation, the method resorted to is altogether different. The Federal Government, under the provisions of this bill, will levy a tax on pay rolls of certain employers, viz, those who employ 10 or more persons, of 1 percent in 1936, of 2 percent in 1937, and of 3 percent in 1938, and in every year thereafter. This tax will be levied upon these employers in every State of the Union, regardless of whether or not the particular State has an unemployment-compensation system, but if the State establishes an unemployment-compensation system with certain minimum standards described in the bill, the employers will not have to pay this tax to the Federal Government. To be more exact, the employers will be permitted to set off the unemployment payments which they make to a State fund against the Federal tax levy up to 90 percent of the tax levy. To put it in a still different way, if the employers make payments to an unemployment fund, equal to the payments required by the Federal Government, they need only pay 10 percent of the Federal tax.

The effect of these provisions is that in the States which have unemployment systems, the tax will be paid for the benefit of the employees in that State; in the States which do not have such systems the tax will be paid, but the employees of such a State will derive no benefit from the tax payments, since they will go into the general funds of the Federal Government.

It is quite certain that this should induce most States to pass some sort of unemployment-compensation laws.

A vital defect in the Federal law is that it does not prescribe definite and adequate minimum standards for the State unemployment-insurance systems. This is one of the serious defects of the bill.

#### PROVISIONS RELATING TO OLD-AGE PENSIONS SHOULD BE LIBERALIZED

As to old-age pensions, this bill requires the States to pay pensions to persons 65 years or over (except that up to the year 1940 a higher age limit is allowed). The Federal Government will make grants to the States of one-half of the money which they pay out for old-age pensions except that the Federal Government will not contribute more than \$15 per aged person.

I urged changes in those provisions before the Committee on Ways and Means during the hearings. The age limit should be reduced from 65 to 60 years, so that every person 60 years of age or over should be eligible to old-age-pension payments. The same change should be made in the Federal system of old-age insurance. Further, the payments should be increased. The States will not be more liberal than the Federal Government, and therefore the maximum for all practical purposes will be \$30 per aged person. This is far too low from every point of view.

#### DESIRABLE CHANGES OF UNEMPLOYMENT-INSURANCE PROVISION

In my testimony before the Committee on Ways and Means I also urged changes in that part of the bill relating to unemployment compensation. Industry in the United States is organized along national and not along State lines. Industrial production knows no State lines. Unemployment insurance should be under a Federal system and it should set up standards far superior to those provided for in this bill. It should raise most of the money, if not all of it, by inheritance

and gift taxes instead of by taxes on pay rolls, and it should make provisions for those that are now unemployed.

I have prepared several amendments for the purpose of liberalizing vital and important parts of the bill. From a survey of the sentiment of the Members of the House it is quite clear that under their present state of mind no amendment could possibly pass, and I therefore do not believe that I shall offer them. I shall wait until the bill has passed and a calmer spirit prevails.

#### THIS BILL IS ONLY A PART OF THE PRESIDENT'S PROGRAM

In justice to the bill, I must emphasize a point that has not been stressed in this debate and which is quite pertinent to what I am now discussing. The bill before us is only a part of the program of the President for social security and for the care of the unemployed. It is only a part; let us remember that.

The President's program contemplates that all those who are now unemployed and who are employable—7,000,000 of them—shall be given jobs; not relief, but jobs under the \$4,000,000,000 public-works bill.

The program therefore is to take care of those who are now unemployed by public works and to care for those who will be unemployed in the future by the creation of State-wide unemployment-compensation systems.

I am somewhat skeptical of the ability of the Federal Government to give jobs to all unemployed employables within a reasonable time or even within a year under the \$4,000,000,000 public-works program.

#### PROVISIONS FOR CHILDREN

Other sections of the bill provide that the Federal Government pay one-third of all the money paid by any of the States for the aid of dependent children, children who have lost their father and breadwinner, and therefore need the assistance of society.

Pennsylvania now has such a law. It is called the "mothers' assistance fund", but Pennsylvania has not appropriated enough money to pay out to these mothers and children what is due them under the State law. The law has been on the statute books in this State, but thousands upon thousands of children and widowed mothers who were entitled to payments did not receive their pension.

Under the Federal bill they will all receive their pension.

We will understand the importance of this part of the bill when we realize that 40 percent of all persons on relief—approximately 9,000,000 individuals—are children under 16 years of age. These 9,000,000 children will be given a fair measure of security with the passage of this bill.

The bill also provides for the expenditure of large sums of money by the Federal Government in aid of the States for maternity and child welfare, for hospitalization of crippled children, for the care of crippled or physically handicapped children after they have been discharged from the hospitals, and for public-health service.

#### THE SOCIAL-SECURITY BILL IS INADEQUATE

I am not satisfied with the social-security bill as it passed the House of Representatives a few days ago. I am not satisfied with the provisions which it makes for the aged, for the jobless, or for our handicapped orphaned children.

I want to emphasize that point strongly. The bill as it passed the House and as it most likely will pass the Senate of the United States and be enacted into a Federal law is not sufficient. It does not go as far as it should go. Indeed, it does not go as far as we could justly expect it to go.

#### THE ADOPTION OF THE PRINCIPLE OF SOCIAL SECURITY IS A GREAT STEP FORWARD

But I also want to emphasize another point just as strongly. That point is this: The principle which this bill establishes, the decent and humane philosophy upon which it is based, is more important than its specific provisions. We have the foundation; we can improve and better from time to time what we put on this foundation.

We have here a beginning and, with all its shortcomings, with all its obvious defects, it is a mighty step forward toward the goal of real social justice. Let us keep in mind

that high-minded men and women have fought this battle for social-security legislation for many years. They believed and they preached that it was the duty of the Government to care for its aged, to assume responsibility for fatherless or handicapped children, and to provide for the jobless through unemployment insurance.

#### THE STRUGGLE FOR SOCIAL SECURITY

It seemed almost impossible to convince the rugged individualists who were governing this great Nation that social insurance was a fundamental task of a liberal and democratic government. In all the years during which that battle was fought, no bill was passed in either House of the Congress of the United States concerning any part of social security until the passage last year of my own resolution H. R. 249, which provided for a study of a national contributory system of old-age insurance such as we are going to have under the social-security bill.

These pioneers for social legislation fought that battle in administration after administration in Washington, and they never gained an inch of ground. They got nowhere, and achieved nothing, until this administration under the leadership of Franklin D. Roosevelt came into office. And I want to pay tribute today to his inspired leadership for giving us this bill, for persuading the Congress to accept the principle that the Government of the United States has a solemn responsibility for the well-being of every one of its citizens.

#### FUTURE SOCIAL LEGISLATION

The mistakes and shortcomings of this bill are quite substantial. But it is a beginning. Let us take new courage and strength from what we have achieved so far. Let us pledge ourselves to continue the fight for social justice. If we fight hard enough, we shall see the enactment of a social-security bill so widened, so enlarged, and so liberalized that there will be real security for everyone in the United States, for dependent mothers and children, for the aged, for the needy, and for the jobless—all of them as important to the progress and security of this country as those more fortunate, and all of them deserving the economic peace and happiness which, I hope, will eventually be theirs.

#### FUTURE PROSPECTS

I visualize for the future a succession of laws that will look after the children from the day they are born, on through school until they are fully grown—a succession of laws that will guarantee to all men and women in the United States the inalienable right to a job that will pay unemployment benefits during period of unemployment; laws that will set up a system of old-age insurance so that when we have grown older and want to retire from the noise and bustle of this life into the quiet peace of our homes we will be assured a sufficient income either by pensions from the State or by old-age-insurance payments.

Every one of us would feel happier if he were assured security in his life, security in his job, or security of income while he is jobless, and security in his old age. Social-security legislation means just that. It means real security which is to accompany the human being from the time that he is born all through his life and until he reaches the end of his days.

Mr. TERRY. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. TERRY: Page 6, after line 12, add a new section to read as follows:

"Sec. 4. Whenever the President finds that a State is unable to contribute sufficient funds to furnish a reasonable subsistence compatible with decency and health to aged persons without such subsistence, and the President certifies such fact to the Secretary of the Treasury, then the Secretary of the Treasury shall, through the Division of Disbursements, make such quarterly payments as directed by the President to such State for such aged persons, except that such payments shall not exceed \$15 per person per month."

Mr. TERRY. Mr. Chairman, this is a simple amendment. As the bill now reads, the Government will contribute a maximum of \$15 for matching the State. There are, as everyone knows, many States which are unable to provide

an old-age pension or contribute to an old-age pension at this time, due to unusual economic distress, that some portions of the country have been undergoing for the last several years. I am speaking in behalf of those old people who live in those sections of the country which are not able to do their part in contributing to the old-age-pension fund at this time. These States are not trying to dodge this responsibility, and this amendment merely provides that those States which claim that they are unable at this time to match the national contribution may have their finances investigated by the President; and it is left to his discretion and to his good judgment to say whether or not those States are, in good faith, unable to contribute at this time. Although I am in favor of a more adequate pension, for the purpose of this amendment I do not seek to raise the maximum amount that the Committee on Ways and Means, in its good judgment, has fixed as the maximum to be contributed by the Government. The amendment merely provides that when the President finds these States are unable to contribute he will direct the Division of Disbursements to make the quarterly payments to such States, not to exceed \$15 per month per person. We are now taking old-age pensions as a duty national in scope, on account of the economical condition that the country is facing, and we say the old people should in some measure be taken care of by the National Government.

Mr. TAYLOR of Tennessee. Will the gentleman yield?

Mr. TERRY. I yield.

Mr. TAYLOR of Tennessee. I am in thorough sympathy with the amendment offered by the gentleman. I think it is not only logical but it is very humane. This will not be any burden or handicap on the other States. It does not take anything from them at all.

Mr. TERRY. I thank the gentleman. This does not take one cent from the other States and does not add one penny to the maximum amount that the Ways and Means Committee has said the Government must contribute.

Mr. Chairman and members of the Committee, I ask you in the name of humanity, in the name of these old unfortunate people who have the misfortune, if you want to call it that, to live in sections of the country that are not able to contribute at this time, to give them the advantage of this amendment. [Applause.]

[Here the gavel fell.]

Mr. MILLER. I offer a substitute amendment to the amendment offered by the gentleman from Arkansas [Mr. TERRY].

The Clerk read as follows:

Amendment offered by Mr. MILLER as a substitute for the amendment offered by Mr. TERRY: On page 6, line 12, after the word "centum", strike out the period, insert a colon and add the following: "Provided, That the States shall not be required to match the funds herein provided prior to January 1, 1938, and the amount provided by this title shall be paid to the respective States to be paid by them to all persons eligible to receive a pension under the provisions of this title."

Mr. MILLER. Mr. Chairman, the reason I am offering my amendment as a substitute is that I believe it will more nearly obtain fair treatment for all and removes the discretion which is permitted under the amendment of my colleague. I am not unmindful of the feeling of this House with reference to amendments, but I have a high regard for the sense of fairness of the American Congress, and it is in that spirit that I want to appeal to you.

Together with my colleague, Mr. Terry, I come from a State that is anxious to discharge its duty as a member of this Union. We want to do all that we can and fully provide our share of the governmental expenses. The State, because of its financial condition, is unable to contribute one single dime to this worthy cause and I do not want my people penalized. The legislature, which has just adjourned, has passed laws in an effort to extract tax money to put ourselves in a position to make a contribution toward the payment of old-age pensions.

Mr. HUDDLESTON. Will the gentleman yield?

Mr. MILLER. I yield.

Mr. HUDDLESTON. Does the Constitution of the State of Arkansas permit that the legislature shall present a "plan" in order that the gentleman's old people might be benefited by his amendment?

Mr. MILLER. It is very doubtful, and for that reason I think the 2½ years allowed under the substitute amendment is a reasonable time for our States to qualify.

Further, one of the statutes that was recently enacted by the legislature is now in the course of being tested with reference to its constitutionality.

Mr. HUDDLESTON. In my judgment the constitution of the gentleman's State and the constitution of my State as I know, would not permit the legislature to adopt such a plan as required by this bill and therefore with the gentleman's amendment adopted, it would not be possible for his old people to get one penny. Why does not the gentleman provide by amendment which would require the Federal Government to pay the pension direct to those people who are entitled to it?

Mr. MILLER. I do require it. It is required under my substitute amendment.

Mr. HUDDLESTON. The gentleman's substitute amendment does not obviate the "plan."

Mr. MILLER. Yes. It requires the payment of \$15 a month only under the limitations and restrictions in this bill, which contains a limitation of 65 years. This requires the money to be paid to the State, to be disbursed by the State to the people who are entitled to it according to the provisions in this bill and the passage of the substitute amendment will solve the question and will guarantee to those States 2½ years in which to comply with the provisions of the bill and place themselves in a position to make the contribution, and pending this time our eligible people will receive the same from the Federal Government as do the people from other more fortunate States.

I do not want to interfere with the theory for the payment of old-age pensions. I realize that every State ought to make its contribution, but we are facing a condition and not a theory. I am speaking to you about actual conditions. I know that Members from New York, Massachusetts, and the more favored States do not want to see old people, wherever they are situated, deprived of this aid. I do not care whether you call it a bounty and I do not care whether you justify it in the name of relief. I do not care whether you say it is a reward for loyal citizenship, but I do know and believe that the Congress is anxious to see justice done to all alike. The substitute amendment I have offered does not permanently relieve the States of their duty to make contributions. Public sentiment in those States will demand that by January 1, 1938, they shall have put their house in order and be in a position to make the contribution. It will render substantial justice, and that is all. It will render substantial justice to Tennessee, to Alabama, and to other States.

Mr. HEALEY. Will the gentleman yield?

Mr. MILLER. I yield.

Mr. HEALEY. Does the gentleman think it is fair to exclude certain States from bearing their share of the burden of supporting the old people?

Mr. MILLER. No, no; but when I look back over the time the gentleman from Massachusetts and I have been here and see the billions of dollars which this Congress has appropriated upon first one pretext and then another, I think it does not lie within the mouths of any of us to begrudge the pitiful sum of \$15 a month to any American citizen, be he from Massachusetts, Arkansas, or where not. [Applause.] I do believe that justice ought to be done. That is why I am appealing to you to support this substitute amendment. This substitute amendment will give us a chance to provide our share in paying this pension, and I am sure that our State governments want to do this. As you know, I am not connected with our State government except as a citizen, but I am told that it cannot make its contribution now. This being true, my people will not immediately receive this aid unless you adopt this substitute, and in the name and on behalf of our aged men and women, loyal and good citizens,

I ask you to join me in seeing that they receive what the Federal Government gives to others, even though our State government is at present unable to make its contribution or pay its part.

[Here the gavel fell.]

Mr. HUDDLESTON. Mr. Chairman, I rise in opposition to the substitute amendment.

Mr. Chairman, I regret very much to reach the conclusion that the amendment offered by the gentleman from Arkansas [Mr. MILLER] will not obviate the necessity that the State should present a plan. Many of the States have no constitutional authority to present such a plan. Therefore they cannot be benefited by the adoption of the amendment offered by the gentleman from Arkansas.

Now, there are some principles involved in this legislation. The first is: Does the Federal Government owe any duty of relief to the old people of the country when they are in need? If the Federal Government owes no such duty, then this bill has no proper place here.

If, on the other hand, the Federal Government does owe that duty, such obligation is in no wise conditioned upon the States making a contribution to the pension fund. And there is ample room for difference of opinion on whether we owe such duty; there is ample ground to question the wisdom and the soundness of the policy of the Federal Government entering into a pension system. But by this bill that principle is waived, that question is answered in the affirmative; then I say that no man who admits such a duty upon the part of the Federal Government can say that the pension should not be paid, forsooth, because a State fails to make its contribution or because a State is too stricken by poverty to do it. [Applause.]

Now, I say, let us have some regard for principle even at this time. I invite the gentleman from North Carolina [Mr. DOUGHTON] and his associates on the committee to have some regard for principle. Why are they here with this bill? It is because they hold that the Federal Government has a duty to perform. Then I ask how can they come here to recognize that duty as to certain citizens of this country and at the same time ignore it as to other citizens who are equally worthy and equally in need?

Mr. TERRY. Mr. Chairman, will the gentleman yield?

Mr. HUDDLESTON. I yield.

Mr. TERRY. I call the gentleman's attention to the fact that my amendment, not the substitute offered by the gentleman from Arkansas [Mr. MILLER], but my amendment, provides that it is in the good and sound judgment of the President to say whether or not these States are in such financial condition that they cannot contribute.

Mr. HUDDLESTON. Yes; it obviates the necessity for a plan; yet the amendment is hinged upon the President's discretion. If we owe the duty we are they who should recognize it. We should not leave it to the President or to anyone else to decide upon. We cannot acquit ourselves here by such subterfuges as this bill involves in certain of its aspects.

Mr. MILLER. Mr. Chairman, will the gentleman yield?

Mr. HUDDLESTON. I yield.

Mr. MILLER. The substitute removes that discretion.

Mr. HUDDLESTON. The gentleman and I differ about that.

Mr. MILLER. The substitute removes that discretion and simply provides for a contribution.

Mr. HUDDLESTON. But for only a limited time. The gentleman's amendment does not recognize any responsibility upon the part of the Federal Government to pay the old-age pensions whether the State pays them or not.

Mr. MILLER. Yes; it does.

Mr. HUDDLESTON. I say that if it is our duty to pay them, we should do it irrespective of whether the States do it or not; that is principle.

Mr. MILLER. I agree with that view; but we are taking into consideration the bill that is provided. We have got to get the best we can for these old people.

Mr. HUDDLESTON. I am not trading.

Mr. MILLER. I am not trading either.

Mr. McCORMACK. Mr. Chairman, I rise in opposition to both the amendment and the substitute.

Mr. Chairman, speaking for the committee, the committee hopes both these amendments will be defeated. We have already passed upon similar amendments this afternoon on at least two different occasions. These amendments in substance have as their objective the same objective had by at least two of the other amendments offered this afternoon.

Mr. MILLER. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. MILLER. The amendments passed upon were permanent amendments, were they not?

Mr. McCORMACK. No. There was the amendment offered by the gentleman from Nevada [Mr. SCRUGHAM] which was limited to 1937. Other amendments were offered which had the same objective.

Addressing myself now to the argument I urged in opposing the amendment offered by my distinguished friend, the gentleman from Nevada [Mr. SCRUGHAM], I do not want professional social workers of the Federal Government coming into Massachusetts and dictating to the old people of my State who are receiving benefits from a noncontributory pension system. I do not think the people of Nevada, or the people of any Southern State, of any Northern State, or of any Western State want to have professional social workers of the Federal Government dictating to the unfortunate aged of their State. That is one of the questions involved. A lot of other conditions will follow from such supervision. You cannot give the money of the Federal Government directly without the Federal Government controlling completely the administration of it and dictating to the beneficiaries of such legislation.

Mr. MILLER. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. MILLER. My amendment does not make any change whatever in the method of administration.

Mr. McCORMACK. Federal money cannot be given without the Federal Government taking control and supervision over its payment and administration.

Mr. TERRY. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. TERRY. Whether the State contributes or not, the same administration is had under my amendment.

Mr. MILLER. Under both amendments, as a matter of fact, the money is contributed to the States and is administered by the States under the terms of this bill. This being so, where is there Federal interference any more than is provided in the original bill?

Mr. McCORMACK. My friend does not realize the natural and probable consequences of his amendment. A bill has not been passed but what natural and probable consequences flow therefrom. Will the gentleman from Arkansas stand for a Federal old-age pension without State responsibility?

Mr. MILLER. No.

Mr. McCORMACK. Does the gentleman want the Federal Government to go into Arkansas and give the pensions to the people of his State?

Mr. MILLER. I am not asking that.

Mr. McCORMACK. These are the things which actuated the Ways and Means Committee in their consideration of the bill. We are trying to preserve the dual system of government; trying to provide that the law shall be administered by local hands, responsible to local public opinion, by people who will have sympathy with the beneficiaries of this meritorious and progressive legislation.

Mr. MILLER. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I am always glad to yield when I have time.

Mr. MILLER. I do not want the Federal Government interfering in our internal affairs in Arkansas or in any other State; and if my amendment is adopted they will not be interfering. All I am asking is that the Congress give to Arkansas and the other States this contribution until 1938, and then if we shall not have put our house in order, cut us off.

Mr. McCORMACK. Until 1938 it is money of the Federal Government, is it not?

Until 1938 the Federal Government is going to administer the spending of this money during which time they are contributing the entire amount. I do not yield further because the gentleman and I have an honest difference of opinion as to the operation of his amendment and the operation of the amendment offered by his colleague from Arkansas.

Mr. Chairman, if there is one State in the Union where they take pride in their local responsibility and in their desire to control the operation of this law, it is and should be Arkansas, and I join with Arkansas and the people of any other State in their desire to reserve to the several States as great power as possible in the administration of this law, so that the unfortunate beneficiaries will not be subjected to the administration of this law by the Federal Government.

[Here the gavel fell.]

The CHAIRMAN. All time has expired. The question is on the substitute amendment offered by the gentleman from Arkansas [Mr. MILLER] for the amendment offered by the gentleman from Arkansas [Mr. TERRY].

The substitute amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Arkansas [Mr. TERRY].

The question was taken; and on a division (demanded by Mr. TERRY) there were—ayes 59, noes 102.

So the amendment was rejected.

Mr. TAYLOR of Tennessee. Mr. Chairman, I ask for tellers.

Tellers were refused.

Mr. MARTIN of Colorado. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. MARTIN of Colorado: At the end of section 2, on page 4, add a new paragraph, as follows:

"(c) No State shall be disqualified to receive its quota of old-age assistance under this act by reason of failure to submit a plan in conformity with this section or any requirement thereof before July 1, 1937, after which date such State shall be disqualified to receive old-age assistance until its plan has been submitted and approved."

Mr. MARTIN of Colorado. Mr. Chairman, whether all the Members agree with this amendment or not, there can be absolutely no dispute about the facts upon which this amendment is based. It is so very brief that I am going to read it to you again:

No State shall be disqualified to receive its quota of old-age assistance under this act by reason of failure to submit a plan in conformity with this section or any requirement thereof before July 1, 1937.

Mr. Chairman, it will be recalled that in the debate last Saturday I made the statement that certain provisions of section 2 of this act, and particularly subparagraph (2) of section 2, on page 4, would disqualify every State in the Union to receive any old-age assistance under this act until they had passed laws which would enable them to submit a plan in conformity with the act. There was some disposition to question the correctness of my statement, even by members of the committee, but all those who were here will remember that when the argument was concluded it was admitted, and it is shown in the CONGRESSIONAL RECORD covering the debates of last Saturday, that the State of Delaware is the only State in the Union which can comply with the requirements of section 2 of this act and be qualified to receive the old-age assistance provided for therein. That is by reason of the fact you only have to live 5 years in the State of Delaware in order to qualify for a State pension, which is the residence requirement of this bill. The other States require from 10 years upward; my State requires 15; therefore, all those States are disqualified to receive pensions under the Federal requirement and cannot submit a plan which will meet with approval. You will find the table of all State old-age residence requirements in my remarks in the RECORD of April 13, at page 5821.

My thought with reference to section 2 has broadened somewhat since the debate of last Saturday. There are 10

requirements in section 2 that must be complied with. I would be willing to bet any Member of the House \$100 that Delaware cannot comply with all these requirements. No fish in the country, however small, can escape the net of this bill. The only thing you can do with it, if you want any of the people of your States to get Federal old-age assistance, is to postpone the operation of this section until July 1, 1937, in order to give them a chance to get their houses in order. Three-fourths of the States are disqualified because they cannot make a contribution. All but one of them are disqualified under the residence clause in section 2 of this bill, and that is admitted, and several of them are disqualified by reason of the fact they will have to amend their constitutions before they can take advantage of this bill.

Mr. MILLER. Will the gentleman yield?

Mr. MARTIN of Colorado. I yield to the gentleman from Arkansas.

Mr. MILLER. In the event the amendment offered by the gentleman is adopted, may I ask whether between now and January 1, 1937, the \$15 a month is payable to the people of all States alike?

Mr. MARTIN of Colorado. I am going to be frank about this matter.

Mr. MILLER. In other words, is the \$15 a month payable to all those over 65 years of age?

Mr. MARTIN of Colorado. This amendment does not expressly call for that. I decided to do the simplest thing possible and that is to offer an amendment which, if adopted, would be at least a declaration by the committee that this section 2 of the law will not go into effect against the States until they have had time to make provision to comply with it.

Mr. MILLER. According to the gentleman's amendment, nothing would be payable or might not be payable until July 1, 1937?

Mr. MARTIN of Colorado. May I say what my amendment does cover. All of the State old-age pensions plan requirements are outlined in section 2 in order that it may conform to the Federal plan. My amendment simply says that no State shall be disqualified until July 1, 1937, for failure to submit such a plan. There can be no mistaking what my amendment means. If its adoption requires the amendment of section 3 also, which provides the plan of Federal payment to the States, we can take care of that when we get to it. It would not be germane to section 2. If we are unable to do that, this amendment would at least be a peg upon which the other body might hang further needed amendments.

The point raised by the gentleman's question has been suggested to me before and I drew several forms of my amendment containing mandatory provision for Federal old-age assistance to all dependent old people, but I finally decided that the simplest move would be the best and I drafted the amendment as it now reads, which does not change a word in the law, but simply adds that the State shall not be disqualified to receive Federal old-age assistance for a period of 2 years because of its failure to submit an approved plan under section 2. In my judgment it will take 2 years for most of them to comply, and the upshot of it will be that the majority of the States will get nothing from the Government the next year or two.

Mr. Chairman, apparently the bill is going through the House just as it came from the committee. Only 50 or 60 of us have voted for the McGroarty, the Lundeen, and the Greenway amendments, each of them intended to give the people a pension as well as a plan. My vote for those three amendments does not mean that I favored all the provisions in them, but it did mean that I favored the principle and spirit of those plans, any one of which, I believe, could be worked into a practicable plan. I believe if we would provide even a modest pension and start in paying it, it would go a long way toward satisfying the great majority of the people. If we expect them to be reasonable, let us treat them reasonably.

Let me say one more word, and this is the important part of my statement. Every man here knows there will not be a dollar paid out under the unemployment title of this bill

for years. Everyone knows there will not be one dollar paid out under the old-age contribution provisions in this bill for years. The only title under which one dollar can be paid to the old people of this country or to the unemployed people of this country is title I of this bill, and if you pass this act with this section in operation in the language it is now, they will not get a dollar under this bill for several years.

Mr. NICHOLS. Mr. Chairman, I offer a substitute for the amendment of the gentleman from Colorado.

The Clerk read as follows:

Amendment offered by Mr. NICHOLS as a substitute for the amendment offered by Mr. MARTIN of Colorado: On page 7, line 17, after the word "individuals", add a new section, as follows: "Sec. 7. *Provided*, That in the event States do not by January 1, 1936, appropriate funds as herein provided, with which to match funds to be supplied by the Federal Government, the Federal Government shall make payments as provided herein the same as though the State had appropriated money to match Federal funds."

Mr. COOPER of Tennessee. Mr. Chairman, I make a point of order against the amendment.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard?

Mr. NICHOLS. Yes; but I am wondering what is the point of order.

Mr. COOPER of Tennessee. The amendment, certainly, is not a substitute for the pending amendment, because it is offered to a different part of the bill.

Mr. NICHOLS. No; it is a new paragraph.

The CHAIRMAN. The point of order is sustained. The proposed amendment is not a substitute for the pending amendment.

Mr. FULLER. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Colorado [Mr. MARTIN].

Mr. Chairman, the amendment offered by the gentleman from Colorado, while no point of order was made against it, is not germane to this bill, and its adoption would be a nullity. It does absolutely nothing.

The amendment starts out by saying that no State shall be disqualified until July 1937, but every word and every sentence and the entire spirit of this bill show that they could not possibly be qualified until the States had adopted a uniform plan. So the gentleman takes a negative view of this matter that is not compatible with the language or the theory of the bill. Not only this but if the amendment were adopted 20 States of the Union would be absolutely cut off at the hips, and so I ask that the amendment be voted down.

This is just another attempt to inject something here that has not been considered at all after the committee for 3 months has considered every phase of the subject matter in the bill.

With respect to the amendments that have been offered here by the gentleman from Arkansas, I concurred in them myself for a long time, as a member of the Ways and Means Committee; but we became convinced we could not carry out this social program, we could not provide for a pension that would get by the Executive of this Nation, and we could not have any relief at all if we started to adopt all kind of plans under which various States of the Union would be exempt from contributing.

Mr. Chairman, I ask for a vote on the amendment.

Mr. TRUAX. Mr. Chairman, I offer an amendment to the pending amendment.

Mr. SAMUEL B. HILL. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. SAMUEL B. HILL. Mr. Chairman, there is an amendment pending, offered by the gentleman from Colorado, on which we are asking for a vote. Has there been any amendment offered to that amendment?

The CHAIRMAN. The gentleman from Ohio [Mr. TRUAX] has been recognized to offer such an amendment.

Mr. KENNEY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. KENNEY. Mr. Chairman, how many amendments are now pending?

The CHAIRMAN. There is one amendment pending and the gentleman from Ohio is offering an amendment to the pending amendment.

The Clerk will report the amendment of the gentleman from Ohio.

The Clerk read as follows:

Amendment offered by Mr. TRUAX to the amendment offered by Mr. MARTIN of Colorado: Page 2, line 17, add a new section, as follows:

"Where State plans have not been submitted or approved by the Social Security Board there shall be paid to all persons by the United States Government, over 60 years of age, who are citizens of and residing in the United States for a period of 10 years, who are not gainfully employed and who have no income-bearing property in excess of \$5,000, the sum of \$30 a month. Upon attaining the age of 65 years, the amount of monthly payments shall be increased to \$50. Upon attaining the age of 70 years, the amount of monthly payments shall be increased to \$75."

Mr. COOPER of Tennessee. Mr. Chairman, I make the point of order against the amendment that it is not an amendment to the pending amendment. The amendment is offered to a different section and a different part of the bill and embraces an entirely different subject matter.

Mr. TRUAX. Mr. Chairman, as I understand the amendment offered by the gentleman from Colorado, it pertains to certain States that may be affected adversely during the next 2 years if this bill as written is enacted into law.

My amendment to his amendment prescribes the manner in which certain States will of necessity have to be handled if old-age pensions are to be made applicable to other States where plans have been submitted, and have been disapproved by the Social Security Board, or in certain States, such as the State of Arkansas, where satisfactory plans cannot be submitted to the Social Security Board because of lack of finances with which to meet the share contributed by the Federal Government. I claim that my amendment is germane to his amendment.

The CHAIRMAN. The Chair is ready to rule. The Chair sustains the point of order because the amendment applies to a different place in the bill. The question is on the amendment offered by the gentleman from Colorado [Mr. MARTIN].

The question was taken; and on a division (demanded by Mr. MARTIN of Colorado) there were 29 ayes and 108 noes.

So the amendment was rejected.

Mr. NICHOLS. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

On page 7, line 17, after the word "individuals", add a new section:

"Sec. 7. That in the event States do not by January 1, 1936, appropriate funds as herein provided with which to match funds to be supplied by the Federal Government, the Federal Government shall make payments as provided herein, the same as though the State had appropriated money to match Federal funds."

Mr. NICHOLS. Mr. Chairman, ladies and gentlemen of the Committee, in presenting this amendment, I would like if possible to get some common ground upon which we could start. I assume by the very fact that the great Ways and Means Committee of this House has spent so much time in the consideration of this legislation, and by reason of the fact that this House is now spending so much time in consideration of this legislation, that by these actions we admit the Federal Government does have some responsibility to the aged people, indigent dependents of this country.

If that is so, and this Congress passes legislation saying to the old people of this country, "We will pay our obligation, provided thus and so"—I do not care what the proviso is—then we have been derelict in our duty to them.

This bill provides that the people in the States can get no benefit unless the legislature of that State sees fit to make appropriations to match the money of the Federal Government. If the legislature does make up its mind to do this, then they must find the funds in the State with which to match the Federal funds. And if the State does not have and cannot raise the money with which to do this, then the old people of that State are sunk.

I submit to you in all fairness that if the Government of the United States admits that they owe the old people of



this country any amount of money in order to help them in their declining years—and I submit that by our actions now we do admit it—I do not care whether it is 1 cent or \$100 or \$1,000 per month, if the Government admits that they owe that, I say in all fairness it should pay it to them, wherever they are, and not place a penalty on them by reason of their geographical location, where the inhabitants are not able to match the funds of the Federal Government.

My amendment would simply do this. Of course in those States that could appropriate enough money to pay \$15 or any other sum and match the money of the Federal Government, the people of that State would be greatly benefited, but in those States where they could not raise the money, the people would still have some help. If it is a responsibility of the Federal Government to contribute in a State where the State can match the money of the Federal Government, it is also a responsibility of the Federal Government to pay in those States that cannot. Some of the members have said to me, "Do you mean to tell me that you favor the Government paying a pension without the State contributing something?" I have answered "Certainly", and I have asked them why they do not favor it. Their answer is "Don't you know that if you do that, every time you make a campaign in your State to come back to Congress you will have to promise the people that you will raise the ante and raise the ante and raise the ante."

I do not know whether that will apply to some of you gentlemen, but it surely would not apply to me, except to this extent: That if I thought the ante should be raised I would promise to try and raise it; if I did not I would simply say I thought they were getting enough. If this bill is passed and becomes a law, and my amendment is adopted and the Government pays direct to the States, under my amendment the Government would pay it through your machinery, Mr. Chairman. I will answer the argument of the gentleman from Massachusetts when he says it would be necessary to send down social-service workers. There is no one in this House more strongly against importing women from one State to another, and calling them social workers and having them go around telling the women of the country how to raise flowers and children, than I am. My amendment will operate right straight through the State machinery just the same as though they were contributing, and no social service or Federal machinery will be necessary.

Mr. Chairman, my reasons for introducing and insisting upon the passage of this amendment, in addition to those above stated, are, briefly, as follows:

The taxes which are used to defray the expense of the Federal Government are collected from all over the United States, and every section of the United States contributes to the Government's support, and the barriers of State lines are considered; and therefore I say that when the benefits of government are to be given back to the people of the United States, and these benefits can only be derived from the collection of taxes, the benefits should be distributed back to the people by the Federal Government without paying any attention to State lines. And this is exactly what you do when you say that these benefits can only be derived by those old people who are so fortunate as to live in a State whose financial condition, or whose legislature will permit the passage of legislation to meet the requirements of this bill.

Frankly, I am of the opinion that the Constitution of the State of Oklahoma will have to be amended before Oklahoma can possibly bring herself within the pale of the provisions of this act. And I know that the old people of Oklahoma should not be penalized by reason of the fact that they live in Oklahoma.

Frankly, I do not think that this act provides a sufficient amount of money to be paid, even if my amendment were adopted, and I will frankly say to you that if my amendment is adopted, I will immediately offer another amendment to raise the amount which the Government must pay direct to the old people who are entitled to receive the pension.

The steam roller manned by you gentlemen who are members of the Ways and Means Committee is oiled and working

in perfect condition this afternoon, and I want to warn you that if you crowd this bill down the throats of the American people, and it does not operate any better than I think it will operate, then I say that we are playing into the hands of the Republican Party of this Nation and are probably doing more to hurt the cause of democracy in the United States than anything else we have done this entire session.

I probably will vote for the passage of this bill, but if I do, I will not vote for it because I think it is adequate, nor because I think that it fulfills the pledge that I, and the majority of the Members of this House made, when we ran for office last fall, but I will only vote for it because I hope that every State in the Union can, and will, pass legislation which will permit the old people of those States to enjoy the benefits of this legislation—even though these benefits are not adequate, if and when they receive them, purely upon the theory that it is better to take a half loaf than none at all, and for the further reason that I deem it necessary to at this session of Congress put some sort of old-age pension legislation upon the statute books.

I have ever been for unemployment insurance, but I am not at all sure that if the unemployment insurance which we provide for in this bill is adopted, that it will take care of the situation.

As a matter of fact, I signed the Greenway petition, demanding that the Ways and Means Committee report these measures out, separated from each other, so that we could look at them and see their merits by themselves, and not be compelled to consider them in the form of an omnibus bill whose provisions are so interwoven with each other that it is almost impossible to dissect them and know what the net result will be.

This measure will as surely pass this House as I am standing here today, in exactly the same form that it was brought to the floor by the Ways and Means Committee, and I sincerely hope that after we men, who have been flattened out by the wheels of the steam roller which has forced this bill upon us, have shaken ourselves to an awakening and find that the measure is in the hands of the United States Senate for consideration, that that body will have both foresight and intestinal fortitude enough to amend it, as we should have amended it, to bring it somewhere close to the proportions of the law that the old people of this Nation who have worn themselves out through toil and labor that these United States might today enjoy her position at the head of the procession of nations, are expecting.

In closing, I want to say that if I vote for this bill on final passage, I will be in the frame of mind that a man would be in were he to find himself in the middle of a blizzard without clothing, and was forced to put on a thin suit of B. V. D.'s for warmth, by reason of the fact that there were no warmer clothes available.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. TRUAX. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. TRUAX. I rise to ask the Chairman if my amendment, just ruled out on a point of order, would be germane to the amendment of the gentleman from Oklahoma?

The CHAIRMAN. The Chair thinks it would not be. It would be germane as an original amendment after this amendment is disposed of.

Mr. McCORMACK. Mr. Chairman, this is the same amendment that has been offered on three different occasions this afternoon. I do not see how any of my distinguished friends who propose such an amendment can argue that the Federal Government contributes all of the money, and at the same time that the Federal Government will, and should not, supervise the spending of that money. One follows the other, no matter what is intended. If the Federal Government is contributing all of the money, I expect the Federal Government to supervise and control the spending of that money. Personally I am opposed to that idea, but if that is to be the policy, then I want the Federal Government to control and supervise the spending of its own money.

Mr. LEE of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Yes.

Mr. LEE of Oklahoma. Would the gentleman refuse to send Federal funds into a State to help the aged when that State is not able to match the fund?

Mr. McCORMACK. We cannot have two different systems in the United States. We cannot have Federal aid to a State making a State contribution in some States and have total Federal contribution to other States. It is ridiculous, in my opinion, to advocate any such plan; to have some of the States of the Union performing their functions as sovereign States and other States of the Union not performing their functions as sovereign States. I have just as much feeling and sympathy for the infirm and the dependent as has the gentleman or anyone else, and if we could afford a higher amount each month, I know that all would vote for it.

Mr. HUDDLESTON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I will. I have a very great respect for whatever the gentleman from Alabama says, and when he says anything I consider it very seriously before I disagree with him. I yield to the gentleman.

Mr. HUDDLESTON. Why does not the gentleman or some member of the committee answer my argument on the merits, instead of stating something with reference to the formality of the situation?

Mr. McCORMACK. I believe it is the best policy to have a law which is consistent with our dual system of government, with the Federal Government contributing and the State assuming its responsibility.

Mr. HUDDLESTON. Does the gentleman think that such a measure as this which coerces and bribes the State into a system of Federal aid is conducive to the dual form of government? You are destroying our governmental system.

Mr. DOUGHTON. Oh, I make the point of order, Mr. Chairman, that the gentleman from Alabama is out of order.

Mr. SABATH. This is encouragement to the State.

Mr. HUDDLESTON. What we are doing is to wipe out State lines. We are centralizing all of the powers here in Washington. We are trying to destroy our dual system of government. That is what is the matter with this measure.

Mr. McCORMACK. If we follow the gentleman's idea, we will destroy it. If we are going to take away from the State the State's responsibility, we will destroy our dual system, the State, at the expense of the Federal Government.

Mr. NICHOLS. Mr. Chairman, will the gentleman yield to me?

Mr. McCORMACK. Let me say one more word about the gentleman's amendment. If the gentleman's amendment is adopted, no State intended will get a penny.

Mr. NICHOLS. No, no.

Mr. McCORMACK. Pardon me. What I may say is at least worthy of consideration. The gentleman has asked that the States get Federal contribution up to a certain time.

Mr. NICHOLS. Oh, no. The gentleman did not hear my amendment.

Mr. McCORMACK. The gentleman's amendment provides for Federal contribution as provided in this act?

Mr. NICHOLS. That is correct.

Mr. McCORMACK. What is in this act? Not a penny.

Mr. NICHOLS. Will the gentleman yield right there?

Mr. McCORMACK. Pardon me just a moment. There is nothing in this bill as to what the Federal Government will contribute until the State passes a law. Then the Federal Government says, "We will contribute, dollar for dollar, up to \$15 a month."

The CHAIRMAN. The time of the gentleman from Massachusetts [Mr. McCORMACK] has expired.

Mr. NICHOLS. Mr. Chairman, I ask unanimous consent that the gentleman have two additional minutes. I would like to ask him a question.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma?

Mr. SAMUEL B. HILL. Mr. Chairman, I object.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma [Mr. NICHOLS].

The question was taken; and on a division (demanded by Mr. McFARLANE and Mr. MARTIN of Colorado) there were ayes 47 and noes 126.

So the amendment was rejected.

Mr. DUNN of Pennsylvania. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. DUNN of Pennsylvania. I would like to ask if it will be germane to offer an amendment asking for \$50 a month for every person over 60 years of age who is in need?

The CHAIRMAN. Whenever such an amendment is offered the Chair will pass on it.

Mr. SAMUEL B. HILL. Mr. Chairman, I move that all debate on title I and all amendments thereto close in 20 minutes.

The motion was agreed to.

Mr. McCLELLAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McCLELLAN: Page 2, strike out title I and all of section 1 of title I, and insert in lieu thereof the following:

"TITLE I. OLD-AGE ASSISTANCE  
"APPROPRIATION

"SECTION 1. In order to furnish financial assistance, such as to provide, as far as practical, reasonable subsistence compatible with decency and health to aged individuals without such subsistence, who are American citizens and who have or shall hereafter attain the age of more than 65 years, and who may qualify as eligible to receive such aid under the conditions herein prescribed, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$450,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title."

Mr. McCLELLAN. Mr. Chairman, the purpose of this amendment is to strike at two of the principal faults of title I of this act. The first is that if the Government is going to deal with one of the major problems confronting this Nation, it ought to accept the responsibility for dealing with it to a final conclusion and so as to get satisfactory results.

The subject of title I is Grants to States for Old-Age Assistance. If it was a problem of constructing State improvements or improvements for the Nation, where a State receives some special benefit, where property rights were involved, and where property values were increased, it would be quite appropriate, in my judgment, for the United States Government to say to that State thus affected that the Federal Government will not pay anything for that purpose until and unless the State and its citizens are willing to help raise the revenues for that purpose. But here we are not dealing with property rights. We are not contributing to the material wealth of States as such. We are making a contribution, if we are doing anything, or we ought to be making a contribution, to the individual citizen who desires our aid and whom this legislation proposes to assist.

Under the present bill there is proposed an appropriation of \$49,750,000 for the first year. I want to say to you—and I am talking to those who have given the most study and thought to this measure, the members of the Ways and Means Committee—that you are not deceiving anyone. We all know, and you must admit, that during this time of emergency, during this time of distress, when the Government is appropriating \$4,880,000,000 to try to find work for able-bodied men, we should consider those who have reached that age where they can no longer work. The emergency is just as great or greater for those people. Still you propose for the next year only \$49,000,000 from the Government's Treasury to aid those who are old, infirm, and can no longer earn a livelihood. Of course, you are proceeding on the assumption—and correctly so under the terms of your bill—that States cannot match it, that States will not match it, and State laws will not be effective, and therefore no greater appropriation will be required. That is one of the great injustices this bill inflicts. Do you know what you propose to appropriate—\$49,750,000—will provide? It will only amount

to \$4.17 per month on the basis of 1,000,000 out of 7,500,000 people who are more than 65 years of age. Is that adequate? I say to you that today there are 2,000,000 or more who ought to have this relief. If you put it on that basis you will provide for only \$2.08 for each of these old people each month. That is not adequate to make the contribution to which they are entitled. I realize the temperament of this body, and I know you are going to vote this down. I think this is a problem of such magnitude that partisanship should play no part in it.

I am not interested in warning the Republican Members of their danger, but I say to you, my Democratic colleagues, the responsibility in the passage of this legislation is ours—the one in power today. The President of the United States is our leader and we have a large enough majority in either branch of Congress to pass any bill we desire. The few Republicans here are not in our way. We, as Democrats, must accept full responsibility for this bill and the consequences resulting from its passage. My amendment proposes an appropriation sufficient to pay \$15 per month to 2,500,000 who can and will qualify for these benefits, and should be passed. If you pass this bill in its present form with this meager appropriation you are going to seriously discriminate against a large percentage who are entitled to these benefits. It will be disappointing to everyone and result in consequences you shall soon regret.

I plead for your consideration before it is too late. The old and infirm bring to you and me as their representatives their baskets empty and ask for grain. Are you going to fill them with shucks instead and leave them destitute and hungry? Let us not turn them away. [Applause.]

The CHAIRMAN. The time of the gentleman from Arkansas [Mr. McCLELLAN] has expired.

Mr. HUDDLESTON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, unusual as the practice is in these times, I wish to make an appeal to reason and to logic. This bill provides for a system of State aid for which there is no warrant in the Constitution and which can be sustained, as the Supreme Court has decided in the Massachusetts case, merely because there is nobody eligible to call it in question. It provides for a system of old-age pensions for which there is no warrant in the Constitution, and upon the soundness of which men of ability and character might well find themselves in radical difference.

As I stand in this Chamber I wonder what those who have gone before us would have said had they stood here today. What would Jefferson have said—what would any of the great Democrats of the past have said—had he been in the House and have seen a committee of his party coming in here with a bill based upon such principles as characterize this bill?

By saying that we should have a system of old-age pensions, through a system of State aid, the gentlemen of the committee have conceded the point that the Federal Government is responding to its proper function. They say that we are come upon a new day, in which the Government shall recognize its obligation to pension the old. Discussion of that point has now passed for them. Now, will the Government meet this responsibility? Will we do what we say the Government ought to do?

If members of the committee will not do it, then give me some reason. I appeal to you to answer this on its merit. No member of the committee has attempted to answer on the merits so far as I know. I have heard no defense. I am tired of evasions; I am tired of assigning reasons of formalism and of technicality when reason is appealed to. I am tired of appeals to sentiment and of plays to prejudice against social workers.

One Member replied that not to require contributions from the States would tend to destroy our system of government. What, I ask him, could have more influence toward the destruction of our duality of government than an offer to the legislatures of the States a bribe of a grant of Federal funds to do a thing that they perhaps otherwise

would not do? [Applause.] What greater force to destroy our form of government can be offered than for the Federal Government to coerce, through a measure such as this, the States into establishing a pension system which they otherwise might not want to do?

What we are doing here may have consequences reaching far beyond the horizon of the lives of those now here. Its tendency is to destroy our form of government. Its tendency is to centralize all the affairs of government in Washington until, following onto its logical end what is being done by this bill, the time may come when our dual system will be destroyed and the Union be dissolved into sections, not through force but in disgust and by unanimous consent.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Arkansas.

The amendment was rejected.

Mr. HOFFMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOFFMAN: On page 4, section 2, line 6, strike out the word "five" and insert in lieu thereof the word "ten"; and on the same page and section, line 7, strike out the word "nine" and insert in lieu thereof the word "fifteen."

Mr. HOFFMAN. Mr. Chairman, the difficulty the gentlemen on the Democratic side find themselves in and the cause of their bitter disagreement grows out of the fact that they have disregarded a statement of our President. Last year, when he came back from that trip across the Pacific, which he so richly deserved, and stopped over in Wisconsin, he told us very plainly that "you should not rob Peter to pay Paul." That was a sound, sane statement of a principle.

Now you have a plan whereby you propose to take a certain amount from one class of citizens and give it to another class, and today we find Members from some States, the poorer States, States which cannot meet the requirements of this bill, which cannot get anything under the provisions of this bill, opposed to those requirements and arguing with Members of their own party who live in more wealthy States.

The bill itself is merely a modified form of HUEY LONG'S "share the wealth" proposition, a mild version of the Townsend plan. Unlike those plans, it provides the machinery for the collection of the necessary funds to put it into operation.

It takes from thrifty, saving Peter to pay unfortunate Paul, whether that misfortune be due to his lack of opportunity, lack of thrift, aversion to labor or to misfortune over which he had no control.

To the operation of this scheme, as between individuals, you have no objection, but, when you attempt to apply it and the States are each required to furnish an amount to match that taken from a certain class by the Government, then you of the poorer States object and you Democrats of the wealthier States refuse their plea; you will not give to a poor State or to the inhabitants thereof that which you insist the impoverished individual shall have from his more fortunate neighbor—the height of inconsistency. But that is nothing new in your legislation.

The Chairman of the Committee on Rules, Mr. O'CONNOR, this morning asked a question and he made a statement, neither of which should go unanswered. Referring to the Republicans, he said "They fought every humanitarian piece of legislation." Perhaps he made that statement because, when talking, he was a zealous partisan; perhaps he made it because he has always lived in New York and has never visited "the sticks" and by "the sticks" I mean that country west of the western boundary of Pennsylvania and east of the Rocky Mountains—other than Chicago.

His sincerity is unquestioned, his knowledge unbounded, and it could only have been in a thoughtless moment that he advanced that idea; because in Michigan for many years, under Republican rule, we have had legislation granting mother's pensions, aid to children, and workmen's compensation laws. Did he refer to humanitarian legislation? Surely he has not forgotten the legislation which preceded, that which followed, the emancipation proclamation; that

declaration by the first Republican President and those laws enacted by a Republican Congress, the greatest single enunciation looking toward the freeing of humanity ever made by any one man.

And is he familiar with the history of the legislation looking toward the prevention of child labor and of that which was enacted to better the working conditions, not only of women, but of men, as to hours and places and safety of employment? Michigan's statute books contain enactment after enactment for those very purposes.

The number of children who were benefited by the enactment of the Federal laws against the exploitation of childhood was negligible when compared with those benefited by the laws of Northern States enacted under Republican rule.

The gentleman from New York asked the question: "When did the Republicans think of old-age pensions during all the years they were in power?" That is a fair question. Never was there necessity for old-age pensions until you gentlemen began your raids on the Public Treasury. [Applause.] We never even dreamed it would be necessary as a national proposition.

When did we begin to think of it? I will tell you when. When the people discovered that you, as a party, did not mean what you said; when you repudiated the platform you adopted at Chicago; when you repudiated the promises that you made during the campaign and on which your candidates won their election.

Consideration of old-age pensions and like legislation became necessary after business men learned that you did not intend to balance the Budget, that the promises your President had caused to be printed upon the Government's obligations were not intended to be fulfilled; when the regulations imposed by the last Congress, under the present administration, prevented the natural, normal recovery which has always, unaided, followed a national depression.

Some of us remember the administration of Grover Cleveland, the 50-cent wheat, the work in the factories at \$3 per week, and we recall that, out of that depression, when McKinley was elected in the campaign where the battle-cry was "a full dinner pail for all", "Protection for American industries", how the wheels of industry, after his election, began again to hum and smoke from the factory chimneys once more clouded the skies.

No; never under the long, long years of Republican control and administration, has it been necessary to consider the question of old-age pensions, of unemployment insurance, as a national question. Only when a Wallace and a Tugwell began their efforts to control the operations of nature did such a question arise.

Oh, I know what you will say: That Harding's administration gave us this depression. But remember that, while there were rascals in the Republican Party, while we had a Teapot Dome, a Doherty, and, to our sorrow, others of like mind, that your party has never been free from men of the same stripe and with the same purpose in mind, and the poorest excuse in all the world and the one which you persistently use is that Hoover did this or that or something else. When she caught me with jam on my face and fingers, mother never accepted the excuse that my little sister had taken it from the shelf.

"Playing politics with human misery"—no; neither good Democrats nor good Republicans would intentionally do such a thing, but, unfortunately, we each, and always a successful party has more of them, have within the party organizations a few plunderers. Never before, however, has a great party openly—yes, proudly—used public money for political ends. During the last campaign, you all know, not that some of your party chiefs played politics with human misery, but that they played politics with money, and that not their own, but the money of the taxpayers.

Nor have you kept faith with the people. I hold in my hand Liberty bond no. 1298252, issued by the United States Government of America, dated October 24, 1918, bearing the authorized facsimile signature of Mr. McAboe, then

Secretary of the Treasury. This bond contains this statement:

The principal and interest hereof are payable in United States gold coin of the present standard of value.

This bond was issued and it was sold during the administration, and presumably with the authority and approval of a great Democratic President.

Last year another Congress and another Democratic President, one who stands for the underprivileged, repudiated this promise. And, for the first time in the history of our country, in the one hundred and fifty-ninth year of our Government, you caused us, as a nation, to violate that promise, to repudiate our obligations.

Honesty the best policy? Why teach the children honesty, if a nation may be dishonest, keeping its promises only as convenience dictates? I shall not say that this repudiation was a lie—that is a harsh word—and it does not apply to the failure to keep a promise which was intended to be kept when made. The repudiation is a breach of good faith.

It is, however, what might be expected from a great national party which adopts a platform, which makes a campaign upon a declaration of principles, upon promises, and then, within a few short months, repudiates the platform, disregards the principles.

No Republican need criticize Democratic policies or legislation. If you wish constructive criticism, turn to the statements of that venerable and patriotic Senator from Virginia, CARTER GLASS; read what Bainbridge Colby, President Wilson's Secretary of State, has said; read and consider what Senator TYDINGS, over in the Senate, had to say just a few days ago about your conduct and what was certain to follow. You will cease to criticize Republicans. You will understand that, however sincere and laudable your purpose may be, the incompetent, arbitrary, and unjustifiable interference with those who produce the wealth of this country by all of these plans, which your President has said were merely experiments and one of which, the triple A, Secretary Wallace is quoted as having said was a "political expediency", give you the real reasons why you are now considering this bill. The quackery practiced by your experts has brought on a disease which you, no doubt, believe can be cured, or at least alleviated, by this remedy. Let us hope and trust you are right. We on this side can do naught else. Let us hope and pray that the results will be no worse than your other so-called "remedies."

Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. TRUAX. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. TRUAX: On page 2, line 17, add a new section, as follows:

"Where State plans have not been submitted nor approved by the Social Security Board there shall be paid to all persons by the United States Government, over 60 years of age who are citizens of and residing in the United States, for a period of 10 years, who are not gainfully employed and who have no income-bearing property in excess of \$5,000, the sum of \$30 per month. Upon attaining the age of 65 years the amount of monthly payments shall be increased to \$50. Upon attaining the age of 70 years the amount of monthly payments shall be increased to \$75."

Mr. COOPER of Tennessee. Mr. Chairman, I make a point of order against the amendment.

Mr. TRUAX. Will the gentleman withhold his point of order?

Mr. COOPER of Tennessee. I reserve the point of order for the present.

Mr. TRUAX. Mr. Chairman, objections to this amendment and other similar amendments have been made by the members of the Ways and Means Committee on the argument that to adopt these amendments would mean a decentralization of the powers invested in the States and in the Federal Government by this bill. May I advise my good

friend the gentleman from Massachusetts [Mr. McCORMACK], that has already been done in the case of Federal relief work in the State of Ohio and some other States.

In the State of Ohio Mr. Harry L. Hopkins a few weeks ago summarily, arrogantly, and unjustly withdrew all cooperative efforts with the State of Ohio in the administration of relief funds. Mr. Hopkins followed with a statement a little later on in which he said that any Members of Congress or other politicians who mixed in relief work in any State would be kicked out, and damn quick.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. TRUAX. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. May I say to the gentleman from Ohio that there is less power vested in the Federal Government under the administration of title I and the other grants and aids to States than any other similar statutes on the books.

Mr. TRUAX. Mr. Chairman, permit me to say that this Congress has already appropriated from forty to fifty million dollars more for the Army. I understand there will be set aside the sum of \$900,000,000, to be spent by Dr. Rexford Tugwell to buy land and to alleviate the dust menace; yet here we are considering and voting to make available a lousy, measly \$49,000,000 to take care of 1,000,000 aged people in this great country of ours. Think of it—\$49,000,000 as measured against \$900,000,000 for Dr. Tugwell's relief. Is that justice? Is that fair? Is that giving the aged people what they deserve? Mr. Chairman, our very eloquent colleague, the gentleman from Alabama [Mr. HUDDLESTON], spoke very feelingly and eulogistically of Thomas Jefferson and George Washington.

In the time of Thomas Jefferson and George Washington there was no need for old-age pensions. Ninety-eight percent of the American people lived on the farms. The farmers were energetic and frugal and the 2 percent who lived in the urban centers of population waxed fat on the toil and production of the farmers. Following the Revolutionary War, Alexander Hamilton, Secretary of the Treasury, found a new-born nation confronted with a seemingly insurmountable debt. The farmers shipped their surplus grains and commodities to Europe. Alexander Hamilton levied a gentle import duty upon the manufactured commodities made in Europe and bought by the American farmers. It was then that Hamilton said that he had "smote the rock from which the golden flow of prosperity gushed forth", when, as a matter of truth, it was the farmers' labor and thrift that did the trick.

The bill we are considering is H. R. 7260, to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes. This bill was introduced in the House of Representatives April 4, 1935.

On April 11 the House adopted the rule making the bill in order and providing for 20 hours of debate.

A careful study of the bill will disclose that in section 1, title I, the sum of \$49,750,000 is authorized to be appropriated for the coming fiscal year and for each fiscal year thereafter, a sum sufficient to carry out the provisions of this title. The sums made available shall be used for making payments to States. In my judgment the sum herein appropriated is entirely too small.

In his annual message to the Congress, President Franklin D. Roosevelt said:

In addressing you on June 8, 1934, I summarized the main objectives of our American program. Among these was, and is, the security of the men, women, and children of the Nation against certain hazards and vicissitudes of life.

At this time I recommend the following types of legislation looking to economic security:

1. Unemployment compensation.
2. Old-age benefits, including compulsory and voluntary annuities.
3. Federal aid to dependent children through grants to States for the support of existing mother's pension systems and for

services for the protection and care of homeless, neglected, dependent, and crippled children.

4. Additional Federal aid to State and local public-health agencies and the strengthening of the Federal Public Health Service. I am not at this time recommending the adoption of so-called "health insurance", although groups representing the medical profession are cooperating with the Federal Government in the further study of the subject, and definite progress is being made.

With respect to unemployment compensation, I have concluded that the most practical proposal is the levy of a uniform Federal pay-roll tax, 90 percent of which should be allowed as an offset to employers contributing under a compulsory State unemployment compensation act. The purpose of this is to afford a requirement of a reasonably uniform character for all States cooperating with the Federal Government.

We pay now for the dreadful consequence of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives sought in this report.

Hearings were started on January 21, 1935. The testimony compiled from the hearings before the Committee on Ways and Means on the Economic Security Act totaled 1,141 pages. The recommendations of the committee cover four subjects, namely:

First. Unemployment compensation.

Second. Old-age security.

Third. Security for children.

Fourth. Extension of public-health services.

Yet we authorize only \$49,000,000 for the aged! On unemployment compensation the bill proposes a Federal pay-roll tax upon all employers throughout the country who employ four or more employees. A Social Insurance Board is created to consist of three members appointed by the President functioning within the Department of Labor. The old-age security portion of the bill provides for an old-age pension of \$30 per month, the cost of which is to be borne equally by State and Federal Governments. In the event of States not passing adequate legislation indigent people 65 years of age will be down and out. The bill provides for an old-age annuity system for all employed persons and for a system of voluntary annuities for people of small incomes. That section which deals with security for children seeks to meet the costs of dependent children, oftentimes referred to as "mothers' pensions." Ten million dollars is proposed for the extension of public-health services. Total appropriations authorized in the bill amount to \$98,500,000 in the fiscal year 1936 and \$218,500,000 in subsequent years. Only a beginning. That is all and nothing more. We are only scratching the surface; hence, my amendments to obtain funds from the millionaire class.

The minimum age, both in States wherein old-age-pension laws have been enacted, and in the minds of legislators who have given this subject considerable thought, is 65 years. In my judgment, the limit should be reduced to 60 years. The reason for this suggested reduction is twofold. First, it gives the needy individual 5 additional years in which to enjoy, if he can, the fruits of hard toil and industry during the earlier years of his life. Hence, I choose to call all such measures as the one under discussion "old-age rewards." Second, under the system of government which has permitted ultrarich individuals and wealthy corporations and trusts to accumulate 95 percent of the wealth of this country, under a system which has created a mortgaged and bonded indebtedness, public and private, of approximately \$230,000,000,000, largely controlled by the international Wall Street bankers and their fellow pirates, the mortgage-loan companies and 36-percent loan sharks, under a system which has resulted in massed finance, massed industry, and 11,000,000 idle men, it is impossible for a man 60 years of age to obtain work, even though he be able-bodied and willing to work.

The average longevity of persons reaching the age of 65 is about 11 years for men, 15 years for women. Eleven short years of picking for men and 15 for women what few crumbs of happiness and contentment that may be gleaned from the festal boards of the twentieth century Dives by the modern Lazarus. Surely, every human being reaching 65 is entitled to 11 short years of relaxation and con-

tentment before being struck down by the withering hand of death.

Mr. Chairman, that a comparatively small class are absorbing the wealth of the country as fast as it is produced, leaving to those who create it scarcely a bare subsistence, is apparent to all.

The people I plead for are the struggling masses, the farmers, the wage workers, small business men, and producers who for 45 years have toiled with hand and with brain, toiling away day by day, month by month, and year by year, creating the wealth of the country, paying the taxes of the country, to have that wealth accumulated by the favored few of special privilege and grand larceny.

During the recent winter practically all of the opponents of taxing the rich were happy and comfortable in their own homes. They were warm. Yet thousands and tens of thousands of little children shivered because of the inability of their parents to buy coal or gas. People still are hungry in a land of plenty. People freeze in a country that abounds in coal and oil. People are homeless because there are too many homes. Eleven million men are still unemployed because there are too many men who want to work. Too many millionaires and too many paupers!

What shall be done with these distressed people? Why, give them the reward of a fixed annuity or retirement when they become 60 years of age and let that reward be at least \$50 per month?

You who have a home, who sit by the warmth of your fire in winter, in the coolness of your spacious porch in the summer, who are blessed with an income, it is you who must be your brother's helper in this great crisis. It is easy to be happy and contented when you have a good job or a good income.

It was easy enough to be a good citizen and a consistent patriot when you have plenty. But it is poverty and economic slavery, suffering and distress, sorrow and disappointment, that try men's souls, that proclaim to the world the kind of stuff of which they are made.

Mr. Chairman, we seek to rescue and rehabilitate, with old-age pensions, the human derelicts beached on the sands of misery and despair by the tidal wave of legalized burglary, organized plunder, and bloody racketeering of the Morgans, the Kuhn-Loebs, the Mellons, the Wiggins, the Lamonts, and all the other high priests of the money aristocracy and scavengers of human misery. You cannot do it on \$15 a month.

What about the farmer who lost his farm? What about the unemployed home owner who had his home cast upon the bloody altar of the money lender? What about those of us who have a home and means of livelihood? How many of us can sleep soundly tonight, secure in the knowledge that when we reach the age of 60 we will have a roof for shelter and an income sufficient to provide food and warmth for our bodies?

What about the father who wielded the pick, the shovel, the hammer, the saw, that communities might be built? What of the humble tiller of the soil who blazed the trail and made the desert to blossom as the rose?

What of the men who have gone down into the bowels of the earth to bring forth the natural resources for the enrichment of the coal barons, the copper kings, the oil magnates, the steel monarchs, and the electric-power barons?

What of those who have gone down into the factories and shops to feed the roaring blast furnaces, to operate the turning lathe, the punch press, the trip hammer, to become mere cogs in the mechanistic equipment of the gigantic industrialists, only to be kicked out like yellow dogs when they reach middle age. Oh, the Fords, the Schwabs, and other great industrialists boast of high wages and short hours. Yet, with their mammoth conveyor systems, the strain is so great, the toil so devastating, that men are worn out and crushed at 45 and 50 years of age.

No; you cannot provide old-age rewards with a Federal pension of \$15 per month. The United States Government, by levying a capital tax on all million-dollar fortunes, a

proper tax on all inheritances, gifts, and all incomes, can pay a pension of \$50 per month. They can pay it now, they can pay it in 1936, 1937, and 1938. Instead of empty promises, instead of a meaningless pledge, we can give them action; and we can and should give them humane and just legislation now! [Applause.]

Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The CHAIRMAN. All time has expired.

Mr. DEEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. DEEN. I have tried several times to offer an amendment.

The CHAIRMAN. If the gentleman has an amendment to offer, the Chair will state that he may offer it and it may be voted on without discussion.

Mr. DEEN. Mr. Chairman, I endeavored several times to get recognition. I ask unanimous consent to proceed for 2 minutes in order to present what I think is a worth-while amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. DEEN. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. DEEN: On page 7, after line 17, add a new section reading as follows:

"EFFECTIVE DATE

"SEC. 7. The provisions of this title shall not become effective until at least three-fourths of the States have adopted a State old-age assistance plan meeting the requirements of section 2 of this title."

Mr. DEEN. Mr. Chairman, I offer this amendment in order to protect States, like my own State, which will have to have action by the State legislature in the form of a constitutional amendment before they may participate in the benefits involved in this legislation. I do not think it is right or fair for the taxpayers of the Federal Government to give these benefits to some of the States while nearly half of the States will be denied that privilege for the next 2 or 3 years. I think as a matter of policy my amendment ought to be adopted and the proposition approved by three-fourths of the States before it becomes effective, and I hope, Mr. Chairman, this amendment will be accepted. I am in favor of old-age pensions and I want to vote for this bill, but my amendment will enable all the States to participate. As it stands in this bill, only about half of the States will benefit, while all the people will pay the taxes.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia [Mr. DEEN].

The amendment was rejected.

Mr. MASSINGALE. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. MASSINGALE: Amend section 1, title I, by striking out the figures "49,750,000" in line 10 and insert in lieu thereof the figures "500,000,000."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma [Mr. MASSINGALE].

The amendment was rejected.

Mr. SAUTHOFF. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. SAUTHOFF: On page 2, line 10, after the word "of", strike out "\$49,750,000" and insert in lieu thereof "\$150,000,000", and on page 4, line 19, after the word "assistance", insert "and which until July 1, 1937, shall be equal to two-thirds and thereafter."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin.

The amendment was rejected.

Mr. MOTT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MOTT: Page 4, line 1, after the word "than", strike out "65" and insert "60."

The question was taken; and on a division (demanded by Mr. MOTT) there were—ayes 13, noes 115.

So the amendment was rejected.

The Clerk read as follows:

TITLE II. FEDERAL OLD-AGE BENEFITS  
OLD-AGE RESERVE ACCOUNT

SECTION 201. (a) There is hereby created an account in the Treasury of the United States to be known as the "Old-Age Reserve Account", hereinafter in this title called the "Account." There is hereby authorized to be appropriated to the Account for each fiscal year, beginning with the fiscal year ending June 30, 1937, an amount sufficient as an annual premium to provide for the payments required under this title, such amount to be determined on a reserve basis in accordance with accepted actuarial principles, and based upon such tables of mortality as the Secretary of the Treasury shall from time to time adopt, and upon an interest rate of 3 percent per annum compounded annually. The Secretary of the Treasury shall submit annually to the Bureau of the Budget an estimate of the appropriations to be made to the Account.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the amounts credited to the Account as is not, in his judgment, required to meet current payments. Such investment shall be made in any interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States. The Secretary of the Treasury may at any time sell any such obligations. The interest on, and the proceeds from the sale of, any such obligations shall be credited to the Account.

(c) All amounts credited to the Account shall be available for making payments required under this title.

(d) The Secretary of the Treasury shall include in his annual report the actuarial status of the Account.

OLD-AGE BENEFIT PAYMENTS

SEC. 202. (a) Every qualified individual (as defined in section 210) shall be entitled to receive, with respect to the period beginning on the date he attains the age of 65, or on January 1, 1942, whichever is the later, and ending on the date of his death, an old-age benefit (payable as nearly as practicable in equal monthly installments) as follows:

(1) If the total wages (as defined in section 210) determined by the board to have been paid to him, with respect to employment (as defined in section 210) after December 31, 1936, and before he attained the age of 65, were not more than \$3,000, the old-age benefit shall be at a monthly rate of one-half of 1 percent of such total wages;

(2) If such total wages were more than \$3,000, the old-age benefit shall be at a monthly rate equal to the sum of the following:

- (A) One-half of 1 percent of \$3,000; plus
- (B) One-twelfth of 1 percent of the amount by which such total wages exceeded \$3,000 and did not exceed \$45,000; plus
- (C) One twenty-fourth of 1 percent of the amount by which such total wages exceeded \$45,000.

(b) In no case shall the monthly rate computed under subsection (a) exceed \$85.

(c) If the Board finds at any time that more or less than the correct amount has theretofore been paid to any individual under this section, then, under regulations made by the board, proper adjustments shall be made in connection with subsequent payments under this section to the same individual.

PAYMENTS UPON DEATH

SEC. 203. (a) If any individual dies before attaining the age of 65, there shall be paid to his estate an amount equal to 3½ percent of the total wages determined by the board to have been paid to him, with respect to employment after December 31, 1936.

(b) If the board finds that the correct amount of the old-age benefit payable to a qualified individual during his life under section 202 was less than 3½ percent of the total wages by which such old-age benefit was measurable, then there shall be paid to his estate a sum equal to the amount, if any, by which such 3½ percent exceeds the amount (whether more or less than the correct amount) paid to him during his life as old-age benefit.

(c) If the board finds that the total amount paid to a qualified individual under an old-age benefit during his life was less than the correct amount to which he was entitled under section 202, and that the correct amount of such old-age benefit was 3½ percent or more of the total wages by which such old-age benefit was measurable, then there shall be paid to his estate a sum equal to the amount, if any, by which the correct amount of the old-age benefit exceeds the amount which was so paid to him during his life.

PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR BENEFITS

SEC. 204. (a) There shall be paid in a lump sum to any individual who, upon attaining the age of 65, is not a qualified individual, an amount equal to 3½ percent of the total wages determined by the board to have been paid to him, with respect to employment, after December 31, 1936, and before he attained the age of 65.

(b) After any individual becomes entitled to any payment under subsection (a), no other payment shall be made under this title

in any manner measured by wages paid to him, except that any part of any payment under subsection (a) which is not paid to him before his death shall be paid to his estate.

AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATE

SEC. 205. If any amount payable to an estate under section 203 or 204 is \$500 or less, such amount may, under regulations prescribed by the board, be paid to the persons found by the board to be entitled thereto under the law of the State in which the deceased was domiciled, without the necessity of compliance with the requirements of law with respect to the administration of such estate.

OVERPAYMENTS DURING LIFE

SEC. 206. If the board finds that the total amount paid to a qualified individual under an old-age benefit during his life was more than the correct amount to which he was entitled under section 202, and was 3½ percent or more of the total wages by which such old-age benefit was measurable, then upon his death there shall be repaid to the United States by his estate the amount, if any, by which such total amount paid to him during his life exceeds whichever of the following is the greater: (1) Such 3½ percent, or (2) the correct amount to which he was entitled under section 202.

METHOD OF MAKING PAYMENTS

SEC. 207. The board shall from time to time certify to the Secretary of the Treasury the name and address of each person entitled to receive a payment under this title, the amount of such payment, and the time at which it should be made, and the Secretary of the Treasury through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, shall make payment in accordance with the certification by the board.

ASSIGNMENT

SEC. 208. The right of any person to any future payment under this title shall not be transferable or assignable at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

PENALTIES

SEC. 209. Whoever in any application for any payment under this title makes any false statement as to any material fact, knowing such statement to be false, shall be fined not more than \$1,000 or imprisoned for not more than 1 year, or both.

DEFINITIONS

SEC. 210. When used in this title—

(a) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include that part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year.

(b) The term "employment" means any service, of whatever nature, performed within the United States by an employee for his employer, except—

- (1) Agricultural labor;
- (2) Domestic service in a private home;
- (3) Casual labor not in the course of the employer's trade or business;

(4) Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country;

(5) Service performed in the employ of the United States Government or of an instrumentality of the United States;

(6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;

(7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(c) The term "qualified individual" means any individual with respect to whom it appears to the satisfaction of the board that—

- (1) He is at least 65 years of age; and
- (2) The total amount of wages paid to him, with respect to employment after December 31, 1936, and before he attained the age of 65, was not less than \$2,000; and
- (3) Wages were paid to him, with respect to employment on some 5 days after December 31, 1936, and before he attained the age of 65, each day being in a different calendar year.

Mr. VINSON of Kentucky. Mr. Chairman, I offer a committee amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Committee amendment: Page 8, strike out lines 11 to 24, both inclusive, and insert:

"(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the amounts credited to the account as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose

such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the account. Such special obligations shall bear interest at the rate of 3 percent per annum. Obligations other than such special obligations may be acquired for the account only on such terms as to provide an investment yield of not less than 3 percent per annum.

"(c) Any obligations acquired by the account (except special obligations issued exclusively to the account) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

"(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the account shall be credited to and form a part of the account.

"(e) All amounts credited to the account shall be available for making payments required under this title.

"(f) The Secretary of the Treasury shall include in his annual report the actuarial status of the account."

Mr. VINSON of Kentucky. Mr. Chairman, this is a committee amendment to which no objection in committee was interposed.

Under title II there are certain annual appropriations that are placed in the old-age reserve account. There is an obligation in this bill upon the part of the Federal Government that such appropriations will earn 3 percent compounded annually, in order to build up the reserve. The committee amendment, as offered, makes it mandatory on the Secretary of the Treasury that the special obligations which may be issued hereunder must yield at least 3-percent interest annually.

This provision is desired in order that there may be no deficit in the old-age reserve account, so that at the time the aged will be entitled to receive the benefits, sufficient money will be in the account.

Mr. KENNEY. Mr. Chairman, I rise in opposition to the committee amendment.

Why should we change the language of this bill at this particular point? And if we are to change it at all, why do we not make an addition to the amendment so that we may be assured of a reserve fund to take care of any contingency that may arise?

We have had heated debate this afternoon, and there arose gentlemen from various States who felt there was a direct obligation on the part of the Federal Government to pay the old-age pensions directly to our people. They reiterated and realleged that under the plan of this bill it would be impossible for their aged to reap any benefit for at least years to come because their States had not the means to match the Federal contribution provided for the States, and I heard the gentleman from Alabama [Mr. HUNDLESTON] ask what would men of character, ability, and understanding do in the circumstances, referring to our great men of the past. The gentleman knows his history, and he must be aware that when this country was faced with financial crises our forefathers, the founders of the Republic, were quick to meet them, and did so by raising large sums of money which were not available from ordinary sources. The time has come, certainly, in view of what has transpired during the debate on this social-security bill, when we should follow in the footsteps of our revered leaders of old, whose judgment we have upheld down through the years, and without quibbling and delay provide for a national lottery. The question was asked emphatically what Thomas Jefferson would do in the case before us, where we are undertaking to assist the States in caring for their aged, but under such conditions that many of the States claim that our legislation will be in vain because of complete lack of funds or on account of some State constitutional limitation. A complete answer to that is that Thomas Jefferson, he who gave his all to his people and grew white and infirm in the service of his country, would do as he was done by in his declining years when he was the recipient of a pension or competence from funds raised for him by lottery. [Applause.]

Either the committee which has jurisdiction should now make provision for the raising of this revenue, or the gentlemen from the States who complain that their treasuries are

depleted and exhausted should join the great movement for a national lottery and at once. Once we establish a federally operated lottery the National Government will have ample funds for the payment of the entire amount of \$30 a month to men and women over 65 years of age. The lottery money collected by the Federal Government might well be allotted to the various States for use in making payments of their part of the pension or for the discharge of any other obligation.

Instead of trying to get the pension money in its entirety from the Federal Government, which means obtaining it from certain States which will be compelled to bear the whole burden, my colleagues from the hard-pressed States should immediately enlist in the cause for a national lottery. My State of New Jersey is now paying over \$96,000,000 a year to the Federal Government and getting back something like \$52,000,000, including allotments for relief. In other words the State of New Jersey is contributing \$44,000,000 to the Federal Government and part of this money is going out through the Federal Government to the States of the very gentlemen who are here today asking that we pay more.

We cannot pay more without great hardship. Many of our municipalities have defaulted on their bonds and we have our limitations. The time has come when we must lighten the load of our taxpayers. We cannot be held back by unwarranted scruples. Such scruples must be thrown aside. We must be sensible and practical. So stated a gentleman of the Committee on Ways and Means this afternoon. And so we must be—sensible and practical. To be so, all of us, and especially the gentlemen who are seeking the whole pension from the Federal Government, should give impetus to the great movement and establish our own national lottery. We would then have hundreds of millions of dollars available every year for old-age pensions and other worthy purposes. We would have them from our citizens in willing contributions that are now being sent abroad for participation in foreign lotteries. Scruples which are not well founded must not stand in the way. It is our duty to garner this money for revenue and allocate it whenever necessary to the States. Then the States now in dire distress will have money in their coffers and be able to insure the comfort of their people by meeting their share of the required contribution to old-age pensions which are indisputably worthy and desirable. [Applause.]

Mr. WADSWORTH. Mr. Chairman, I move to strike out the last word, for the purpose of asking the gentleman from Kentucky a question. There is only one copy of this amendment. I purloined this copy from the Clerk's desk.

Mr. COOPER of Tennessee. Every member of the Ways and Means Committee on both sides had a copy of that amendment.

Mr. WADSWORTH. But those of us who are not on the Ways and Means Committee have no copy. I want to ask the gentleman from Kentucky a question. I find this in the amendment:

The purposes for which obligations of the United States may be used under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the account.

Mr. VINSON of Kentucky. I may say that such authority is in existing law, and I know the gentleman will realize that bringing this quoted language into this bill adds nothing and detracts nothing.

The same principle and policy embodied in the language that the gentleman reads has been operating in the Treasury for several years in previous administrations. There is no new authority embraced in the bill except the one point to which I adverted a moment ago, and that was to require the interest rate on special obligations to yield at least 3 percent. This is desired because of the obligation of the Federal Government to make appropriations yield at least 3 percent compounded annually so that the reserve account would be on hand to pay the benefits under title II.

Mr. WADSWORTH. It is a requirement necessary in the event that the manager of the fund cannot secure or purchase in the market United States bonds or other equivalent



to yield a net of 3 percent; then the Treasury may issue some special bonds.

Mr. VINSON of Kentucky. That is correct with this proviso, that if they cannot get Government securities, or securities the principal and interest of which is guaranteed by the Government to yield annually 3 percent or more, then the special obligations may issue and be sold. If the Federal Government can buy Federal bonds or securities, the principal and interest of which is guaranteed by the Federal Government that will yield an excess of 3 percent, then they can buy them.

Mr. WADSWORTH. In order to keep the fund intact, in the event the Government bonds do not net 3 percent, the Government will issue bonds; in other words, borrow money which will net 3 percent?

Mr. VINSON of Kentucky. That is correct; because they have the obligation set out in this bill that the appropriations will yield 3 percent annually, compounded, the actuarial figures are based upon 3 percent interest, compounded annually.

Mr. WADSWORTH. Then, am I far wrong in stating—I cannot help remembering what the gentleman from New York [Mr. REED] said yesterday—that the Treasury under this will be put in the position of borrowing money from the fund?

Mr. VINSON of Kentucky. No. The thing they will do is to get the money from the fund. The Federal Government borrows the money from the fund and replaces it with governmental obligations.

Mr. TREADWAY. Mr. Chairman, I rise in opposition to the pro forma amendment. The gentleman from New York [Mr. WADSWORTH] brings up the very question that I brought up during the consideration of this paragraph in the committee. I was very much surprised to find there was such a large amount of authority vested in the Secretary of the Treasury in relation to the manner in which the funds were to be handled. The amendment that the committee has just offered has new matter in it, as I understand it, bearing on the interest rate only, and perhaps for the sake of the record I should ask to have placed in the RECORD a memorandum that Mr. Bell, the Acting Director of the Budget, sent me in answer to a question asking for information similar to that the gentleman from New York wanted. I ask unanimous consent to have that inserted in the RECORD at this point.

The CHAIRMAN. Is there objection?

There was no objection.

(The communication referred to is as follows:)

TREASURY DEPARTMENT,  
Washington.

HON. ALLEN T. TREADWAY,

House of Representatives.

DEAR SIR: This is submitted in compliance with your request for a statement of the provisions which confer authority on the Secretary of the Treasury to issue special interest-bearing obligations of the United States to the old-age-reserve account created under section 201 (a) of the social-security bill. You are advised that such authority has been granted by the Second Liberty Bond Act, as amended, the pertinent provisions of which are set forth in the attached memorandum.

I trust that the above information sufficiently answers your inquiry.

Very truly yours,

D. W. BELL,

By I. E. ERB,

Acting Director of the Budget.

[NOTE: If the amendment to section 201, which was approved this morning by the subcommittee, is adopted, this memorandum becomes moot, as the amendment contains express authority to issue obligations to the old-age reserve account and specifies the interest rate.

I. E. ERB.]

AUTHORITY OF THE SECRETARY OF THE TREASURY TO HANDLE PUBLIC-DEBT TRANSACTIONS PURSUANT TO AUTHORITY CONTAINED IN THE SECOND LIBERTY BOND ACT, AS AMENDED

Section 1 of the Second Liberty Bond Act, as amended, approved September 24, 1917, reads in part as follows:

"That the Secretary of the Treasury, with the approval of the President, is hereby authorized to borrow, from time to time, on the credit of the United States for the purposes of this act, and to meet expenditures authorized for the national security and defense and other public purposes authorized by law . . . .

"The bonds herein authorized shall be in such form or forms and denomination or denominations and subject to such terms

and conditions of issue, conversion, redemption, maturities, payment, and rate or rates of interest, not exceeding 4½ percent per annum, and time or times of payment of interest, as the Secretary of the Treasury from time to time at or before the issue thereof may prescribe . . . .

"The bonds herein authorized shall from time to time first be offered at not less than par as a popular loan, under such regulations, prescribed by the Secretary of the Treasury from time to time, as will, in his opinion, give the people of the United States as nearly as may be an equal opportunity to participate therein, but he may make allotment in full upon applications for smaller amounts of bonds in advance of any date which he may set for the closing of subscriptions and may reject or reduce allotments upon later applications and applications for larger amounts, and may reject or reduce allotments upon applications from incorporated banks and trust companies for their own account and make allotment in full or larger allotments to others, and may establish a graduated scale of allotments, and may from time to time adopt any or all of said methods, should any such action be deemed by him to be in the public interest: *Provided*, That such reduction or increase of allotments of such bonds shall be made under general rules to be prescribed by said Secretary and shall apply to all subscribers similarly situated. And any portion of the bonds so offered and not taken may be otherwise disposed of by the Secretary of the Treasury in such manner and at such price or prices, not less than par, as he may determine . . . ."

The first paragraph above quoted was amended by the act of February 4, 1935, to read as follows:

"The Secretary of the Treasury, with the approval of the President, is hereby authorized to borrow, from time to time, on the credit of the United States for the purposes of this act to provide for the purchase, redemption, or refunding, at or before maturity, of any outstanding bonds, notes, certificates of indebtedness, or Treasury bills of the United States, and to meet expenditures authorized for the national security and defense and other public purposes authorized by law, such sum or sums as in his judgment may be necessary, and to issue therefor bonds of the United States: *Provided*, That the face amount of bonds issued under this section and section 22 of this act shall not exceed in the aggregate \$25,000,000,000 outstanding at any one time."

The Gold Reserve Act approved January 30, 1934, amended section 1 of the Second Liberty Bond Act by adding a new paragraph, as follows:

"Notwithstanding the provisions of the foregoing paragraph the Secretary of the Treasury may from time to time, when he deems it to be in the public interest, offer such bonds otherwise than as a popular loan; he may make allotments in full or reject or reduce allotments on any obligations whether or not the offering was made as a popular loan."

Section 5 of the Second Liberty Bond Act, as amended, provides for the issuance of Treasury certificates of indebtedness as follows:

"In addition to the bonds and notes authorized by sections 1 and 18 and 22 of this act, as amended, the Secretary of the Treasury is authorized, subject to the limitation imposed by section 21 of this act, to borrow from time to time, on the credit of the United States, for the purposes of this act, to provide for the purchase, redemption, or refunding, at or before maturity, of any outstanding bonds, notes, certificates of indebtedness or Treasury bills of the United States, and to meet public expenditures authorized by law, such sum or sums as in his judgment may be necessary, and to issue therefor (1) certificates of indebtedness of the United States at not less than par (except as provided in section 20 of this act, as amended) and at such rate or rates of interest, payable at such time or times as he may prescribe; or (2) Treasury bills on a discount basis and payable at maturity without interest. Treasury bills to be issued hereunder shall be offered for sale on a competitive basis, under such regulations and upon such terms and conditions as the Secretary of the Treasury may prescribe, and the decisions of the Secretary in respect of any issue shall be final. Certificates of indebtedness and Treasury bills issued hereunder shall be in such form or forms and subject to such terms and conditions, shall be payable at such time not exceeding 1 year from the date of issue, and may be redeemable before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe."

The Gold Reserve Act of January 30, 1934, further adds a new section (20) to the Second Liberty Bond Act which modifies the authority contained in section 5, quoted above. Section 20 reads as follows:

"Sec. 20. The Secretary of the Treasury may issue any obligations authorized by this act and maturing not more than 1 year from the date of their issue on a discount basis and payable at maturity without interest. Any such obligations may also be offered for sale on a competitive basis under such regulations and upon such terms and conditions as the Secretary of the Treasury may prescribe, and the decisions of the Secretary in respect of any issue shall be final."

Section 18 (a) of the Second Liberty Bond Act, as amended, provides for the issuance of notes as follows:

"That in addition to the bonds and certificates of indebtedness and war-savings certificates authorized by this act and amendments thereto, the Secretary of the Treasury, with the approval of the President, is authorized to borrow from time to time on the credit of the United States for the purposes of this act, and to meet public expenditures authorized by law . . . . and to issue therefor notes of the United States at not less than par in such form or forms and denomination or denominations contain-

ing such terms and conditions and at such rate or rates of interest as the Secretary of the Treasury may prescribe, and each series of notes so issued shall be payable at such time not less than 1 year nor more than 5 years from the date of its issue as he may prescribe, and may be redeemable before maturity (at the option of the United States), in whole or in part, upon not more than 1 year's nor less than 4 months' notice, and under such rules and regulations and during such period as he may prescribe."

The Gold Reserve Act of January 30, 1934, further amended the Second Liberty Bond Act by adding thereto a new section as follows:

"Sec. 19. Notwithstanding any other provisions of law, any obligations authorized by this act may be issued for the purchase, redemption, or refunding at or before maturity of any outstanding bonds, notes, certificates of indebtedness, or Treasury bills of the United States, or to obtain funds for such purchase, redemption, or refunding under such rules, regulations, terms, and conditions as the Secretary of the Treasury may prescribe."

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Kentucky [Mr. VINSON].

The committee amendment was agreed to.

Mr. TREADWAY. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. TREADWAY: Page 7, beginning with line 8, strike out all of title II down to and including line 9 on page 15.

Mr. TREADWAY. Mr. Chairman, I think this is the worst title in the bill. It sets up a form of payment that is evidently provided for in an unconstitutional manner. It has been very difficult for even the lawyers of the Department favorable to the legislation to find any excuse for including this special tax. It will be a particularly burdensome tax upon industry, running to 6 percent on pay rolls, and eventually will be a tax on industry of \$1,877,000,000. Evidently the majority party has very little consideration for industry. The Secretary of Agriculture, Mr. Wallace, yesterday made one of the worst exhibitions of himself that I think has ever been made, in a trip he made to Maine. He insulted the citizenship of New England in an outrageous manner. It is said that he laughed at the idea of Japanese competition as a threat to the cotton industry in New England, and suggested that the manufacturers in New England seek new lines of endeavor. Why should he tell the manufacturers of New England that they must seek new methods of industry? That is a great idea. Then he is reported to have said:

It gets my goat to see manufacturers trying to pull this sort of stuff. Where is the rugged individualism I have heard so much about?

And then went on to speak of this flabbiness of the third and fourth generations. Those third and fourth generations are just as good in New England today as the people of the day to which he refers in his remark about rugged individualism. He then said that some day we will recognize this as "the worst kind of bad manners, and immorality of the worst kind." What immorality of the worst kind did he find going from Boston to Portland, making dollar signs on the edge of his newspaper? What immorality did he find among the citizens of New England? He is quoted as saying:

It is time for New England to seek new fields of endeavor. I am astonished at all of this whining from New England.

Has not New England the right of livelihood? Evidently he wants to take it away from us, but we will not yield supinely to his orders or to his insults to our section of the country. But it is an indication of the spirit of certain people against New England's industry.

Mr. PARSONS. Mr. Chairman, I make the point of order that the gentleman is not speaking to his amendment.

The CHAIRMAN. The gentleman from Illinois makes the point of order that the gentleman from Massachusetts is not confining himself to his amendment.

Mr. TREADWAY. I am confining myself to references to the effort being made to destroy industry in New England which is backed up by this bill, and we are not going to stand for it.

The CHAIRMAN. The gentleman will please confine himself to the amendment.

Mr. TREADWAY. I thank the Chairman. There is plenty to talk about in connection with the motion which I just

made. I do not need to refer to the attitude of the Secretary of Agriculture to get a subject to talk about, because the whole purpose of this title in the bill is to tax industry, and we are overburdened, overtaxed, and overinsulted.

Mr. PARSONS. Mr. Chairman, I renew my point of order that the gentleman is not confining himself to the motion.

Mr. TREADWAY. Does the gentleman want me to read any figures on taxation under this scheme? I will tell him what it is. The Secretary of Agriculture vouches for it, too. He is one of the proponents of this very bill.

Mr. PARSONS. Mr. Chairman, I renew my point of order that the gentleman is not confining himself to the motion.

Mr. TREADWAY. I submit I am speaking in order, and I decline to be interrupted by the gentleman.

The CHAIRMAN. Up to the present time the gentleman has been confining himself to the motion. The gentleman knows the rules of the House and will please confine himself to the motion.

Mr. TREADWAY. Title II is the most offensive title in this measure; and that is saying a whole lot. The majority has tried its best to find a way in which to defend and support the title. They are begging the question here. They cannot stand here in dignity and honor and debate this title II and the tax paid under title VIII. The two go together.

Now, what about this business tax? I said at page 5531, when we had this measure up for general discussion:

Business and industry are already operating under very heavy burdens. Many businesses at the present time are barely able to keep their heads above the water.

That is not only true but, further, if they do not keep their heads above water they have to pay that 6 percent, because that is included in title VIII just the same, whether business is operating at a loss or not.

I hope my motion will prevail.

[Here the gavel fell.]

Mr. LEWIS of Maryland. Mr. Chairman, I do not rise to make any prepared address with reference to title II of the bill. You know, of course, that it is the provision applying the benefits arising under title VIII, namely, the title which imposes certain taxes upon the pay rolls of the country, one-half to be deducted from the employees' wages.

I need not say to you that thrift has been one of the great factors in the progress of the human race. This title is designed to provide a system of organized thrift in the interest of the workers of the country. Organized thrift, ladies and gentlemen, as designed in this bill, receives a most striking illustration in the industrial finances of the country.

I hold in my hand a statement showing the dividends paid by corporations in the United States during 4 years of the depression. Altogether, for the years 1930 to 1933, inclusive, \$21,214,925,000 have been paid. Of this sum, \$17,267,920,000 have been paid by those companies out of their reserves built up from the profits of previous years. Compare this seventeen billions with the total sums paid in relief, including R. F. C. and Public Works, and the comparative numbers of people involved.

I do not think this fact should be taken as a matter of reproach to the employers of the country. It was good financing; it was high prudence on their part to have set aside some \$17,000,000,000 in the years of their good fortune and prosperity, to protect their stockholders and dividend funds when the day of failure and misfortune should come. But when the charge is made on the floor that no member of the Ways and Means Committee will so expose his honor as to defend this section establishing a like organized fund to protect the worker, I want to accept the challenge and say that while it was perhaps natural enough, as things go for these financiers, when setting aside \$17,000,000,000 of reserves to protect their stockholders, to overlook the millions of human beings in their employ, we in this House of Representatives cannot overlook such a paramount duty.

[Here the gavel fell.]

Mr. COCHRAN. Mr. Chairman, I ask unanimous consent that the gentleman may be allowed to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MICHENER. Will the gentleman yield?

Mr. LEWIS of Maryland. No. I have given the facts. If \$17,000,000,000 are justified in reserves for the stockholders of the country, and I do not deny that they were, then certainly proportionate reserves should be set aside for the laborer and employees who help them make it, for days of similar need and distress. [Applause.]

Mr. MICHENER. Will the gentleman yield?

Mr. LEWIS of Maryland. I yield.

Mr. MICHENER. By reason of the prudence—

Mr. LEWIS of Maryland. Oh, the gentleman is arguing.

Mr. MICHENER. No. I am asking the gentleman a question.

Mr. LEWIS of Maryland. Well, ask the question.

Mr. MICHENER. If, by reason of the prudence and care of those industries of which the gentleman has spoken, the stockholder has been able to receive dividends and the working man has been able to continue his job in many instances throughout the depression, does the gentleman not think they exercised pretty good judgment in the flush days?

Mr. LEWIS of Maryland. I have already commended their judgment as sound. The infirmity in the \$17,000,000,000 fund was that it did not include their workers—it all went to the stockholders, it did not save the jobs of the workers. The practical circumstance is this, that with respect to the owners of our industrial system, boards of directors had control of the funds at their source, and were able to establish a system of enforced thrift for the stockholders. They did not put the question to a vote of the stockholders. They simply set the funds aside, from abundant profits, in the form of reserves.

Now the workers were not in a position to control such funds at their source and say, "So much of this excess shall be set aside for our day of tribulation—for the day when they think our arms are not as swift as others to turn the great wheels of competitive industry." That is our work this day. This chapter in the bill only provides the institution necessary for that purpose as is done in other countries. [Applause.]

[Here the gavel fell.]

Mr. LEWIS of Maryland. Mr. Chairman, I ask unanimous consent to include at this point the table to which I have referred.

The CHAIRMAN. Is there objection?

There was no objection.

The table referred to is as follows:

DEPARTMENT OF COMMERCE,  
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,  
Washington, April 13, 1935.

To: R. B. HARRIS.

Committee on Economic Security.

From: H. GORDON HAYES,

Chief Division of Economic Research.

Subject: Data for Congressman Lewis re corporate income and dividends.

Profits, cash dividends, and surpluses of all corporations

[Statistics of Income, Bureau of Internal Revenue, Treasury Department]

	Compiled net profit less income tax	Cash dividends paid	Balance after cash dividends paid
1933 <sup>1</sup>	\$490,000,000	\$2,976,000,000	\$3,445,000,000
1932	4,115,377,000	3,885,601,000	8,000,977,000
1931	1,175,595,000	6,151,093,000	7,326,678,000
1930	3,947,035,000	8,202,241,000	4,255,206,000
1929	10,676,071,000	8,355,662,000	2,320,409,000
1928	9,552,604,000	7,073,723,000	2,478,881,000
1927	7,538,372,000	6,423,174,000	1,115,198,000
1926	8,280,642,000	5,945,293,000	2,335,349,000
1925	8,146,052,000	5,189,475,000	2,956,577,000
1924	5,913,602,000	4,338,823,000	1,574,779,000
1923	6,697,157,000	4,163,118,000	2,534,039,000
1922	5,183,000,000	3,437,000,000	1,746,000,000

<sup>1</sup> Estimates for columns 2 and 3 for 1933 derived by applying to the Treasury data herein for 1932 the estimated percentage changes of "net dividends paid" and of "corporate losses" from 1932 to 1933 as computed in the national income study by the Division of Economic Research, Bureau of Foreign and Domestic Commerce, and for column 1 by subtracting the derived figure for column 2 from column 3.

<sup>2</sup> Deficit.

Mr. REED of New York. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I know the hour is late, I know the Members are getting impatient to get away, and it is not perhaps the proper time to try to discuss this subject, but I earnestly beseech the Members to give me at least a minute or two of their time.

Not a man on the floor of this House is authorized to stand here and cast his vote on any piece of legislation until he has taken an oath to support the Constitution of the United States, to defend it against all enemies, foreign and domestic, without any mental reservation whatsoever and without any purpose of evasion.

The best legal talent the administration has been able to engage from the departments and elsewhere has endeavored to so frame title II, change its title, distort it, and put the tax features in title VIII, to mislead and deceive, if possible, the Supreme Court of the United States. I stated yesterday, and I state again today, that the members of the committee in their conscience know that title II and title VIII are unconstitutional. They know they are trying to set up as a Federal activity a police power that is reserved to the States.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. No; I cannot just now; I have only 5 minutes. Members of the committees know that the President of the United States, who is now urging that these two titles be enacted into law, when he was Governor of the State of New York in 1930, in a radio address broadcast to the country called attention to the fact that the Federal Government was invading the rights of the States, and he specifically mentioned the very type of legislation we have before us today. He said that this invasion on the part of the Federal Government must stop. Now, my colleagues, you know that what you are attempting to do is unconstitutional, and you know that for that reason title II and title VIII ought to be eliminated from the bill. They are not relief provisions, and they are not going to bring any relief to the destitute or needy now nor for years to come. It is more of your compulsory, arbitrary program. You are saying to a specified class of wage earners, not all—for, as I have said, you are not giving these benefits to the needy at all—but you are saying to the wage earner, "We are going to force you to pay a tax to buy an annuity from the Government." You propose to whip and lash the wage earner into paying this tax, but you are not treating everybody alike. Millions who labor are exempted from benefits. People who work on farms grow old; people who work as domestic servants grow old; they have the problems of old age, but they can starve in their old age so far as getting aid from this bill. Gentlemen, why talk about the difficulty of administering the act as an excuse for omitting them? You found no difficulty in providing for the administration of title I of the act, which reaches every person who is in need; but when it comes to certain classes, then you discriminate. This title ought to be removed from the bill.

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I hardly think the argument—

Mr. MICHENER. Mr. Chairman, will the gentleman yield for an inquiry before he starts his statement?

Mr. McCORMACK. Certainly.

Mr. MICHENER. Mr. Chairman, how long is it contemplated that we are to work on the bill tonight?

Mr. McCORMACK. I am just an ordinary Member of the House; I am sorry I cannot answer the gentleman's question.

Mr. MICHENER. Mr. Chairman, may I ask the chairman of the committee how long he expects to keep the committee in session this evening?

Mr. DOUGHTON. I cannot say right now; it depends on what progress we make.

Mr. MICHENER. It is now 5:10, and we are at page 15. We have 59 pages yet to consider. We have been adjourn-

ing at 4 o'clock every day. I, for one, object to running through until we conclude consideration of the bill, and I shall make the point of no quorum. You can get a quorum, probably; you have the votes to go ahead, but the gentleman stated he would handle the matter reasonably.

Mr. COCHRAN. Mr. Chairman, I make the point of order that the gentleman from Michigan cannot take the gentleman from Massachusetts off his feet by a point of no quorum.

Mr. MICHENER. I do not have to ask the gentleman to yield in order to make a point of no quorum.

Mr. McCORMACK. Mr. Chairman, I did not yield to the gentleman to make a point of no quorum.

Mr. TAYLOR of Colorado rose.

Mr. SNELL. Mr. Chairman, I suggest the gentleman from Massachusetts yield to the gentleman from Colorado to make a statement.

Mr. McCORMACK. Mr. Chairman, I gladly yield to the gentleman from Colorado.

Mr. MICHENER. Mr. Chairman, I withdraw my point of no quorum until the gentleman from Massachusetts shall have concluded. Then I shall renew it.

Mr. TAYLOR of Colorado. Mr. Chairman, we hope to finish the consideration of the bill tomorrow. If we can do so, I hope, personally at least, that we may adjourn over Saturday. It does not make much difference how far we go tonight if we can get through tomorrow.

Mr. SNELL. Mr. Chairman, may I address a question to the majority leader?

Mr. McCORMACK. I yield to the gentleman from New York.

Mr. SNELL. I think we might have a reasonable understanding about adjourning this evening. As far as delaying the bill for passage tomorrow is concerned, there is no desire to delay the bill in any way. I think when we get by the pending question the major part of the bill that is of a controversial nature will be over. However, it does seem to me we ought to have an understanding that we adjourn at a reasonable time tonight, then we will cooperate with you on the other side with reference to finishing the bill tomorrow. I think we might as well have an agreement now as later in the evening.

Mr. McCORMACK. I think that probably Members on that side would like to get away tomorrow, and probably we can complete the bill tonight. I realize the gentleman may make a point of no quorum, but if it is possible to get through with the bill tonight it might be advisable to do that.

Mr. SNELL. Well, some Members have left the Chamber. There was no suggestion until within the last half hour that it was intended to finish this bill tonight.

Mr. COOPER of Tennessee. I may say to the minority leader that in a brief conference with the ranking minority member of the Ways and Means Committee awhile ago he indicated that after the gentleman from New York spoke there was no one else to speak on this question. I think probably with 5 minutes more we could conclude it on this side and dispose of this section before we adjourned. This would give us ample opportunity to dispose of the rest of the bill tomorrow.

Mr. SNELL. After a speech of 5 minutes on that side and a speech by the gentleman from Ohio [Mr. JENKINS] on this side it will be agreeable to adjourn?

Mr. COOPER of Tennessee. Of course, it is not within my power to say.

Mr. VINSON of Kentucky. A speech by the gentleman from Massachusetts [Mr. McCORMACK] and one other speech on this side.

Mr. MICHENER. Then we will adjourn after two more speeches?

Mr. SABATH. No.

Mr. SNELL. A vote is desired on the pending amendment tonight?

Mr. DOUGHTON. Yes.

Mr. McCORMACK. Mr. Chairman, I hardly think that the closing argument of my distinguished friend the gentleman from New York, with reference to the fact that farmers

and domestic servants are not included in title II, and that there is less administrative difficulty, or no more at least, than there is with reference to title I where they are included, presents a fair picture as to the reasons why the farm laborers or the domestic servants are included in title I and are excluded from title II.

Title I is a noncontributory law. Title II is a contributory law. Title I, being noncontributory, every person in need who meets the requirements imposed by a State and who is over the age limit and meets the requirements imposed by this particular bill in the State plan, without regard to their previous employment, should receive the amount set out, provided and intended by this bill.

When we come to the contributory provision, there is an entirely different situation. The administrative cost enters into the picture. Furthermore, whether or not farm laborers and domestic servants receive a salary so that when they reach the age of retirement they will receive an earned annuity above \$10 a month is also a matter of consideration. We have also excluded those employed in educational and religious activities and in all kinds of charitable activities. The committee has tried to draft a contributory annuity provision which will not only meet the purposes desired but do so in a manner that can be administered without any great difficulty.

Mr. WADSWORTH. Will the gentleman yield?

Mr. McCORMACK. I am glad to yield to the gentleman from New York.

Mr. WADSWORTH. I am seeking information. Is it not a fact that it is hoped title II will grow and expand if soundly managed to such a point at which title I will cease to be an important obligation to the Government?

Mr. McCORMACK. That is the purpose as I understand it.

Mr. WADSWORTH. All right. Will the gentleman tell the House, if that is the case, why domestic servants are exempt from carrying their part of that burden, which is eventually to relieve the Federal Government of a major part of the straight-out old-age pensions?

Mr. VINSON of Kentucky. Will the gentleman yield to me to answer that question?

Mr. McCORMACK. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. The tax levy in title VIII is upon wages. Taking as a basis the total wage of the domestic servants, then 1 percent of that, and 1½, finally a maximum of 3, then if you multiplied it by 40 you would not have money in the account sufficient to purchase a substantial annuity. You would have a nuisance feature, such as a person being paid \$1 wage and taking out 1 penny and having at the end of the road a small sum that would purchase a very small annuity. The same thing applies to agriculture, and the same thing applies to other occupations.

Mr. WADSWORTH. On the ground that the wages are low?

Mr. VINSON of Kentucky. On the ground the total wages over a period of years taxed would be inconsiderable.

Mr. WADSWORTH. That is not true in the field of domestic servants.

[Here the gavel fell.]

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. MAY. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Kentucky.

Mr. MAY. I understood the gentleman from Massachusetts to say that the question of whether a man could comply would depend on regulations as fixed by the State?

Mr. McCORMACK. No; as to title II, the gentleman is in error.

Mr. MAY. I understand that this bill fixes the regulation.

Mr. McCORMACK. No; not title II.

Mr. Chairman, may I address myself now to the gentleman from New York [Mr. WADSWORTH], and I know of no more

distinguished Member of the House, I respect him greatly, even when we disagree.

My viewpoint of this, and this is just my picture for whatever it may be worth, and I approached it very slowly; I weighed the evidence and I considered the experiences of mankind in the past and the probable experiences we shall encounter in the future before I reached this conclusion. If we have a million persons 65 years of age and over, mounting as the years go by, constantly receiving a noncontributory old-age pension, based upon need, there is bound to be a loss of self-respect, and with such a large body throughout the United States growing in number year in and year out, this is bound to have a demoralizing effect upon the spirit of our citizenry in general.

You cannot have 1,000,000 or more people going into the Treasury and taking money out over a period of years without its having a degenerating influence from the viewpoint of good citizenship; and what I wanted was to try to meet one of the causes of dependency in old age, and the main cause is that during the years of productivity they did not or could not put money apart to assure some degree of security. Why they did not do it today is immaterial, so far as the immediate problem is concerned. It is, however, so far as the future is concerned.

Today we are confronted with a condition which requires title I, but we should try to remove as far as possible this condition, so that in the years to come such persons will receive an annuity in their own right.

You may disagree about the pay-roll tax, and I respect you in disagreement, but, frankly, where else could and should we impose it? If we put it upon society in general, it will be a dole. If we raise it through general taxation, we could not identify each one's particular account so we could determine what his annuity would be 30 years or more hence. Some people may ask, why they should be concerned about what may happen 30 years from now? They may say, "I may not be living." But as thinking legislators we should realize that we owe a duty to the future, and title II, in my opinion, meets the main cause of dependency in old age and undertakes to meet it. It is one of the most progressive and constructive of modern legislative history. [Applause.]

Mr. JENKINS of Ohio. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, in title I of this bill we recognize a responsibility of the Government, both State and National, to those who have come to the sunset of life and who are not able financially to carry their burdens. In this title we provide for the payment of a small gratuity that we call an old-age pension, I favor this. I made a speech this afternoon favoring a motion to increase the Government's share to be paid from \$15 to \$20 per month. I am a friend to this legislation, but I fail to understand why the administration is so determined to tie up with meritorious legislation unfair and unnecessary legislation.

In title II we say in effect that by 1970 we are going to forget all about charity. We are by that time going to forget all about our obligations to the old people. We are by title II saying to every young man that if he does not save, if he does not provide for himself and pay for an annuity there will be no old-age pension for him and that charity will have vanished from America. In other words, you enact title I and you boast that you are charitable, and in title II what do you do? You seek to compel every wage earner to pay for an insurance policy even though he cannot afford it. You should not mistake this for a voluntary annuity. They took out the voluntary annuity title, but they retained the compulsory title. You do not say to these people, "If you want to do so we will provide a system whereby you may save." You say, "You have got to save." Thrift is as far from compulsion as freedom is from slavery. Every young man who goes out in life, after this bill is passed and has a job, must pay 3 percent of his money whether he wants to or not, and every employer has got to pay 3 percent also. To whom? To the Secretary of the Treasury, who in this administration is in effect Franklin D.

Roosevelt himself. What for? To provide himself with a little annuity insurance policy which the Government will pay him when he is 65 years old. If he works for 10 years and then becomes the owner of the establishment or goes into business that premium that he has paid in has bought him a little annuity that he cannot sell or assign. He must keep it until he dies or until he arrives at the age of 65. This is a regular insurance business that the Government is going into. Why, bless your life, you are going to build up a fund that by 1970 will have a surplus of \$33,000,000,000.

This is thirty-three thousand million dollars which will be in the hands of the Secretary of the Treasury and is more money than there is in the world. And you are going to raise this by compulsion. Regardless of its unconstitutionality, you are going to wring it out of the very sweat and the labor of the people; and is there any justice in this or any need of it now? This is only the mill out of which you continue to force from the people who cannot pay their taxes, the millions and the billions that is necessary to satiate the insatiable financial appetite of the greatest money spender that every lived.

Why talk about wanting to relieve the depression, why talk about charity, why talk about all these other things when you are placing a financial lash upon the backs of the people whose backs are breaking under a load of debts and taxes?

This is compulsion of the rankest kind. Do not be misled by the title. The title says "Old-Age Benefits." Shame on you for putting such a misleading and unfair label on such a nefarious bill. Old-age benefits? Think of it! Oh, what a travesty! Yes, if you work and sweat and scheme and drive yourself for a generation or for all your life, this title says that the Government will then pay you a little annuity when you are 65 years of age. Who knows who is going to become 65 years of age? Who knows about the uncertainties of life? All there is that is certain about this is that the Government will have accumulated \$33,000,000,000 by 1970. The Government, by virtue of the passage of this act, will have wrung out of the poor people of this coming generation the greatest surplus ever contemplated by the brain of any business man.

Mr. Chairman, what is the hurry? Nobody is going to get a dime out of this until 1942. This will not put anybody to work. This will not buy bread for anybody now. What is the hurry about crowding an unconstitutional proposition like this through the House today? I cannot see it, I repeat, I cannot see it. And I do not believe that Franklin D. Roosevelt himself ever put his stamp of approval on this proposition. Let me tell you why I believe that he did not do so.

If he did, he has gone contrary to the Democratic platform. Of course, that does not hurt him, for he has done that frequently. I do not think he is in favor of this provision, for he permitted the Democratic members of the Ways and Means Committee to strike out title III, which was the title providing for voluntary annuities. They do nothing on the committee unless it is approved by the "brain trust." Title III did have a recommendation that title II does not have, in that title III was optional and a worker could take it or leave it; not so with title II, for it is compulsory. There was a would-be Democratic leader on the Ways and Means Committee who flung defiant lances at the cohorts of the "brain trusters." He promised most vehemently that title II would be stricken from the bill. He claimed that he had 7 votes, who would risk their political lives, if necessary, before they would permit title II to remain in the bill. These 7 votes, with the 7 votes on the Republican side, would have accomplished what he promised to do. Where is that would-be valiant fighter? Where is his valiant army of seven? Alas, he is among the missing. Jim Farley must have blown his withering breath toward them, and they are no more. What cowards politics makes of good men! They traded title III for title II, and the Tammany chief has seven more scalps dangling from his belt. If they had stood as they should have stood, and joined with the Republican vote on the committee, we would not have such an outrageous plan up for consideration today. Ladies and

gentlemen, you cannot with one hand place the crown of charity upon the head of one group and say, "We do this because of the vicissitudes of the depression", and at the same time lay the lash of compulsion upon the bending backs of another group and say to them, "Pay! Pay! Pay regardless of the depression."

Mr. Chairman, it is a shame that we are going to be rushed into a program that puts Uncle Sam into an insurance business that will collect thirty-three thousand million into his Treasury out of the sweat and the blood of the working people of this country when they can scarcely make both ends meet. [Applause.]

[Here the gavel fell.]

Mr. VINSON of Kentucky. Mr. Chairman, I rise in opposition to the pro forma amendment. It is to be regretted that in this discussion we hear politics injected into the debate. Think of it. He regrets that the workingman may secure any money benefits under this title when he arrives at the age of 65. He says shame on us for giving the workers an opportunity to provide subsistence for themselves and families in their old age.

Why, my friends, the railroad workers of this country sought for 10 years and more to procure congressional authority to pay money into a fund in order to get retirement pay. They are today fighting in the Supreme Court to uphold their legislation passed in the last Congress.

The distinguished minority leader of the Ways and Means Committee always shoots at big game. He shoots at the mark. He makes no idle shots. In this instance, when he is attempting to strike out title II from the bill, he is aiming at the very heart and soul of the President's social-security program. I have been asked to say whether or not the President of the United States has advocated title II. I accept the challenge and say that the President of the United States advocates that principle. It is a most important part of his social-security program.

Benefits under this title will bring to the wage earner from \$15 to \$85 a month after 65 years of age. What will that do? Instead of being a tax burden on the country it will reduce the tax burden. I can only think of one witness who, representing industry, protested its passage. Leading industrial leaders and labor leaders, including William Green, president of the American Federation of Labor, advocated this title.

In 1980 it is estimated that you will have upward of \$4,000,000,000 a year to benefit the working man and woman. This in itself will be a great stabilizer of economic conditions of this country.

And, my friends, many of you have advocated for years the elimination of the tax-exempt securities. If you are sincere, let me tell you that if this is written into law the tax-exempt securities can be withdrawn from the open market under the power vested in the Secretary of the Treasury.

I want to repeat that this title is the heart and soul of the President's social-security program. Let no one deceive himself about that.

When you vote I know you will vote to keep in this title and then send this measure down to this great humanitarian, the first President of this country who ever brought to Congress a well-rounded social-security program, looking toward the benefit of the unfortunate men, women, and children of our land.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts.

The question was taken; and on a division (demanded by Mr. JENKINS) there were—ayes 41, noes 131.

Mr. TREADWAY. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. TREADWAY and Mr. DOUGHTON to act as tellers.

The Committee again divided; and the tellers reported—ayes 49, noes 125.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk proceeded to read title III.

Mr. SNELL. Mr. Chairman, I understood that an agreement was made with the majority leader and the chair-

man of this committee that we would rise after voting on title II. That was the agreement as I understood it.

Mr. COCHRAN. After voting on the amendment. There might be other amendments.

Mr. SNELL. I ask the majority leader and the chairman of this committee if that was not the understanding?

Mr. DOUGHTON. The gentleman from Massachusetts [Mr. TREADWAY] and I talked about that a few moments ago. We made no agreement. I said that would be satisfactory to me, but we made no agreement.

Mr. COOPER of Tennessee. The gentleman from New York asked me if I would agree, and I said I had no authority to enter into any such agreement.

Mr. SNELL. I understood the majority leader to say that it would be all right to rise after this.

Mr. DOUGHTON. Nobody wants to have a misunderstanding or fool anyone. We want to keep faith. There may have been a misunderstanding.

Mr. SNELL. I certainly understood that was the agreement.

Mr. O'CONNOR. Would the gentleman be satisfied to start the reading of title III?

Mr. SNELL. We have already started the reading of title III.

Mr. REED of New York. Mr. Chairman, I have an amendment which I desire to offer to title II.

The CHAIRMAN. But title II has been disposed of. The Clerk will continue the reading of title III.

Mr. REED of New York. I had this amendment here while title II was under discussion.

The CHAIRMAN. The Chair regrets the fact, but we have disposed of title II.

Mr. REED of New York. Mr. Chairman, I ask unanimous consent to return to title II for the purpose of offering an amendment.

The CHAIRMAN. The Clerk had already commenced the reading of title III. The gentleman from New York asks unanimous consent to revert to title II for the purpose of offering an amendment. Is there objection?

Mr. DOUGHTON. Mr. Chairman, I object.

Mr. COOPER of Tennessee. Mr. Chairman, I object.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 7260 and had come to no resolution thereon.

April 19, 1935

## SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7260) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7260, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

The Clerk read as follows:

**TITLE III. GRANTS TO STATES FOR UNEMPLOYMENT-COMPENSATION ADMINISTRATION**  
**APPROPRIATION**

SECTION 301. For the purpose of assisting the States in the administration of their unemployment-compensation laws, there is hereby authorized to be appropriated, for the fiscal year ending June 30, 1936, the sum of \$4,000,000, and for each fiscal year thereafter the sum of \$49,000,000, to be used as hereinafter provided.

**PAYMENTS TO STATES**

SEC. 302. (a) The board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment-compensation law approved by the board under title IX such amounts as the board determines to be necessary for the proper administration of such law during the fiscal year in which such payment is to be made. The board's determination

shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper administration of such law; and (3) such other factors as the board finds relevant. The board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year.

(b) Out of the sums appropriated therefor the Secretary of the Treasury shall, upon receiving a certification under subsection (a), pay, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, to the State agency charged with the administration of such law the amount so certified.

**PROVISIONS OF STATE LAWS**

SEC. 303. (a) The board shall make no certification for payment to any State unless it finds that the law of such State, approved by the board under title IX, includes provisions for—

(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the board to be reasonably calculated to insure full payment of unemployment compensation when due; and

(2) Payment of unemployment compensation solely through public employment offices in the State; and

(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

(4) The payment of all money received in the unemployment fund of such State, immediately upon such receipt, to the Secretary of the Treasury to the credit of the unemployment trust fund established by section 904; and

(5) Expenditure of all money requisitioned by the State agency from the unemployment trust fund in the payment of unemployment compensation, exclusive of expenses of administration; and

(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation, and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law.

(b) Whenever the Board, after notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that in the administration of the law there is—

(1) a denial, in a substantial number of cases, of unemployment compensation to individuals entitled thereto under such law; or

(2) a failure to comply substantially with any provision specified in subsection (a);

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that there is no longer any such denial or failure to comply. Until it is so satisfied, it shall make no further certification to the Secretary of the Treasury with respect to such State.

Mr. LORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LORD: Page 18, after line 18, insert the following new title:

**"TITLE IV—UNEMPLOYMENT COMPENSATION**

**"DEFINITIONS**

"SECTION 401. As used in this title, the term or terms—

"'Employer' shall mean any person, partnership, association, corporation, or the legal representative, trustee in bankruptcy, receiver, or trustee thereof, or the legal representative of a deceased person, who or whose agent or predecessor in interest has, within each of 20 or more calendar weeks in the taxable year, employed at least 10 persons in employment subject to this act, except that the term 'employer' shall not include the Federal Government, the governments of the several States, municipal corporations, or other governmental instrumentalities. In determining whether an employer employs enough persons to be an 'employer' subject hereto, and in determining the amount of a tax or contribution hereunder, he shall, whenever he contracts with any subcontractor for any work which is part of his usual trade, occupation, profession, or business, be deemed to employ all persons employed by such subcontractor on such work, and the tax or contribution hereunder shall be measured by wages paid to such persons for such work, except as any such subcontractor who would, in the absence of the foregoing provision, be liable to pay any part of such a tax accepts exclusive liability for the contractor's portion thereof under an agreement with such contractor made pursuant to regulations promulgated by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury.

"'Employment' shall mean any employment in which all or the greater part of the person's work is or was performed within the continental United States under any contract of hire, oral or written, express or implied, whether such person was hired and paid directly by the employer or through any other person employed by the employer, provided the employer had actual or constructive knowledge of such contract; except that for the purposes of this act it shall not include—

- "(1) Employment as an agricultural laborer;  
 "(2) Employment in the domestic service of any family or person at his home;  
 "(3) Employment as a teacher in any school, college, or university for the regular annual term for which such school, college, or university is in session;  
 "(4) Employment as a physician, surgeon, interne, or nurse in a hospital, sanatorium, or other similar private endowed institution not operated for profit;  
 "(5) Employment of a physically handicapped person by an institution financed largely by charitable donations and organized not for profit but primarily for the relief and rehabilitation of such handicapped persons;  
 "(6) Employment of the father, mother, spouse, or minor child of the employer;  
 "(7) Employment in the service of a common carrier subject to the provisions of the Emergency Railroad Transportation Act of 1933 (48 Stat. 211);

"(8) Any employment for which unemployment compensation shall have been provided directly by act of Congress.

"Pay roll" shall mean the total amount of all wages paid by the employer during the taxable year to persons employed by him in employment subject to this act; except that pay roll shall not include the wages paid to a person employed by the employer within such year on a minimum fixed salary basis of \$250 or more for each month in which the person was thus employed.

"Wages" shall mean every form of remuneration for employment received by a person from his employer, whether paid directly or indirectly by the employer, including salaries, commissions, bonuses, and the reasonable money value of board, rent, housing, lodging, payments in kind, and similar advantages.

"Compensation" shall mean the cash benefits payable under this act to employees for their unemployment.

"Employee", as used in this act, shall mean any employed person who is or may become eligible for compensation hereunder.

#### "UNEMPLOYMENT INSURANCE FUND"

"Sec. 402. A Federal unemployment insurance fund is hereby created to consist of the taxes levied by this act on employers and employees and contributions hereunder by the United States Government. The Commissioner of Internal Revenue shall collect or receive such taxes and contributions and pay them into such fund, which shall be in the custody of the Secretary of the Treasury who shall invest them in such liquid securities that the amount of compensation chargeable at any time to such fund under this act shall be immediately available for payment thereof.

#### "ADMINISTRATION OF FUND"

"Sec. 403. The Department of Labor shall administer the unemployment relief fund, and payments therefrom shall be made on its order. Such Department also shall carry out the provisions of this title and may make all needful rules and regulations therefor, which shall have the force and effect of law.

#### "TAXES AND CONTRIBUTIONS"

"Sec. 404. (a) There shall be levied, assessed, and collected monthly from every employer subject to this act, for the taxable year beginning July 1, 1935, and for each taxable year thereafter, an excise tax measured by 1 percent of the employer's pay roll, as defined by section 402.

"(b) There also shall be levied, assessed, and collected, from and after July 1, 1935, from every employee eligible for compensation hereunder, an income tax of 1 percent of the wages paid him from time to time. The amount thereof shall be deducted, whenever the wages are payable, by the employer, who is hereby constituted an agent of the Commissioner of Internal Revenue for such purpose. This subdivision shall not be construed to apply to an employee whose wages are not included in the pay roll, as defined by section 2, on which the employer is required to pay a tax.

"(c) The tax imposed on the employer and the tax collected by him from his employees shall be paid into the unemployment insurance fund at the close of each taxable month, except that the tax due from the employer may be so paid in quarterly installments, under rules promulgated by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

"(d) The United States shall contribute to such fund, annually, at the close of each taxable year, an amount equal to 1 percent of each pay roll on account of which a tax is due hereunder from any employer.

#### "COMPENSATION FOR UNEMPLOYMENT"

"Sec. 405. An employee eligible to compensation hereunder shall be paid from such fund, while out of work through no fault of his own, seven or more dollars each week, and at least his average wage earnings for 20 hours of work while he had employment, but such payments shall not extend over a total period of 30 weeks in any taxable year, nor begin prior to July 1, 1936.

#### "DEFICIT IN FUND; HOW MET"

"Sec. 406. If, during any taxable year, such fund becomes exhausted, by withdrawals for payment of compensation, the United States shall contribute such additional amounts to such fund, from time to time, as may be necessary to pay compensation accruing during the remainder of the year.

#### "ELIGIBILITY FOR COMPENSATION"

"Sec. 407. An employee who shall have been on a pay roll or on pay rolls for an aggregate period of 10 weeks, within any period

of 12 months after June 30, 1935, shall be eligible to compensation hereunder. If the employment period shall be less than that above required, he shall be paid from such fund the amount of any tax he shall have paid hereunder during such 12 months."

Mr. COOPER of Tennessee. Mr. Chairman, I make a point of order against this amendment on the ground that it is not germane to the title to which it is offered.

Mr. SNELL. Mr. Chairman, will the gentleman withhold his point of order to permit the gentleman from New York to be heard?

Mr. COOPER of Tennessee. Mr. Chairman, I reserve the point of order if it will be any accommodation to the gentleman.

Mr. LORD. Mr. Chairman, the proposed amendment is a bill I introduced on the 16th of January to provide for unemployment insurance. It varies with the plan set forth in the pending bill in that my amendment assesses the tax equally on the employer, the employee, and the Federal Government; each bears one-third of the expense of administering this insurance benefit.

I believe that if we leave it to the States one State may provide a 3-percent contribution by the employer, another State may provide a 1-percent contribution on the part of the State, 1 percent by the employee, and 1 percent by the employer, and still another State may provide a different rate of contribution; or they may provide 1 percent to be contributed by the employer and 1 percent by the employee. So we shall find a difference of expense on manufacturers in different States which, of course, will have to be added to the price of their product. So as between manufacturers in different States we shall have one manufacturer assessed perhaps 1 percent, another 2 percent, and still another 3 percent. The manufacturer that pays only 1 percent will have a 2-percent advantage in price over the one that is paying 3 percent when he comes to sell his goods. The great trouble with the plan in the pending bill is the inequality between manufacturers. I believe, therefore, Mr. Chairman, that we should change this provision in order that the burden will fall equally on all manufacturers throughout the Nation so that when they come to sell their goods as between manufacturers in the different States they will have an equal chance. I believe that my amendment to the bill has many other features that are much better than the bill before us and should be adopted. The employee should, to my mind, contribute to the unemployment insurance and in that way help build up an annuity for the time when he is out of work.

Insurance providing an annuity for old age has become very popular and should be and is being encouraged. This is being built up by the individual at his own expense and should be carried by everyone that can afford to carry it.

This bill provides for an old-age pension that is to be built up over a term of years with contributions coming in part from the person that is to receive the benefit, and while it will be a great expense in the total, it will also be a lasting benefit to all in after years when it is expected to be self-supporting.

There are many bad features like the one that I am trying to amend in this bill, and I believe that this bill should have been in three separate measures, yet there are many good features in it and perhaps the good predominate. It can be amended later and is a start at any rate that has been too long neglected.

Mr. COOPER of Tennessee. Mr. Chairman, I make the point of order against the amendment.

The CHAIRMAN. The Chair sustains the point of order. Titles III, IV, V, and VI do not deal with taxation.

The Clerk read as follows:

#### TITLE IV—GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN APPROPRIATION

SECTION 401. For the purpose of enabling each State to furnish financial assistance assuring, as far as practicable under the conditions in such State, a reasonable subsistence compatible with decency and health to dependent children without such subsistence, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$24,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The



sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Board, State plans for aid to dependent children.

#### STATE PLANS FOR AID TO DEPENDENT CHILDREN

Sec. 402. (a) A State plan for aid to dependent children must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim with respect to aid to a dependent child is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; and (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes as a condition of eligibility for aid to dependent children, a residence requirement which denies aid with respect to any child residing in the State (1) who has resided in the State for 1 year immediately preceding the application for such aid, or (2) who was born within the State within 1 year immediately preceding the application.

#### PAYMENT TO STATES

Sec. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-third of the total of the sums expended during such quarter under such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 for any month with respect to one such dependent child and \$12 for such month with respect to each of the other dependent children.

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

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than two-thirds of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Board may find necessary.

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified.

#### OPERATION OF STATE PLANS

Sec. 404. In the case of any State plan for aid to dependent children which has been approved by the Board, if the Board, after notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any residence requirement prohibited by section 402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 402 (a) to be included in the plan; the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

#### ADMINISTRATION

Sec. 405. There is hereby authorized to be appropriated for the year ending June 30, 1936, the sum of \$250,000 for all necessary expenses of the Board in administering the provisions of this title.

#### DEFINITIONS

Sec. 406. When used in this title—

(a) The term "dependent child" means a child under the age of 16 who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, step-sister, uncle, or aunt, in a residence maintained by one or more of such relatives, as his or their own home;

(b) The term "aid to dependent children" means money payments with respect to a dependent child or dependent children.

Mr. JENKINS of Ohio. Mr. Chairman, I wish to propound a parliamentary inquiry, but I will do that more appropriately after amendments are offered, if there are any.

Mr. TAYLOR of Tennessee. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I offer this pro forma amendment for only one purpose, and will perhaps not occupy all of the time allotted to me. I take this opportunity to develop a point which I do not think was given sufficient emphasis in the discussion on yesterday or during general debate on the bill. It is perfectly apparent to everyone that with the exception of only a few wealthy States, the rest of the States of the Union will not participate in the old-age benefits of this bill. The tragedy of this situation, Mr. Chairman, is that the indigent aged in these States which have made no provision to comply with the plan outlined in this measure—and my State is in that category—will receive no benefits whatsoever pending such qualification and yet the taxpayers of the States thus discriminated against will have to bear their share of the \$15 contribution which the Federal Government will make to the favored States. To me this is a rank and unwarranted discrimination, and that was my reason for supporting the various amendments offered yesterday to correct these evils.

In the course of a debate yesterday, someone, referring to this hardship, said it was a case of "robbing Peter to pay Paul." I think a much more appropriate comparison might have been made if the speaker had said that it is a case of "robbing Lazarus to pay Dives."

Mr. Chairman, the more I contemplate the consequences that will follow the enactment of this bill as is, without provision for the discontinuance of the discrimination I have just mentioned, the more I am horrified. Each day I am receiving an increasing number of letters from indigent aged constituents, asking me when they may expect to receive their first check, and some of them, doubtless thinking the bill has already become a law, ask me how to proceed to apply for pension and requesting the necessary blanks. Mr. Chairman, it is a melancholy situation which appeals to my sense of justice and humanity!

We can get some conception of the magnitude of the problem of misery when we take into consideration that according to data compiled by actuaries of the United States Government and the large life insurance companies of America that, out of the average 65 persons who attain the age of 65, only 1 is well-to-do, 4 are able to support themselves in ordinary comfort, 5 are able to maintain themselves only partially, and 54 are totally dependent on public or private charity or upon relatives or friends. In other words, four-fifths of the people who reach the age of 65 are wholly unable to support themselves. These figures speak for themselves and clearly exemplify the tremendous gravity of the problem.

Mr. Chairman, I have exerted every means in my power to help amend this bill so as to eliminate its hardships, its injustices, its inequities, but without avail. My conscience is clear. The blood is not on my hands. Whatever glory or ignominy that may attach to this measure belongs to the Democratic administration, because in all of my legislative experience I have never seen a steam roller operate with such facility and precision. Having failed in my efforts, along with others, to enact a just and equitable old-age-pension law that would be a blessing to the indigent aged of every State in the Nation, I shall, with more or less misgivings, vote for the bill, for two reasons: First, I shall vote for it in the hope that when it reaches the Senate that body will correct the unconscionable evils perfectly manifest to me. And second, I shall vote for it in the further hope that, if

the Senate shall not substantially change its provisions and the bill becomes the law of the land, that at an extra session of the Tennessee Legislature, which, I understand, will certainly be called by the Governor of my State within the next 60 or 90 days, the necessary legislation will be enacted to comply with the requirements of this measure to the end that the aged of Tennessee may participate on an equal footing with the aged of other States of this Union.

Mr. SAUTHOFF. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. SAUTHOFF: Page 20, lines 21, 22, 23, 24, and 25, page 21, lines 1 and 2, after the word "plan", strike out "not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 for any month with respect to one such dependent child and \$12 for such month with respect to each of the other dependent children."

Mr. SAUTHOFF. Mr. Chairman, my purpose in offering this amendment is on the theory that \$18 a month for a mother with a minor child which she must look after is entirely inadequate. This means \$9 a month for the mother and \$9 for the minor child. That is apparently so insufficient that it seems to me it ought to be amended.

We are giving in this bill a maximum of \$30 a month to people over 65 years of age. If there are two old people, this would mean \$60 a month. Why give only \$18 for a young mother with a minor child? The theory of aid to dependent children in my State and in other States that have this legislation, and Wisconsin has had it for years, is that we want to preserve the mother and keep her in the home with her young child, so she will not have to go out into industry in order to try to earn her own living.

I appreciate the fact, Mr. Chairman, the argument is made that this is based on the allowances under the Veterans' Act, but may I call attention to the fact that there is a pension of \$30 a month for the mother in the Veterans' Act also. You will note that there is an additional \$12 in case there is a second child, which means \$30 a month for 3 of them, namely, the mother and the 2 infant children. This is \$1 a day to take care of three people. To me it is inconceivable that such an amount could be considered adequate.

Mr. Chairman, I appreciate the fact that perhaps in some of the Southern States it might be possible to do that, although I do not know. You must remember, however, that we of the Northern States have to contend with about 5 months of the year when fuel must be had.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. SAUTHOFF. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. What is the average grant to a child in Wisconsin?

Mr. SAUTHOFF. The average?

Mr. VINSON of Kentucky. Yes. We were told in committee that for 1933 and 1934 the average monthly grant per child in Wisconsin was \$10.13.

Mr. SAUTHOFF. Yes.

Mr. VINSON of Kentucky. I may say to the gentleman that there is only one State in the Union that has more than \$18 and that is Connecticut. It runs from this amount down to a minimum of \$1.99 per child, with a number of States not having any dependent children statutes at all.

Mr. SAUTHOFF. May I say in answer to the gentleman that in my own State I aided in administering the first law in the county in which I reside back in 1915. We ran as high as \$60 a month. I live in a wealthy county. We perhaps were more fortunately situated than other less fortunate counties. I also appreciate the fact that in my State there are northern counties that are today insolvent and could not pay. I presume this situation is true in many other States. I take it that States like Mississippi and Arkansas, for instance, would have the greatest difficulty in meeting any kind of payment, either under the old-age-pension plan or for dependent children.

Mr. VINSON of Kentucky. They have no dependent-children statutes in those States.

Mr. SAUTHOFF. Mr. Chairman, I merely offer the amendment as a suggestion, because I feel that the present provision is inadequate, just like I felt that \$30 a month for the aged people was inadequate. I am trying to get a little more benefit.

[Here the gavel fell.]

Mr. SAMUEL B. HILL. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I think the gentleman overlooked the fact in the discussion of these various titles, I, III, and IV, the present one being IV, that they are simply grants in aid to the States, the primary duty being upon the States to take care of the unfortunates within their own boundaries. The Federal Government proposes to help to the extent set out in this bill.

The committee has given a great deal of time and consideration to this particular phase of the subject, and it was the unanimous opinion of the committee that we were very liberal in this allowance. The money provided in this bill is in addition to what the States themselves must put up if this aid is intended, and we ask that the amendment be voted down.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. SAUTHOFF].

The question was taken; and on a division (demanded by Mr. MOTT) there were—ayes 19, noes 100.

So the amendment was rejected.

Mr. CARMICHAEL. Mr. Chairman, I am not conscious of favoring all the provisions of the bill under consideration. Probably I would not have initiated it. It is not for me to know who prepared the bill. The distinguished and very able Chairman of the Committee on Ways and Means assures the House that the President did not do it. Probably I would have been better pleased with it and more sanguine in my support if I knew that he did it with his own hand. In a high degree the President is responsible for all of this legislation. It is his responsibility. He will have stars in his crown if there be a crown and if there be any stars.

I have not forgotten the three departments of government under our Constitution—executive, legislative, and judicial—but all over the world in every nation and every clime the executive is most important. The legislature rejoices if it can work in harmony with the Governor and the Congress is buoyant as it follows the President's lead. Thomas Carlyle said in his *Heroes and Hero Worship*:

If we will think of it, no time need have gone to ruin could it have found a man great enough, a man wise and good enough wisdom to discern truly what the time wanted and valor to lead it on the right road. This is the salvation of any time.

It seems to me that the President is that man. The people of the United States found him. "The common people hear him gladly." They have a definite good wish for him. In this great emergency they are not so much interested in the Constitution, though, for one, I believe in it as I do in the Apostles' Creed. They are not so much interested in the Democratic Party, nor the Republican Party, nor in the personnel of their Congressmen, much as we think of ourselves and of each other, but they are tremendously interested in a system of relief and of government that will guarantee life, liberty, and the pursuit of happiness, a system that will justify the continued existence of a government that was not built "in dim eclipse nor rigged with curses vile." This house was not built on the sand. We have millions of panicky people. They have wiped out the Indian trails. They have cast the mountains into the sea. They have left their homes. The church chimes no longer call them into their places of worship. They are hungry. They are transients. They have fallen among thieves, but this does not mean a dissolution of our indestructible union of States. It calls for a reenactment of the Golden Rule, another Good Samaritan, a going back home—

Mid pleasures and palaces though we may roam,  
Be it ever so humble, there's no place like home,  
A charm from the sky seems to hallow us there,  
Which, seek through the world is ne'er met with elsewhere.  
An exile from home, splendor dazzles in vain,  
Oh, give me that lowly thatched cottage again,  
The birds singing gaily, that come to my call  
And that peace of mind dearer than all.

We need a rededication of our lives and all that we are to the simple life, to the permanent and paramount doctrine of self-help. I never expect to see equality of men and women or of wealth or of achievement. "One star differeth from another star in glory", I do expect to see equal opportunities. Infinite "wisdom, a word that all men love", gave us the planets and stars, the mountains and valleys, the magnificent magnolia and the humble azalea, blondes and brunettes, all different, all the perfect product of His divine handiwork. All of these are beautiful in groups, in regimentation, if you please, but the milky way is blurred, let me see Venus. The Follies are alluring, but please let me see Janet Gaynor.

The Prince of Denmark was the creation of a lone worker. The Madonna smiles at the great painter who breathed into her the deathless life. I believe in groups and armies, but after all our country is the lengthened shadow of men, of one man if you please. I want every man, every woman, every child, and every corporation to have an opportunity to pluck fruit in a lawful way from the tree of life. But what are we going to do with these thousands of young men and women just out of college who are seeking destiny? What with these young men and women not college bred, who yield easily to temptation? What with these men and women who stand here in the market places all the day idle because no man hath hired them? What with these men and women of three score years and five, who have lived by the sweat of their brows, sons and daughters of toil, who have drunk the bubbling draft down to the dregs? What with these washed-out ones, who, without sin, have come on the stage without even a crutch? What with these prattling babes who are on the stage, some of them unattended? Whence came all of these? Like sheep without a shepherd. Who has sinned, who will be the good Samaritan, who will carry them to the inn?

Is it possible that our Government has been so conducted as that we have accumulated all of these sick ones, all of these naked ones, all of these hungry ones? Is this constitutional government?

My friends, the responsibility is that of the Democratic Party, that of patriots without regard to party. We can, as I believe, under the Constitution and without violating a jot or tittle of it, put all of these on this great Ship of State.

Sail on, thou Ship of State,  
Sail on, oh Union, strong and great;  
Humanity, with all its fears,  
With all its hopes of future years,  
Is hanging, breathless, on thy fate.

Mr. Chairman, I have not given this bill the careful and long thought and consideration which it has had by the very able Ways and Means Committee, and, for this reason and others that I might mention, my opinion of it is not so important. Let me say, however, in all candor, that I would not have initiated it in all its terms. Without any effort at all, it makes me happy to concur in many of its provisions; some of them give me pain. For lack of vision and courage, I would have made a poor record had I been cast into the den of lions, or into the fiery furnace; and yet the Book says that the angel locked the lions' mouths, and that the fourth man in the furnace chilled its fires. For the same reason, I would have been most unhappy had I been called on to follow Moses across the Red Sea; but the waters banked up and there was a safe, dry way into the land of Canaan. I would have been slow to have moved in a covered wagon with the forty-niners to the far West, but the gold that these pioneers uncovered still glitters in dollars and on diamonds. I would not have enlisted with Christopher Columbus in making that long voyage over the trackless seas, and yet his incomparable courage and sovereign imagination gave mankind a new world, a new heaven, and a new earth.

"All's well that ends well." I do not see any beaten tracks. I do not see any signboards; but President Roosevelt says in a loud voice, as did Emma Sansom when she was guiding the Confederate troops under the command of the great leader Forrest over swollen streams, "I will show you the way." His voice is loud and clear. I am following him. The responsibility is his. I shall vote for the bill in all its

substantial provisions, remembering the language of the immortal Lincoln when he was suffering the agony which comes from the unrequited love of friends and the hate of enemies, "This, too, will pass." [Applause.]

Mr. MASSINGALE. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I wish to say a few words regarding this proposed bill. I do not believe this Congress ought to send out any message to the depressed people in America that they are getting an old-age-pension bill that will be of any service to them, at least for the coming year, or the fiscal year beginning July 1.

This bill figures, on the assumption that every person estimated to be of the age mentioned in the bill is eligible, \$6.63 per person for the year ending June 30, 1936. In my State of Oklahoma I estimate there are 150,000 people over the age limit of this bill. This means that we will get probably \$1,000,000 out of the \$49,750,000 provided, and, of course, the people in my State, if they all qualify—and they cannot all qualify—will receive the princely sum of \$6.63 for the first year of the operation of this bill.

We ought to be frank about it. We ought not to try to deceive these people. The distinguished Chairman of the Rules Committee got up here yesterday and made the statement that there were a lot of decent, destitute, but deluded people in America—those who favor the Townsend plan. I do not think the chairman ought to have made that statement. He does not know the people in my country. They are not deluded. I will tell you what he might have said. He might have said that they are denuded, because they have not anything to eat or anything to wear, and you can see how Dr. Townsend can get the immense following throughout the Nation that he has aroused in support of his pension plan.

A great deal of derision has been cast upon Dr. Townsend, and I think it should not have been done. He has aroused the public conscience of America and he has brought more forcefully to this Congress than anybody else that I know the articulate demands of the poor people of this country, and I will say this to you: I voted for the modified Townsend plan or the McGroarty plan, and I did it intentionally, and I did it for the purpose of trying to provide something for the people who are now hungry, without clothes, and in distress throughout this Nation.

I do say this about the pending bill: I think in all probability, after this coming year, there may be some relief for these people, but we ought not to deceive them.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this title and all amendments thereto do now close.

Mr. KENNEY. Mr. Chairman, a parliamentary inquiry. The CHAIRMAN. The gentleman will state it.

Mr. KENNEY. Mr. Chairman, I just sent to the desk an amendment to title IV. I understand it is in order, and I would like to be heard on the amendment.

Mr. DOUGHTON. Mr. Chairman, I modify my request and ask unanimous consent that all debate on this title and all amendments thereto close in 15 minutes.

Mr. JENKINS of Ohio. Mr. Chairman, reserving the right to object, I think this is an appropriate time for me to submit my parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. JENKINS of Ohio. At the conclusion of the debate on this title I wish to offer the amendment which I referred to 2 or 3 days ago, making provisions for the blind. I wish to offer this amendment as a new title to the bill and I wish to ask whether the proper time to offer this amendment will be after the vote on title IV?

The CHAIRMAN. Yes; if it is offered as a new title.

Mr. JENKINS of Ohio. It should be offered at the conclusion of the consideration of title IV?

The CHAIRMAN. Yes.

Is there objection to the request of the gentleman from North Carolina [Mr. Doughton]?

There was no objection.

Mr. GIFFORD. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, very briefly, speaking for a portion of the minority, it is difficult, indeed, to know how to vote on this measure. It is useless to talk about the constitutionality of it, as many have, including the gentleman from Ohio [Mr. JENKINS] and the gentleman from New York [Mr. REED], but we will leave that for the Supreme Court to possibly give its approval as to its constitutionality—not like the gold decision, place a curse upon it.

It is useless for the gentleman from New York [Mr. WADSWORTH] to talk about the fund of \$33,000,000,000 and how it may be wisely used or manipulated by the fiduciary of such a tremendous power for the good or evil of our Government.

I pay tribute to the chairman of the committee and the gentleman from Washington [Mr. HULL], whose arguments I have read, regarding State responsibility, which has been disappearing rapidly.

I am considerably troubled as to whether industry must absorb this expense or hand it along to the consumer. Secretary Wallace, in his insulting speech on Wednesday, declared that our textile plants did not absorb the processing tax, but does hand it on, as all other expenses are included in the selling price.

Certainly we should now thank the farmers of the country. Wonderful indeed is their willingness to sanction section II. They are not included in this section, and if industry can hand on the 6 percent as a part of the expenses, the farmers of the country will loyally pay the bill, and, of course, the farmers' Representatives here must know and apparently approve of it.

That very fact that the farmers will now come to the aid of industry and will willingly pay higher prices for their purchase, brought about by the taxation features of this bill, makes me willing to vote for this measure, but great is my surprise that it is being endorsed by those usually so watchful of their interests.

But what will the farmers say to their Representatives? Are you prepared to tax them to this extent to keep industrial workers only?

I should thank you cordially for this action, because it appears to be a measure that will pay a very great price.

The thought I want to convey is this: State responsibility is rapidly disappearing. Massachusetts has an old-age pension and many other social-relief measures. Wisconsin also has many such progressive laws. The Milwaukee Journal, however, says that Wisconsin has already gone too far in these matters.

Like Massachusetts, Wisconsin has made the belated discovery that social legislation may proceed too rapidly for the common good. Wisconsin has enacted a great many laws which are beneficial in themselves, but, as a whole, have handicapped her industries in their competition with those elsewhere. The consequences have been similar to those in Massachusetts. As the Milwaukee Journal expresses it:

"We have a preposterously inflated ambition to apply locally what can only be applied, without crippling ourselves, on a national scale. . . . Wisconsin isn't competent to move forward or leftward, alone or independent, too far in advance of the American parade. . . . A steady stream of additional uncertain forms . . . is bringing confusion and a creeping paralysis in Wisconsin industry. . . . Industry slowly is disintegrating under this onslaught . . . is oozing out of the State. We can "kid" ourselves all we want, but the overtures of these other more favorable localities are being given more consideration as the depression continues and the selling competition in the national market continues harsh."

For many years our Commonwealth has been enacting social laws more advanced than those of our New England and southern competitors. Local industry is now suffering from the cumulative effects. As in Wisconsin, it is seeking fields where the rules of the game apply equally to everybody. In considering new social legislation, therefore, our general court will do well to act with extreme care and to examine the statutes of our rivals.

The Wisconsin discussion centers on the enactment of a 30-hour-week bill. The argument applies equally to measures in our own legislature.

Mr. Chairman, Wisconsin says that, like Massachusetts today, she is now in dire straits in her industries. The National Government must now do it. Our poor old Federal Government! With a ceiling of \$50,000,000,000 debt already in sight! But, if industry can really pass this on to the

farmer, why should we from the industrial States vote against this measure? During the last several years we have tried to do much for the farmer. Also, I repeat, and in spite of the warning of our friend Mr. HUDDLESTON on yesterday—who wants now to speak plainly about it—that this is only another long step toward a central government. Let us get ready to give up our statehood rights. Consider the Florida situation: Fifty-five million last year without matching a dollar! She exempts homes from any taxation up to \$5,000! Practically all municipal treasuries are empty!

Of course, the Federal Government will take care of Florida, but Florida's Senators will still desire to write the tariff bill for New England, will they not? [Applause.]

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. JENKINS of Ohio. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. JENKINS: Page 23, after line 23, insert the following new title:

"TITLE V—GRANTS TO STATES FOR AID TO BLIND INDIVIDUALS  
"APPROPRIATION

"SECTION 501. For the purpose of enabling each State to furnish financial assistance assuring, as far as practicable under the conditions in such State, a reasonable subsistence compatible with decency and health to blind individuals without such subsistence, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$9,950,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Board, State plans for aid to blind individuals.

"STATE PLANS FOR AID TO BLIND INDIVIDUALS

"SEC. 502. (a) A State plan for aid to blind individuals must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any blind individual, whose claim for aid is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; and (6) provide that the State agency will make such reports, in such form and containing such information, as the board may from time to time require, and comply with such provisions as the board may from time to time find necessary to assure the correctness and verification of such reports.

"(b) The board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes as a condition of eligibility for aid to blind individuals, a residence requirement which denies aid with respect to any blind individual who has resided in the State for 5 years immediately preceding the application for such aid.

"PAYMENT TO STATES

"SEC. 503. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to blind individuals, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total of the sums expended during such quarter under such plan, not counting so much of such expenditure with respect to any blind individual for any month as exceeds \$30.

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

"(1) The board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the board may find necessary.

"(2) The board shall then certify to the Secretary of the Treasury the amount so estimated by the board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the

amount certified for any prior quarter greater or less than the amount estimated by the board for such prior quarter.

"(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the board, the amount so certified.

#### " OPERATION OF STATE PLANS

" SEC. 504. In the case of any State plan for aid to blind individuals which has been approved by the board, if the board, after notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

"(1) that the plan has been so changed as to impose any residence requirement prohibited by section 502 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

"(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 502 (a) to be included in the plan; the board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

#### " ADMINISTRATION

" SEC. 505. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$50,000 for all necessary expenses of the board in administering the provisions of this title.

#### " DEFINITIONS

" SEC. 506. When used in this title—

"(a) The term 'blind individual' means a blind person over the age of 16 and under the age of 65;

"(b) The term 'aid to blind individuals' means money payments to blind individuals."

Mr. JENKINS of Ohio. Mr. Chairman, this amendment which I have offered is worthy of the most careful consideration of all of you and also of your espousal and of your vote. This is an amendment to title IV. Title IV, as you know, provides \$25,000,000 for aid to dependent children. This is, in effect, a relief for widows and children. This amendment that I am offering is in the same language and provides the same system of administration in every detail that is provided for dependent children. It provides for an appropriation of \$10,000,000 for aid to the poor and needy blind of our whole country. This is the most deserving class of people that we know anything about and I am appealing to the sense of fairness of the Democratic leaders to permit their membership the freedom to vote as their conscience dictates for once at least. My friends, I ask you, Who comes under the glance of your eye that needs assistance any more than the poor blind man that holds out the tin cup on the street corner? Who is it that elicits your sympathies more than the poor blind beggar? I am sure that you agree with me that there is no affliction worse than blindness when accompanied with poverty. All my life I have maintained that there should be no poor blind. In this great land of plenty we should see to it that no man afflicted with blindness is compelled to beg for his morsel of bread or for the pennies with which to buy his food. In this bill relief is extended to the aged and to the crippled children and to the mothers, but the poor blind man is the forgotten man. God pity us if we do not on this, one of the greatest days in the year—Good Friday, feel some of that compassion that the Savior showed toward the poor blind with whom He came in contact. With the rich man flying by in his limousine, with the athlete skipping by in the full flower of health, with the grand lady in her rustling silks passing by with her vain superiority complex, with the happy care-free children, and with the great concourse of humanity, some care-free and some care-encumbered passing and repassing, in sunshine and in shadow, there sits the poor blind man with his little tin cup extended. Are you going to leave him on the street or will you assist me to put him upon his feet?

Should there be any prejudice because this amendment is offered by a Republican I am perfectly willing to ask unanimous consent to withdraw my name from it and insert the name of any Democrat that you select.

There is no doubt that you have all had sympathy for the blind man with the tin cup on the street corner, and no doubt you have resolved if the time ever came that you could relieve his poverty or his affliction you would like to do

something for him in a big way. Here is your chance. Include him within the provision and protection of this bill. What is it going to cost? Just a little measly \$10,000,000. There was a time when this would be considered a large sum but not since Franklin D. Roosevelt came upon the scene. If the experts say that is too much, we will cut it down one million or two million and if they say that is not enough, we will add a million or two. All I want to do is to do something for the poor blind man and the poor blind woman.

Let them have a little bit of consideration from the time they are 18 years old until they are 65. We are not even asking that this bill carry them beyond 65, because then we feel that they will then be eligible to an old-age pension. Surely they are entitled to that when they get to be 65 years of age. What can be wrong with this amendment? Why not vote for it? Why not pass it? I know that those charged with the responsibility of securing the passage of this bill have great pride in their skill and technique in parliamentary maneuvering, but that should not be enough to keep you from doing your duty by the poor blind man who holds out the tin cup to you today. Pride of a capable congressional leader in his handiwork does not restore the sight of the poor blind man nor appease his hunger. I, too, have pride in this bill. I spent many weeks in the committee hearings working on it. I think this bill is put together from the standpoint of English and correct legal language better than any bill that has ever come into this House. It is almost a perfect bill in that respect. As you know, I have been on the floor for days as we have been considering this bill, and I have fought two titles of this bill as vigorously as I could, and I have no apology to make to anybody in the world for that. If I had any more capacity, I would use it against title II and title VIII, but I am going to vote for this bill regardless of title II and title VIII. Why do you leaders not have some consideration? Why can you not go along and give the blind man a chance? Why not add this amendment and give the blind man the same consideration that is given all others?

This amendment is drawn exactly like the amendment for widows and children. There are no parliamentary obstacles. You cannot challenge it on a point of order. It appeals to your sense of fairness and justice. It grips your heart in the vise of sympathy. It will meet with the universal approval of the people. Why then, in the name of common sense, cannot we put an amendment like this into this bill? Is there any reason why you cannot provide a substitute for the nickel or the dime for the tin cup of the blind man on the street corner? I am going to leave it to you, and if you do not raise up to meet your responsibility I am going to be deeply disappointed, because I know, in your hearts, that you have compassion. I also know that you have the votes, and I know that the President in the White House will not castigate any of you for asserting yourselves and doing something on this great day—Good Friday—that will be an honor to you and to your country, and a benefit to the most pitiable group that any of us know.

Mr. MAY. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. MAY. I am going to vote for the amendment because I think a blind man is in worse shape than an old man with two good eyes.

Mr. JENKINS of Ohio. I am glad one Democrat has stood up and said he would vote for the amendment. I hope all of you will do the same.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. JENKINS] has expired. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment of the gentleman from Ohio [Mr. JENKINS]. The gentleman from Ohio is a diligent, able, and faithful member of the Ways and Means Committee, as well as one of the ablest men of this House. I know he is sincere and modest in this matter, but this question was thoroughly considered in the committee, and if at that time the gentleman's sympathy had been aroused to the degree of emotion that it is at present, my memory does not serve me

well—although, of course, we always have the privilege of amending our thoughts or changing our position.

This question was discussed at length in our committee. The reason that the provision containing the substance of the amendment was not adopted in committee was that it was represented in committee that the blind people, on whom the hand of affliction for some unknown reason, has been laid so heavily and for whom we have the deepest and most profound sympathy, were, perhaps, better taken care of now, more adequately and more humanely taken care of, than any other class of people in the United States. Now, that was not disputed. That fact was not controverted. I think the gentleman from Arkansas, a member of the committee, brought up the question, and it was debated at length. It was represented that in practically all States there are homes in which the blind are humanely and adequately cared for. The gentleman from Ohio [Mr. JENKINS] knows this. The appeal which this class of unfortunate people makes to the human instincts and impulse, regardless of party, is a stronger appeal than that made, perhaps, by any other class of people. For that reason the States have taken great pains to care for and provide for this unfortunate class of people.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. JENKINS of Ohio. If I withdraw my name from this amendment and ask that the name of the gentleman from North Carolina be substituted, will the gentleman accept it?

Mr. DOUGHTON. Oh, does the gentleman think it is jealousy? That is interpreting my position on most too low an estimate. I hope the gentleman will withdraw that statement, and I hope he would not think I am opposing this only because of pride of authorship. I know the gentleman does not feel that way about it. I know the gentleman knows we cannot take care of every deserving class of people in this bill. We cannot go all the way at one journey. We are doing more than has ever been done in any piece of legislation for unfortunate people. This is one class of unfortunate people that it was explained fully to the committee were better taken care of than any other class of people. As far as concerns the State, which I have the honor in part to represent, I know the blind are well taken care of in contrast or comparison with other classes of dependent humanity.

Another thing, we do not have the data. We have no information about this. This amendment has been brought up here on the spur of the moment. To consider an amendment having this far-reaching effect, we should have all the facts. I am sure that with the influence my friend has, he can have it put on in the other body.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. JENKINS].

The question was taken; and on a division (demanded by Mr. JENKINS of Ohio) there were ayes 54 and noes 100.

So the amendment was rejected.

The Clerk read as follows:

**TITLE V—GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE**  
**PART 1—MATERNAL AND CHILD HEALTH SERVICES**

*Appropriation*

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$3,800,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Chief of the Children's Bureau, State plans for such services.

*Allotments to States*

SEC. 502. (a) Out of the sums appropriated pursuant to section 501 for each fiscal year the Secretary of Labor shall allot to each State \$20,000, and such part of \$1,800,000 as he finds that the number of live births in such State bears to the total number of live births in the United States.

(b) Out of the sums appropriated pursuant to section 501 for each fiscal year the Secretary of Labor shall allot to the States \$980,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in

carrying out its State plan, as determined by him after taking into consideration the number of live births in such State.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 504 until the end of the second succeeding fiscal year. No payment to a State under section 504 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

*Approval of State plans*

SEC. 503. (a) A State plan for maternal and child-health services must (1) provide for financial participation by the State; (2) provide for the administration of the plan or the supervision of the administration of the plan by the State health agency; (3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Chief of the Children's Bureau to be necessary for the efficient operation of the plan; (4) provide that the State health agency will make such reports, in such form and containing such information, as the Secretary of Labor may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for the extension and improvement of local maternal and child-health services administered by local child-health units; (6) provide for cooperation with medical, nursing, and welfare groups and organizations; and (7) provide for the development of demonstration services in needy areas and among groups in special need.

(b) The Chief of the Children's Bureau shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the Secretary of Labor and the State health agency of his approval.

*Payment to States*

SEC. 504. (a) From the sums appropriated therefor and the allotments available under section 502 (a), the Secretary of the Treasury shall pay to each State which has an approved plan for maternal and child-health services, for each quarter, beginning July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Secretary of Labor shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Labor shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Labor finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Labor for such prior quarter.

The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Labor, the amount so certified.

(c) The Secretary of Labor shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotments available under section 502 (b), and the Secretary of the Treasury shall, through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Labor.

*Operation of State plans*

SEC. 505. In the case of any State plan for maternal and child-health services which has been approved by the Chief of the Children's Bureau, if the Secretary of Labor, after notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 503 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

**PART 2—SERVICES FOR CRIPPLED CHILDREN**

*Appropriation*

SEC. 511. For the purpose of enabling each State to extend and improve—especially in rural areas and in areas suffering from severe economic distress—as far as practicable under the conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care,

and facilities for diagnosis, hospitalization, and aftercare for children who are crippled or who are suffering from conditions which lead to crippling, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$2,850,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Chief of the Children's Bureau, State plans for such services.

#### Allocations to States

Sec. 512. (a) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to each State \$20,000, and the remainder to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(b) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 514 until the end of the second succeeding fiscal year. No payment to a State under section 514 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

#### Approval of State plans

Sec. 513. (a) A State plan for services for crippled children must (1) provide for financial participation by the State; (2) provide for the administration of the plan or the supervision of the administration of the plan by a State agency; (3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Chief of the Children's Bureau to be necessary for the efficient operation of the plan; (4) provide that the State agency will make such reports, in such form and containing such information, as the Secretary of Labor may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for carrying out the purposes specified in section 511; and (6) provide for cooperation with medical, health, nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children.

(b) The Chief of the Children's Bureau shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the Secretary of Labor and the State agency of his approval.

#### Payment to States

Sec. 514. (a) From the sums appropriated therefor and the allotments available under section 512, the Secretary of the Treasury shall pay to each State which has an approved plan for services for crippled children, for each quarter, beginning July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

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

(1) The Secretary of Labor shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Labor shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Labor finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Labor for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Labor, the amount so certified.

#### Operation of State plans

Sec. 515. In the case of any State plan for services for crippled children which has been approved by the Chief of the Children's Bureau, if the Secretary of Labor, after notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 513 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

#### PART 3. CHILD-WELFARE SERVICES

Sec. 521. For the purpose of enabling the United States, through the Children's Bureau, to cooperate with State public-welfare

agencies in establishing, extending, and strengthening, in rural areas, public-welfare services for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$1,500,000. Such amount shall be allotted for use by cooperating State public-welfare agencies, to each State \$10,000, and such part of the balance as the rural population of such State bears to the total rural population of the United States. The amount so allotted shall be expended for payment of part of the costs of county and local child-welfare services in rural areas. The amount of any allotment to a State under this section for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under this section until the end of the second succeeding fiscal year. No payment to a State under this section shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

#### PART 4—VOCATIONAL REHABILITATION

Sec. 531. (a) In order to enable the United States to cooperate with the States and Hawaii in extending and strengthening their programs of vocational rehabilitation of the physically disabled, and to continue to carry out the provisions and purposes of the act entitled "An act to provide for the promotion of vocational rehabilitation of persons disabled in industry or otherwise and their return to civil employment", approved June 2, 1920, as amended (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29, secs. 31, 32, 34, 35, 37, 39, and 40), there is hereby authorized to be appropriated for the fiscal years ending June 30, 1936, and June 30, 1937, the sum of \$841,000 for each such fiscal year in addition to the amount of the existing authorization, and for each fiscal year thereafter the sum of \$1,938,000. Of the sums appropriated pursuant to such authorization for each fiscal year, \$5,000 shall be apportioned to the Territory of Hawaii and the remainder shall be apportioned among the several States in the manner provided in such act of June 2, 1920, as amended.

(b) For the administration of such act of June 2, 1920, as amended, by the Federal agency authorized to administer it, there is hereby authorized to be appropriated for the fiscal years ending June 30, 1936, and June 30, 1937, the sum of \$22,000 for each such fiscal year in addition to the amount of the existing authorization, and for each fiscal year thereafter the sum of \$102,000.

#### PART 5—ADMINISTRATION

Sec. 541. (a) There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$425,000, for all necessary expenses of the Children's Bureau in administering the provisions of this title.

(b) The Children's Bureau shall make such studies and investigations as will promote the efficient administration of this title.

(c) The Secretary of Labor shall include in his annual report to Congress a full account of the administration of this title, except section 531.

Mr. PETERSON of Florida. Mr. Chairman, I offer an amendment, which I have sent to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. PETERSON of Florida: Page 25, line 15, after the word "State", strike out the semicolon and insert the following: "or political subdivisions thereof".

Mr. PETERSON of Florida. Mr. Chairman, the proposed amendment is for the purpose of allowing participation by States which, under their constitution, cannot participate as States. There are certain State constitutions which place certain limitations and, in some instances, certain specific duties upon political subdivisions of the State. In my own particular State—Florida—section 3 of article XIII of the constitution reads as follows:

The respective counties of the State shall provide in the manner prescribed by law for those of the inhabitants that by reason of age, infirmity, or misfortune may have claims upon the aid and sympathy of society.

In certain portions of this bill it is generally stated that the local contribution will be contribution by political subdivisions, but in the plan itself, not only in this place but in the preceding title with reference to old-age pensions and in the subsequent section on page 30, line 12, it provides for financial participation by States.

Mr. McCORMACK. Will the gentleman yield?

Mr. PETERSON of Florida. I yield.

Mr. McCORMACK. I think the gentleman is properly calling to the attention of the House a very pertinent matter—whether or not some States will be precluded from participating under this bill—whether or not under their constitution they have the power to submit a State plan is a very important question. Of course, none of us want any State excluded. However, the gentleman and his colleagues

are to be complimented for calling this matter to our attention and having it rectified if necessary. I will say, however, the committee had given consideration to this question. Also, as a result of a talk which I had with the gentleman from Florida yesterday, I have looked into the matter further, and I have been assured that this does not exclude any State. I understand that while Florida cannot contribute directly to beneficiaries and that it must be done through the counties, nevertheless Florida can contribute something toward the administration, and if the State constitution precludes direct participation or direct aid to its own citizens, but provides that it must be done through the political subdivisions, yet if it can contribute something toward the administration of the plan, that, in my opinion, will meet the provisions of this law. I am assured that Florida, under those conditions, can participate. Other States are similarly situated.

I do not know how many of the present States with old-age-pension laws have similar constitutional provisions. I understand that some have, and the constitutional provisions have not prevented the passage of such legislation. The matter is being further investigated, however, and if there is any doubt I will join with the gentleman, and I know I can speak for my colleagues of the committee in seeing that an appropriate amendment is put in the bill in the Senate; but we have been assured that the present provision does not preclude any State in the Union from submitting a State plan.

Mr. PETERSON of Florida. Do I understand from the gentleman's statement that it is the intention of the committee which held the hearings upon this subject and which drafted this bill, that the verbiage of this title shall be construed as including participation even to the extent of \$1 or by local subdivisions?

Mr. McCORMACK. Exactly; if any State contributes even \$1 toward administration, it meets that provision of this bill on administration. I have been assured that if a State, the constitution of which prohibits direct contribution, contributes any amount for administration it complies with the provisions of the bill.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. PETERSON of Florida. I yield.

Mr. MAY. Does it apply equally to administrative costs and contributions to beneficiaries?

Mr. McCORMACK. My understanding is—and my information came only this morning, but it came from one in whom I have confidence and one who has advised the committee—that it applies to the administrative cost. There will be this reservation, however, so that the gentleman will not press his amendment now, that the matter is being further looked into. While I cannot speak for the other members of the committee, not having talked to them on the subject, I am sure I bespeak their favorable consideration; and I will join with the gentleman in trying to have a proper amendment put into the bill to take care of the situation in the Senate, if later we find it necessary.

Mr. PETERSON of Florida. Mr. Chairman, in view of the statement of the gentleman from Massachusetts, in view of the explanation he has given, which will, in the event of construction by the courts, throw light on the intent of the provision, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. COCHRAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COCHRAN: Page 26, line 5, after the semicolon, strike out the word "and"; and in line 7, after "need", insert a semicolon and the following: "and (8) provided that the services furnished under the plan shall not extend to any child over 1 year of age."

Mr. COCHRAN. Mr. Chairman, I would like the attention of the members of the committee for just a minute. This section, of course, reminds us of the Sheppard-Towner Act; it is back here, but in a little different form. The Sheppard-Towner Act was discontinued by Congress. I was

opposed to the continuance of the Sheppard-Towner Act. It had served its purpose by stimulating action in the States. During the period that the act was in force I made quite an extensive investigation as to what the money was being spent for. So did the American Medical Association. The legal definition of "infant" or of "child" is "one under 21 years of age." Unless we provide in this bill a definition within the meaning of the act, so we can designate what the money under this section can be spent for, we shall find the same situation as we did under the Sheppard-Towner Act. For instance, the State of Pennsylvania used the money that was supposed to take care of the mother and child at the time of birth, to fix the teeth of school children 15 years of age; and other States used the money for various purposes other than those contemplated by the act, or at least what those responsible for the act thought the money was to be used for. Therefore, as in common law, any person under the age of 21 is a child or an infant. I simply seek to place in the bill a proviso that, so far as this money is concerned, it cannot be used except for the purpose intended. I know you cannot strike out the word "child." If you wish the money used for the purpose intended, adopt my amendment limiting the spending of this money on a child not over 1 year of age. That will accomplish the purpose. I think it is a good amendment; it is simply a clarifying amendment, and I hope the committee will agree to it. If there are objections to the amendment, I should like to hear from some member of the committee.

[Here the gavel fell.]

Mr. VINSON of Kentucky. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the distinguished gentleman from Missouri is one of the most capable men serving in this body. He has stated the purpose of his amendment; but the amendment, of course, is much broader than he contemplates. Part I, to which he offers this amendment, is that portion of the bill which deals with maternal and child health services; it is under the general title of grants to States for maternal and child welfare. The amendment the gentleman offers, it seems to me, quite seriously endangers the use of this money for maternal care; and I know the gentleman does not have that in mind.

Mr. COCHRAN. I am following the suggestion of the legislative counsel, the one who assisted the committee, in offering the amendment at this place.

Mr. VINSON of Kentucky. I am speaking of the language of the amendment. I do not believe the gentleman quite appreciates the extent of the effect of his amendment. The point is that part I provides for grants in aid, Federal contributions, to a State or States.

The age of the child should not be fixed by the Federal Congress. That is a matter which is left to the discretion of the legislatures of the States. In other words, there may be a difference in the age in one State from the age in other States.

Mr. Chairman, I call the attention of the committee to the fact that under section 502 (a) you have a Federal grant, \$20,000 annually per State; then you have an appropriation of \$1,800,000 that must be matched by the States, I believe that the Congress can well leave it to the discretion of the States to define who are children, and to fix in the State law the age of the children that would be affected by the money with which they match the Federal money. In section (b) you have \$980,000 that does not have to be matched. This money is distributed according to the financial needs of each State for the assistance contained in this section of the bill.

Mr. COCHRAN. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield to the gentleman from Missouri.

Mr. COCHRAN. The gentleman well knows there are various States of the Union that are absolutely opposed to this class of legislation. If I am not mistaken, the State of Massachusetts took the Sheppard-Towner Act to the Supreme Court of the United States.



Mr. VINSON of Kentucky. I may say to the gentleman that any State opposed to this character of legislation does not have to provide one single thin dime to match a thin dime of Federal money.

Mr. COCHRAN. If the State of Pennsylvania, for instance, not approving of the Sheppard-Towner Act to which I just referred, used that money to take care of school children's teeth, what is going to prevent it from doing so unless there is some proviso in here limiting the age of the child to be taken care of?

Mr. VINSON of Kentucky. That is a question for the State of Pennsylvania to decide what it wanted to do.

Mr. COCHRAN. The gentleman has an objective. Does he want the State of Pennsylvania to set that objective aside and get the money to be used by them for purposes that are not intended by this bill, by the committee or Congress?

Mr. VINSON of Kentucky. We do not intend to invade the State jurisdiction and State discretion. I believe I know the gentleman and his philosophy well enough to know that he is on our end of the single tree in this respect.

Mr. COCHRAN. I agree with the gentleman as to that, but I do not think the States of the Union should be permitted to use money which the Government is going to advance for purposes other than the purposes for which this bill is passed. That is my reason for offering the amendment.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri [Mr. COCHRAN].

The amendment was rejected.

Mr. PFEIFER. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. PFEIFER: On page 24, line 12, change "\$3,800,000" to "\$5,000,000"; line 19, change "\$20,000" to "\$50,000", and change "\$1,800,000" to "\$2,000,000"; and in line 24 change "\$980,000" to "\$1,000,000."

Mr. DOUGHTON. Will the gentleman yield?

Mr. PFEIFER. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this title and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. PFEIFER. Mr. Chairman, this amendment does not materially change the purposes of the bill. It only increases the amount to that which is absolutely necessary to take care of unfortunate mothers and children, the real foundation of our country. The sum of money that this bill calls for, \$3,800,000, will not take care of those unfortunates who are entitled to that which is necessary for the welfare of this country.

Mr. Chairman, may I go back to the record for a minute and say that in 1933 the birthrate was 16.6. Over 2,000,000 babies were born in the United States. To be exact, the number was 2,082,000. That is less than any time since 1916. However, the death rate was 10.7. In other words, 1,342,000 babies died, more than half of the number which were born. The small amount of money that this bill calls for in order to take care of those unfortunate victims is far below that which is essential to serve the purposes of this bill. I, therefore, ask for your consideration in connection with an adequate sum of money in order to carry out the purposes set out in the bill.

Mr. COOPER of Tennessee. Mr. Chairman, I rise in opposition to the amendment, and will take only a moment.

Mr. Chairman, these amounts have been arrived at after a most careful and thorough consideration by the committee. The Chief of the Children's Bureau, and other officials connected or related with this work, gave us the benefit of the best information available on this subject, and we arrived at the amount set out in this bill after a careful and thorough consideration of all these matters. We therefore ask, Mr. Chairman, that this amendment be rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. PFEIFER].

The amendment was rejected.

Mr. KENNEY. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. KENNEY: On page 35, line 2, after the word "and", insert the word "also."

Mr. KENNEY. Mr. Chairman, the insertion of the additional word will not change the meaning of this particular part of the bill. It will, however, add emphasis, and I think that we ought to be a little more emphatic with respect to vocational rehabilitation.

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. KENNEY. I yield to the gentleman from Washington.

Mr. SAMUEL B. HILL. I did not get the place where the gentleman's amendment applies.

Mr. KENNEY. On page 35, line 2.

Mr. Chairman, the insertion of the word will, I believe, bring home to the States more emphatic approbation of the wonderful accomplishments that are being had under vocational rehabilitation. Because I think it is very pertinent, I should like to read a letter which I received from the efficient, humane director of the New Jersey Rehabilitation Commission, Mr. J. J. Toohey, Jr. The letter is as follows:

STATE OF NEW JERSEY,  
REHABILITATION COMMISSION,  
Newark, N. J., April 17, 1935.

HON. EDWARD A. KENNEY,  
Washington, D. C.

MY DEAR CONGRESSMAN: The New Jersey Rehabilitation Commission, as you perhaps know, comprises the following members: Dr. Fred H. Albee, Mrs. A. Harry Moore, Mr. Joseph G. Buch, Dr. Charles H. Elliott, Hon. William J. Ellis, Mr. Thomas F. Martin, Mr. Bernard Hollander, and myself.

It is the obligation of our commission to cooperate with those citizens of our State who are crippled and who may be subject to physical and vocational rehabilitation, to the end that they may ultimately become self-supporting and self-sustaining.

You undoubtedly appreciate the fact that our State has established a most favorable reputation throughout the Nation as relating to the rehabilitation of our crippled children and adults. This fine work has been due to the coordination of the efforts of the service clubs of the State, the State boards of freeholders, the medical profession, and the cooperation our commission receives from the State's crippled children's commission.

I am writing you in this regard because the New Jersey Rehabilitation Commission is intensely interested in part 4, vocational rehabilitation section, of the general security bill, H. R. 7260.

Rehabilitation of the crippled citizens of our State has never been a controversial subject. It affects the welfare of approximately 35,000 physical handicaps in New Jersey.

The Federal Government since 1920 has cooperated with New Jersey and other States in this humanitarian field of endeavor, and in behalf of our commission I am respectfully asking your support of part 4 of the aforementioned bill.

Would you be good enough to kindly advise me in this regard?

Sincerely,

J. J. TOOHEY, JR.,  
Director New Jersey Rehabilitation Commission.

I am happy right now to advise our solicitous director from the floor of this House that this part of the bill meets with my hearty approval, and I am going to vote for it along with the other worthy provisions of the bill.

In matters of vocational rehabilitation and adult and child welfare New Jersey commands a leading position, and no word of our progress in these things would be complete without paying tribute to a man who has been foremost in our endeavors along these lines and in his regard and solicitude for our crippled children—A. HARRY MOORE, United States Senator from New Jersey.

As our Governor, he has never lost interest in the little children. In his honor and for all that he has done for the afflicted little ones, there stands today in Jersey City a home which houses many of the most needy of them. It bears his name and is widely known as "The A. Harry Moore Home for Crippled Children." Senator MOORE stands out for his many accomplishments as Governor of our State, and he is beloved and held in highest esteem because of what he did for those injured in industry and for the mothers and crippled children of our State. In the Senate of the United States he will, I am sure, prove to be the leading proponent of the humane works and deeds he so nobly

carried out in New Jersey and for which he holds a very warm spot in the hearts of all of the people of our State. By his presence in the Senate, this provision of the bill will be friended as will all humane legislation of its kind; and, in consequence, this country will profit. [Applause.]

The pro forma amendment was withdrawn.

The Clerk read as follows:

**TITLE VI—PUBLIC HEALTH WORK  
APPROPRIATION**

**SECTION 601.** For the purpose of assisting States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public-health services, including the training of personnel for State and local health work, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$8,000,000 to be used as hereinafter provided.

**STATE AND LOCAL PUBLIC HEALTH SERVICES**

**Sec. 602 (a)** The Surgeon General of the Public Health Service, with the approval of the Secretary of the Treasury, shall, at the beginning of each fiscal year, allot to the States the total of (1) the amount appropriated for such year pursuant to section 601; and (2) the amounts of the allotments under this section for the preceding fiscal year remaining unpaid to the States at the end of such fiscal year. The amounts of such allotments shall be determined on the basis of (1) the population; (2) the special health problems; and (3) the financial needs of the respective States. Upon making such allotments the Surgeon General of the Public Health Service shall certify the amounts thereof to the Secretary of the Treasury.

(b) The amount of an allotment to any State under subsection (a) for any fiscal year remaining unpaid at the end of such fiscal year shall be available for allotment to States under subsection (a) for the succeeding fiscal year in addition to the amount appropriated for such year.

(c) Prior to the beginning of each quarter of the fiscal year the Surgeon General of the Public Health Service shall, with the approval of the Secretary of the Treasury, determine in accordance with rules and regulations prescribed by such Surgeon General after consultation with a conference of the State and Territorial health authorities, the amount to be paid to each State for such quarter from the allotment to such State, and shall certify the amount so determined to the Secretary of the Treasury. Upon receipt of such certification, the Secretary of the Treasury shall, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay in accordance with such certification.

(d) The moneys so paid to any State shall be expended solely in carrying out the purposes specified in section 601 and in accordance with plans presented by the health authority of such State and approved by the Surgeon General of the Public Health Service.

**INVESTIGATIONS**

**Sec. 603. (a)** There is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$2,000,000 for expenditure by the Public Health Service for investigation of disease and problems of sanitation (including the printing and binding of the findings of such investigations), and for the pay and allowances and traveling expenses of personnel of the Public Health Service, including commissioned officers, engaged in such investigations or detailed to cooperate with the health authorities of any State in carrying out the purposes specified in section 601: *Provided*, That no personnel of the Public Health Service shall be detailed to cooperate with the health authorities of any State except at the request of the proper authorities of such State.

(b) The personnel of the Public Health Service paid from any appropriation not made pursuant to subsection (a) may be detailed to assist in carrying out the purposes of this title. The appropriation from which they are paid shall be reimbursed from the appropriation made pursuant to subsection (a) to the extent of their salaries and allowances for services performed while so detailed.

(c) The Secretary of the Treasury shall include in his annual report to Congress a full account of the administration of this title.

**Mr. SISSON.** Mr. Chairman, I move to strike out the last word.

Mr. Chairman, for several months, and during a large part of the time when this splendid Ways and Means Committee was working on this social-security bill which is now before the House and also during a large part of the time when the Committee on Economic Security, appointed by President Roosevelt, pursuant to his message to Congress of June 8, 1934, was working on this same vital subject, Members of Congress have been deluged with letters and petitions by the advocates of the so-called "Townsend plan."

The originator of the Townsend plan, Dr. Townsend, had furnished a plan whereby each of its beneficiaries would have \$200 a month for the rest of their lives, and the only condition required, in addition to their age and need, was that they must immediately spend the said \$200 a month. Hundreds of thousands of people approaching the twilight of their lives were led to believe in this as they believe in God. Many of them, in anticipation, have in their imaginations already been spending the money. The fallacy, the utter sham of the Townsend plan, is shown by the fact that the maker and proponents of the plan have had to revise it once, twice, and now, I think, three times, so that now, in the consideration of the social-security bill, we had before us a Townsend plan which its makers even are compelled to admit would not furnish \$200 a month to its beneficiaries, but would furnish only, at the most, \$50 a month and with no sound, just, and practical means provided for even raising that amount of money.

After the many able speeches that have been made by the members of the Ways and Means Committee who brought out this real social-security bill, and the explanation made by them and other supporters of the bill, there is little in the very limited time that I have been able to devote to the study of the bill and the voluminous hearings and reports made by the Committee on Economic Security and the Ways and Means Committee or in the brief space of time at my disposal today that would add anything to clarify or explain this bill or strengthen its support. I do want to congratulate the Ways and Means Committee on the splendid work they have done. Where so many have contributed so much, to single out any one person who has helped to give us this bill, or to make comparisons between them, would be idle and unjust; but I cannot refrain from speaking of a few whose labors for the benefit of the Congress and the benefit of the country stand out. Two from my own State of New York, Senator WAGNER and Secretary of Labor PERKINS, were among the pioneers. Secretary PERKINS' statement before this committee was classical in its simplicity and clearness and the comprehensive grasp shown of the whole subject. On this committee the able chairman, Mr. DOUGHTON, Mr. SAMUEL B. HILL, of Washington, my good friend Mr. LEWIS of Maryland, Mr. COOPER of Tennessee, Mr. VINSON of Kentucky, Mr. McCORMACK, of Massachusetts, have all given us a splendid service. I have read in the RECORD, after listening to them on the floor, two great speeches made by two members of the Ways and Means Committee on this bill, one by Mr. LEWIS of Maryland and one by Mr. COOPER of Tennessee. It is a good bill for the beginning of raising the structure of economic and social security. It is, of course, not the finished edifice; as Mr. LEWIS of Maryland has said, "you have to have the foundation before you can erect the building."

I have read only a small part of the several thousand pages of the report of the Committee on Economic Security and of the hearings of the Ways and Means Committee on this bill, and I can add little on the bill. There are some things, however, for the benefit of the country that ought to be said about this Townsend plan and some of its advocates. So far as I could find, there has been more sound than sense, and more oratory and rhetoric than reason and facts and figures produced by its advocates.

I have no respect for the man who will delude the people with false hopes. "Hope deferred maketh the heart sick." It was a cruel thing for Dr. Townsend to make some hundreds of thousands of people, nearing the twilight of their lives, believe that they would soon receive a comfortable living, and that all they have to do is to spend the money. The original Townsend plan, it was estimated by its advocates, would cost at least \$20,000,000,000 a year. There is only one place from which taxes can come in the last analysis, and that is from our total earnings as a people. Our total income is probably a little less than fifty billions a year. A plan that provides for taking 40 percent of our total income would, of course, have meant the end of our economic structure, and the fact that it is disguised by being a tax on trans-

actions only conceals but does not take away its utter unsoundness. I suppose a great many of the Members of Congress have been petitioned by thousands of people, honest, well-meaning, and well-intentioned, but led astray by the originator and advocates of this plan.

[Here the gavel fell.]

Mr. FITZPATRICK. Mr. Chairman, I ask unanimous consent that the gentleman from New York may proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SISSON. I am not quite sure whether the Townsend plan was simply a vague, beautiful dream or whether it was a racket designed to take money out of the pockets of those already impoverished. At any rate, I propose to make it known to my constituents and to as many of the Townsend victims as possible that I contended against a gag rule on this bill and for an open rule, and I propose to make it known, as far as tongue and pen can do it, that I would have voted against the Townsend plan or any of the other unsound plans had they come to a record vote. I thought an open rule on this bill would serve the same purpose as sometimes is served by the surgical operation necessary to remove a malignant growth from the physical body.

The people of my district elected me to represent them and to represent all the people of this country, as is the case with all the other Members of this body. And in order to do this they intended me to be governed by reason, and not by propaganda, and to use my own best judgment; and before I will fail in that duty and violate the oath I took, by voting for and helping to fasten upon my country a thing which would destroy its economic system, a thing which I know to be unsound, I will, if necessary, let the people retire me at the end of this term or any other term and go back to my little law shop and practice law.

The able Chairman of the Rules Committee of this House, Mr. O'CONNOR, of New York, said, in bringing out and explaining this very liberal and open rule on this bill which the Rules Committee reported, that he hoped that the Townsend plan would be held to be germane to this bill in order that it might be voted on and in order that he might vote against it. That was true leadership. [Applause.] I am glad to follow such leadership, because that is the way to preserve the integrity of our party, the integrity of this House, the integrity of our country and its economic structure, and to bring false prophets and unsound leadership and unsound plans out into the light of day, where the spurious may be detected from the genuine.

I claim no superior virtue. I believe what I claim for myself is true of the vast majority of the Members of this body on both sides of this aisle. But I have heard Members speak here against this bill and in support of the Townsend plan who obviously did not study the bill, or if they had, had not profited by their study, like the gentleman from California, where the Townsend plan originated, who was talking about a title of this bill which he had not even read.

But I felt more hopeful of the integrity and soundness of this body when I saw how courageously my good friend FRANK BUCK, in that same State of California, stood up in debate against this Townsend plan and racket, even though it might well be that he was sacrificing his political life to serve his country, while some Townsend advocate or orator might conceivably even succeed to this place of public trust, because he had succeeded—to paraphrase the words of Lincoln—in fooling some of the people some of the time. The debate on this bill, the result of the votes on this bill and upon the unsound plans offered in place of this bill, furnishes hope to the people of this country and will go far to allay the apprehensions of those who feared that this Congress might be either so unsound or so supine as to yield to the clamor and threats to which it has now for some months been subjected. [Applause.]

The Clerk read as follows:

TITLE VII—SOCIAL SECURITY BOARD  
ESTABLISHMENT

SECTION 701. There is hereby established a Social Security Board (in this act referred to as the "board") to be composed of three members to be appointed by the President, by and with the advice and consent of the Senate. Each member shall receive a salary at the rate of \$10,000 a year and shall hold office for a term of 6 years, except that (1) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term; and (2) the terms of office of the members first taking office after the date of the enactment of this act shall expire, as designated by the President at the time of appointment, 1 at the end of 2 years, 1 at the end of 4 years, and 1 at the end of 6 years, after the date of the enactment of this act. The President shall designate one of the members as the chairman of the board.

DUTIES OF SOCIAL SECURITY BOARD

Sec. 702. The board shall perform the duties imposed upon it by this act and shall also have the duty of studying and making recommendations as to the most effective methods of providing economic security through social insurance, and as to legislation and matters of administrative policy concerning old-age pensions, unemployment compensation, accident compensation, and related subjects.

EXPENSES OF THE BOARD

Sec. 703. The board is authorized to appoint and fix the compensation of such officers and employees, and to make such expenditures as may be necessary for carrying out its functions under this act.

REPORTS

Sec. 704. The board shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which it is charged.

Mr. SAUTHOFF. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 39, line 3, after the word "established", insert "within the Department of Labor."

Mr. SAUTHOFF. Mr. Chairman, the purpose of this amendment is simply to put all of these functions under the Department of Labor. All your employment service is under the Department of Labor, and this will coordinate with it.

Secondly, the Secretary of Labor is mentioned again and again in the bill. Therefore it seems to me that it is extremely desirable that we have uniformity and that we should place this under the Department of Labor.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin.

The question was taken; and the amendment was rejected.

Mr. PFEIFER. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 39, line 5, after the word "members" insert "one of which shall be a member of the medical profession."

Section 701 will then read in part as follows:

"There is hereby established a Social Security Board (in this act referred to as the board) to be composed of three members, one of whom shall be a member of the medical profession, to be appointed by the President by and with the advice and consent of the Senate."

Mr. PFEIFER. Mr. Chairman and gentlemen, this amendment will not alter the bill in any way except to provide for a member of the medical profession to be placed on the board.

We realize that all through the bill the intent is for the welfare of the unfortunates. These functions call for the aid of the medical profession—providing medical, surgical, and other services and care and facilities for diagnosis, hospitalization, and everything pertaining to health.

Mr. SAMUEL B. HILL. If the gentleman will yield, titles I, II, III, and IV are under this security board.

Mr. PFEIFER. You read further and, on page 29, referring to the services to crippled children, it calls for the care of indigent by this board.

Mr. SAMUEL B. HILL. That is under the Children's Bureau of the Department of Labor. Title V is under the Surgeon General's Department of Public Health.

Mr. PFEIFER. Disregarding all that, I still maintain that section 1 is for the welfare of the unfortunates. A medical man should be placed on the board for their welfare.

Mr. COOPER of Tennessee. In addition to the statement made by the gentleman from Washington, does not the gentleman from New York feel that the President of the United States can be trusted to select the best possible available men to be placed on the board? Is he not willing that the President of the United States may exercise his discretion in selecting the proper personnel for the board. I am sure if the gentleman will present his views to the President, the President will give them full consideration.

Mr. PFEIFER. I do not question the President's good intent, but the insertion of just five words calling for the appointment of a medical man will make it certain.

Mr. MEAD. Will the gentleman yield?

Mr. PFEIFER. I yield.

Mr. MEAD. I realize that the distinguished Representative from my home State is one of the eminent surgeons of this country, and I would like to ask him what action the medical fraternity have taken in regard to this bill?

Mr. PFEIFER. They have requested the board and begged for the provision that a medical man should be placed on the board.

The medical profession recognizes the necessity under conditions of emergency for Federal aid in meeting basic needs of the indigent; the house of delegates of the American Medical Association deprecates, however, any provision whereby Federal subsidies for medical services are administered and controlled by a lay bureau. While the desirability of adequate medical service for crippled children and for the preservation of child and maternal health is beyond question, the house of delegates deplores and protests those sections of the bill which place in the Children's Bureau of the Department of Labor the responsibility for the administration of funds for these purposes.

The house of delegates condemns as pernicious that section of the bill—section 701, title VII—which creates a social insurance board, without specification of the character of its personnel to administer functions essentially medical in character and demanding technical knowledge not available to those without medical training.

Mr. VINSON of Kentucky. The present president of the American Medical Association, Dr. William L. Bierring, appeared before the committee and endorsed the health title of this bill.

Mr. MEAD. Did he represent the American Medical Society?

Mr. VINSON of Kentucky. He was speaking as its president, I understood.

Mr. MEAD. I believe the gentleman's request is a reasonable one.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. PFEIFER. Mr. Chairman, I ask unanimous consent to proceed for 1 minute more.

The CHAIRMAN. Is there objection?

Mr. VINSON of Kentucky. Mr. Chairman, I am constrained to object.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

**TITLE VIII—TAXES WITH RESPECT TO EMPLOYMENT  
INCOME TAX ON EMPLOYEES**

SECTION 801. In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 811) received by him after December 31, 1936, with respect to employment (as defined in section 811) after such date:

- (1) With respect to employment during the calendar years 1937, 1938, and 1939, the rate shall be 1 percent.
- (2) With respect to employment during the calendar years 1940, 1941, and 1942, the rate shall be 1½ percent.
- (3) With respect to employment during the calendar years 1943, 1944, and 1945, the rate shall be 2 percent.
- (4) With respect to employment during the calendar years 1946, 1947, and 1948, the rate shall be 2½ percent.

- (5) With respect to employment after December 31, 1948, the rate shall be 3 percent.

**DEDUCTION OF TAX FROM WAGES**

SEC. 802. (a) The tax imposed by section 801 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. Every employer required so to deduct the tax is hereby made liable for the payment of such tax, and is hereby indemnified against the claims and demands of any person for the amount of any such payment made by such employer.

(b) If more or less than the correct amount of tax imposed by section 801 is paid with respect to any wage payment, then, under regulations made under this title, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made in connection with subsequent wage payments to the same individual by the same employer.

**DEDUCTIBILITY FROM INCOME TAX**

SEC. 803. For the purposes of the income tax imposed by title I of the Revenue Act of 1934 or by any act of Congress in substitution therefor, the tax imposed by section 801 shall not be allowed as a deduction to the taxpayer in computing his net income for the year in which such tax is deducted from his wages.

**EXCISE TAX ON EMPLOYERS**

SEC. 804. In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in sec. 811) paid by him after December 31, 1936, with respect to employment (as defined in sec. 811) after such date:

- (1) With respect to employment during the calendar years 1937, 1938, and 1939, the rate shall be 1 percent.
- (2) With respect to employment during the calendar years 1940, 1941, and 1942, the rate shall be 1½ percent.
- (3) With respect to employment during the calendar years 1943, 1944, and 1945, the rate shall be 2 percent.
- (4) With respect to employment during the calendar years 1946, 1947, and 1948, the rate shall be 2½ percent.
- (5) With respect to employment after December 31, 1948, the rate shall be 3 percent.

**ADJUSTMENT OF EMPLOYERS' TAX**

SEC. 805. If more or less than the correct amount of tax imposed by section 804 is paid with respect to any wage payment, then, under regulations made under this title, proper adjustments with respect to the tax shall be made in connection with subsequent wage payments to the same individual by the same employer.

**REFUNDS AND DEFICIENCIES**

SEC. 806. If more or less than the correct amount of tax imposed by section 801 or 804 is paid or deducted with respect to any wage payment and the overpayment or underpayment of tax cannot be adjusted under section 802 (b) or 805 the amount of the overpayment shall be refunded and the amount of the underpayment shall be collected, in such manner and at such times (subject to the statutes of limitations properly applicable thereto) as may be prescribed by regulations made under this title.

**COLLECTION AND PAYMENT OF TAXES**

SEC. 807. (a) The taxes imposed by this title shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury and shall be paid into the Treasury of the United States as internal-revenue collections.

(b) Such taxes shall be collected and paid in such manner, at such times, and under such conditions, not inconsistent with this title (either by making and filing returns, or by stamps, coupons, tickets, books, or other reasonable devices or methods necessary or helpful in securing a complete and proper collection and payment of the tax or in securing proper identification of the taxpayer), as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

(c) All provisions of law, including penalties, applicable with respect to any tax imposed by section 600 or section 800 of the Revenue Act of 1926, and the provisions of section 607 of the Revenue Act of 1934, shall, insofar as applicable and not inconsistent with the provisions of this title, be applicable with respect to the taxes imposed by this title.

(d) In the payment of any tax under this title a fractional part of a cent shall be disregarded, unless it amounts to ½ cent or more, in which case it shall be increased to 1 cent.

**RULES AND REGULATIONS**

SEC. 808. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make and publish rules and regulations for the enforcement of this title.

**SALE OF STAMPS BY POSTMASTERS**

SEC. 809. The Commissioner of Internal Revenue shall furnish to the Postmaster General without prepayment a suitable quantity of stamps, coupons, tickets, books, or other devices prescribed by the Commissioner under section 807 for the collection or payment of any tax imposed by this title, to be distributed to, and kept on sale by, the various postmasters in the United States. The Postmaster General may require each such postmaster to furnish bond in such increased amount as he may from time to time determine, and each such postmaster shall deposit the receipts from the sale of such stamps, coupons, tickets, books, or other devices, to the credit of, and render accounts to, the Postmaster General at such

times and in such form as the Postmaster General may by regulations prescribe. The Postmaster General shall at least once a month transfer to the Treasury as internal-revenue collections all receipts so deposited.

## PENALTIES

SEC. 810. (a) Whoever buys, sells, offers for sale, uses, transfers, takes or gives in exchange, or pledges or gives in pledge, except as authorized in this title or in regulations made pursuant thereto, any stamp, coupon, ticket, book, or other device prescribed by the Commissioner of Internal Revenue under section 807 for the collection or payment of any tax imposed by this title shall be fined not more than \$1,000 or imprisoned for not more than 6 months, or both.

(b) Whoever, with intent to defraud, alters, forges, makes, or counterfeits any stamp, coupon, ticket, book, or other device prescribed by the Commissioner of Internal Revenue under section 807 for the collection or payment of any tax imposed by this title, or uses, sells, lends, or has in his possession any such altered, forged, or counterfeited stamp, coupon, ticket, book, or other device, or makes, uses, sells, or has in his possession any material in imitation of the material used in the manufacture of such stamp, coupon, ticket, book, or other device, shall be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

## DEFINITIONS

SEC. 811. When used in this title—

(a) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include that part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year.

(b) The term "employment" means any service, of whatever nature, performed within the United States by an employee for his employer, except—

- (1) Agricultural labor;
- (2) Domestic service in a private home;
- (3) Casual labor not in the course of the employer's trade or business;
- (4) Service performed by an individual who has attained the age of 65;
- (5) Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country;
- (6) Service performed in the employ of the United States Government or of an instrumentality of the United States;
- (7) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;
- (8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Mr. VINSON of Kentucky. Mr. Chairman, I offer the following committee amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. VINSON of Kentucky: Page 45, lines 2 and 3, strike out "the various postmasters in the United States" and insert: "all post offices of the first and second classes, and such post offices of the third and fourth classes as (1) are located in county seats, or (2) are certified by the Secretary of the Treasury to the Postmaster General as necessary to the proper administration of this title."

Mr. VINSON of Kentucky. Mr. Chairman, this is a committee amendment to which no objection was interposed. The provisions of the amendment are agreeable to the Treasury and to the Post Office Department.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Kentucky. Yes.

Mr. TREADWAY. I am sure there is no objection on this side to that amendment.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. REED of New York. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Beginning on page 40, in line 10, strike out all of title VIII down to and including line 19 on page 47.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield to me for a moment?

Mr. REED of New York. Yes.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate upon this title and all amendments thereto close in 15 minutes.

Mr. TREADWAY. Mr. Chairman, I reserve the right to object. I suggest to the gentleman that he withdraw that and let the debate run along on the amendment of the gentleman from New York, temporarily.

Mr. DOUGHTON. Mr. Chairman, I withdraw the request.

Mr. REED of New York. Mr. Chairman, I believe that a bill as important as this should demand the attention of the House, especially if there is matter in the bill with which Members should be familiar before they cast their votes. One of the most important matters contained in this bill, affecting the individual citizen, is deliberately concealed within the language of the bill. There is a portion of this bill which gives to the Secretary of the Treasury power to issue regulations for the administration of this tax. Do you gentlemen realize that this is one of the bills of regimentation of the "brain trust"? Do gentlemen realize that this tax does not go into effect until the 1st of January 1937, while the unemployment-insurance tax goes into effect in 1936? Why is that? It is political and nothing else. Do gentlemen realize that under the terms of this bill on the 1st of January 1937, 25,804,000 wage earners of this country will have to submit themselves to a Federal bureau to be fingerprinted before they can walk across the threshold of any employer of labor in this country?

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. No. Wait a minute.

Mr. SAMUEL B. HILL. There is nothing in the bill to that effect.

Mr. REED of New York. Oh, yes, there is.

Mr. SAMUEL B. HILL. Show it to us.

Mr. REED of New York. Under section 808 there is a provision giving the Secretary of the Treasury power to issue regulations. The gentleman who interrupted me, Mr. Hill, and every man on the committee knows that a member of the "brain trust" came before our committee and inadvertently dropped the word that the provisions of title II and title VIII could not be carried out without subjecting the employees to a fingerprint test. It means the setting up here in Washington of a Federal bureau with a fingerprint test of regimentation not only comparable to but greater than anything of its kind to be found in Russia, Germany, or Italy under the three dictators. It means absolute regimentation, and if you gentlemen, when you come up the Avenue, will look at the buildings on that side of the street, you will find the sign on the window the whole length of the building, "Fingerprint department."

So, you are going to fingerprint 25,804,000 wage earners after the election in 1936. You would not do it before. You delay it for a month after election, hoping that you can corrupt the electors of this country with your \$5,000,000,000 slush fund, and then put this compulsory tax and the fingerprint system into operation. Then the lash of the dictator will be felt, and 25,000,000 free American citizens will for the first time submit themselves to a fingerprint test and have their fingerprints filed down here with those of Al Capone and every jailbird and racketeer in the country. That is what it means, and it means that no man can go to an employer and get a job until he goes there with a card issued by the Bureau and can answer the questions and prove that he has been fingerprinted; and if he is not, and they employ him, he is subject to a fine of \$1,000 or 5 years imprisonment, or both. That is what you are trying to do in this bill, and it is in harmony with the dictatorship program launched under the new deal and to be carried on by it. It is carrying out a program of Karl Marx from beginning to end, the domination of the citizen and the destruction of private industry. This is only one more effort under a dictatorial program to regiment labor and make

them submit themselves to this Federal test before wage earners can go to an employer and get a job to earn their daily bread.

I was taught and the people I have the honor to represent believe that the greatest heritage of a free people is the right to transmit that freedom to their children. I loathe this attempt to deceive and betray industry and labor and further fasten upon them this foreign system of regimentation. I shall not—I will not—vote for this bill if title II and title VIII remain in this measure.

The CHAIRMAN. The time of the gentleman from New York [Mr. REED] has expired.

Mr. MEAD. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the only reason for my assuming the floor at this time is to call the attention of the House and the committee to the fact that this bill imposes upon the Post Office Department a tremendous burden. By the terms of the bill it will be the collecting and distributing agency, and it will in no wise be recompensed for this added volume of work.

The Post Office Department in recent years has taken on other burdens. Only a short time ago it assumed the custodial work in connection with the Federal buildings of the country at a cost to the Department of several million dollars annually for which it is not compensated.

Under this bill, as I understand it, all the postmasters of the United States will be supplied with the necessary stamps by the Internal Revenue Bureau, and they will in turn dispose of them to their patrons who come under the provisions of this law. They will make sales of stamps, coupons, books, and so forth, and be responsible for the money from those sales while it is within their keeping and until they turn it back to the Treasury of the United States. That will entail a large added volume of work, and some arrangement ought to be made in the bill to compensate the Department.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. MEAD. I yield.

Mr. VINSON of Kentucky. I want to say to my friend, the Chairman of the Committee on the Post Office and Post Roads, that the matter to which he refers was submitted to the Ways and Means Committee, but we felt that that was completely and exclusively within the jurisdiction of the gentleman's committee, and we refrained from taking any action relative thereto. We took the same position as to the added cost incident to this work. We felt that it was a matter for the Appropriations Committee.

Mr. MEAD. I know the gentleman is very friendly to the objective I have in mind, but I recognize also the fact that if it is within the province of the committee to direct the Post Office Department to do the collecting and to have the care of this property, it is also within the jurisdiction of the gentleman's committee to provide that they be compensated for the work. In view of the fact that the gentleman's committee favors it, I want the support of the committee and the House when that legislation is reported from our committee.

Mr. VINSON of Kentucky. Of course, it was within our jurisdiction to direct the Postmaster General and the postmasters to cooperate and participate in the sale of these stamps as a tax proposition.

Mr. MEAD. And it would also be within the jurisdiction of the gentleman's committee to make a suitable allowance to the Post Office Department to compensate them for their work.

Mr. VINSON of Kentucky. That is an appropriation matter.

Mr. MEAD. However, authority for that allowance could be contained in this bill and then the Appropriations Committee could, by reason of that authorization, include in the Post Office Department appropriation bill an item sufficient to cover this added expense.

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. MEAD. I yield.

Mr. SAMUEL B. HILL. Just reiterating what the gentleman from Kentucky [Mr. VINSON] said, it was within the jurisdiction of the gentleman's committee.

Mr. MEAD. I deeply appreciate that; but let me respectfully remind the members of the Ways and Means Committee that you have invaded the province of our committee frequently in the past, and again only recently. You levied a charge on first-class mail of 3 cents instead of 2 cents.

Mr. VINSON of Kentucky. And we did it with your acquiescence and your approval.

Mr. MEAD. I appeared before your committee in the first instance and asked that you leave it with our committee. I also brought to your attention the fact that our committee was in opposition to the increase; but after the matter had been reported by your committee and had been included in the emergency taxes, I told you that as long as it was but a temporary measure we would refrain from voicing our objection. However, it was certainly within the province of our committee, and the fact that you took it away from us establishes a precedent for your consideration of the minor matter I am just bringing to your attention. If you order the Post Office Department to do the work, you should order someone to pay the bill.

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, I move to strike out the last word.

If I could encourage this fight between these two distinguished Democrats, I would like to do it; but I am afraid that if I did they would both jump on me. But before we pass on this motion to strike out title VIII, permit me to say that my good friend and able colleague from New York [Mr. REED] was not able to discuss the question of the constitutionality of that section in the time allotted to him. I am not going to do it, but I just want the Record to show at this place that we still maintain as strongly as ever that this section is unconstitutional.

While I have 5 minutes, I would like to ask a question of somebody on the Democratic side with reference to the table which appears on page 6 of the committee report. I do this because I want to know. I do not ask it in any critical manner or with any critical intention in my mind or heart. You will notice that in the column showing the amount added to the reserve the amount increases until 1955, when it commences to drop and continues to drop almost to the vanishing point. If it continues at that rate, the whole colossal reserve of thirty-three thousand million would be wiped out. On the right-hand side of table 4, on page 6, the contributions are increased gradually from 1937. Those are the Government's contributions. Naturally, the interest will increase. Naturally, the benefits that will be paid will increase. They increase until the first column amounts to \$2,000,000,000. The interest amounts to \$1,000,000,000 a year, and the benefits to be paid are merely \$3,000,000,000 a year. I am worried about the last three figures in next to the last column. It will be noticed that in 1960 the amount carried over to reserve is \$1,032,000,000. In the next 5 years you lose \$400,000,000. In the next 5 years years you lose \$400,000,000 more. Now, if you carry that figure on down another 5 years at that proportion, you would be down beyond the point where the expenditures would exceed the receipts.

You would be cutting into your reserves. If this continues it will not be more than 20 or 30 years at the outside until your big reserve is greatly threatened. What is the solution; what is the answer?

Mr. SAMUEL B. HILL. If the gentleman will yield, my attention had not been called to these figures, but it occurs to me the explanation is that as we approach the period 1970, we approach the peak of those who receive benefits, so that the reserves and the accretions to the reserves will be more nearly in balance with the payments to the beneficiaries.

Mr. JENKINS of Ohio. Will not the gentleman extend his remarks in the Record at this point and explain the matter in more detail? It is for the benefit of all of us.

Mr. SAMUEL B. HILL. Maybe I can get the information for the gentleman right now if the gentleman will be so kind as to state his question again. I will try to get some facts and extend them in the Record.

Mr. JENKINS of Ohio. Near the end of the last column it will be observed that the loss is \$400,000,000 a year. If this is kept up it will not be many years before the reserve will be gone entirely and the whole big financial structure will bust up.

Mr. SAMUEL B. HILL. It is my opinion the reserve will take care of it; but we shall not have such a big piling up in the reserve in future years.

Mr. JENKINS of Ohio. Will the gentleman at this point extend his remarks and give an explanation?

Mr. SAMUEL B. HILL. I will see if I can get the information, but I shall not make any rash promises.

Mr. TREADWAY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I think a few further observations are proper at this time in corroboration of the statement made by the gentleman from New York [Mr. REED] relative to fingerprinting. The representative of the majority, the gentleman from Washington [Mr. HILL], was correct, I think, in saying there is no direct reference to fingerprinting in the bill. There purposely is not; but there is authority in the bill for the Secretary of the Treasury to make rules and regulations:

SEC. 808. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make and publish rules and regulations for the enforcement of this title.

I respect executive sessions of a committee. At the same time, this permission granted to make rules and regulations is the result of a request coming to us from the Treasury Department and from the Internal Revenue Bureau to set up a fingerprinting system as part of the regulations for the enforcement of the compulsory contributory annuity system set up under titles II and VIII. This is the authority of my colleague the gentleman from New York [Mr. REED] for making the statement he did.

I want, in perhaps the last remarks I shall make on this bill, to call attention once more to the effect of the tax that is contained in title VIII, which title I am in favor of striking out, and its effect on the wage earners and the taxpayers. The majority, of course, have a right to say that no evidence was submitted to us of a very definite nature in opposition to these taxes. I severely censure and blame big industries, employers of thousands of people, for not having appeared here in opposition to this tax, because we know that if they have any sense at all as business people they are opposed to it; and they should have come here and told the Ways and Means Committee they were opposed to it. You could not even get insurance companies to testify in opposition to it.

Mr. JENKINS of Ohio. Why not?

Mr. TREADWAY. Because they would be regimented out of business, just like employees are going to be regimented here. They were perfectly willing, so far as they are concerned, to allow the Government to set up an insurance scheme against them. Business did the same thing. Here is a pay-roll tax. You call it in one instance an excise tax and in another instance an income tax, but it is the same old tax. You are levying a tax to the extent of 3 percent against the pay roll of the employer, and you are levying another tax of 3 percent on that same pay roll when it gets into the hands of the employee.

Mr. KVALE. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I dislike to, but I will.

Mr. KVALE. In this connection title IX provides for a further tax of 3 percent which makes a total tax of 9 percent.

Mr. TREADWAY. The tax provided in title VIII is a tax on employer and employee. With the additional pay-roll tax provided in title IX it makes a total tax of 9 percent.

I want to read certain figures, Mr. Chairman. They are a matter of record. I am reading from a table in the majority report on page 15, table 9. I am going to read it all:

TABLE IX.—Revenue estimates (from taxes on employees and employers imposed by title VIII, secs. 801 and 804)<sup>1</sup>

Combined rate of tax	Fiscal year received into Treasury	Estimated fiscal year receipts
2 percent.....	1937	\$278,800,000
2 percent.....	1938	560,200,000
2 percent.....	1939	565,600,000
3 percent.....	1940	714,600,000
3 percent.....	1941	864,800,000
3 percent.....	1942	873,000,000
4 percent.....	1943	1,028,600,000
4 percent.....	1944	1,185,900,000
4 percent.....	1945	1,196,900,000
5 percent.....	1946	1,353,400,000
5 percent.....	1947	1,523,300,000
5 percent.....	1948	1,536,900,000
6 percent.....	1949	1,706,300,000
6 percent.....	1950	1,877,200,000

<sup>1</sup> Each of the 2 taxes is estimated to produce one-half of the total receipts shown.

I also want to read the table showing the number of workers who will be taxed under title VIII, which is as follows:

TABLE VIII.—Estimate of number of employees covered under the tax provided in title VIII

[Based upon 1930 census]

Total number of gainful workers.....	48,830,000
Total number of owners, operators, self-employed (including the professions).....	12,087,000
Total of workers excluded because of occupation (farm labor, domestics, teachers, and governmental and institutional workers).....	9,339,000
Total number of workers in eligible occupations.....	27,354,000
Excluded:	
Casuals.....	500,000
Over 65.....	1,050,000
	1,550,000
Estimated coverage.....	28,804,000

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. TREADWAY. You will notice there are progressive increases in the tax every year until 6 percent is reached in 1949, with a yield of \$1,706,300,000. The yield in 1950, at the same rate, would be \$1,877,200,000.

If this is not of interest to the business world and they do not want to come here and tell their Representatives in Congress to oppose such taxation on their business, they should swallow their medicine. As Andy says, "I'm regusted."

I am "regusted" at the attitude of business in that it has not shown the proper interest in protecting itself by stating its case before Congress. I cannot conceive why, unless it is because, as the gentleman from Ohio indicated a while ago, they are scared blue, but they might as well tell their story when they are scared blue as to be absolutely bankrupt before they get around to telling us. They will tell us all right when we go home and inform them that such a bill as this has been passed by the Congress. My answer to them is, "Why did you not come down and tell us while it was time to tell us?" That is going to be my answer.

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Washington.

Mr. SAMUEL B. HILL. I wonder if the gentleman is not mistaken as to the attitude of business and industry toward this legislation?

Mr. TREADWAY. No; I think I am stating the case absolutely correct. They have not shown the interest they should have. I know what the gentleman is going to say. He may say that they do not mind the tax. But you tell the people they are going to be taxed to the extent of \$278,000,000 to \$1,800,000,000 more than they are being taxed at the present time and see whether they like it or not. That may be the gentleman's answer, but it is a false answer.

Mr. SAMUEL B. HILL. They are not usually modest about protecting their own interest.

Mr. TREADWAY. The gentleman thinks it is so blamed small they are not going to pay any attention to it. The gentleman should not fool himself.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. Will the gentleman cite a single instance in his long and splendid service here when industry which was objecting to a tax did not flood Washington with personages and a lot of propaganda?

Mr. TREADWAY. That is what they should have done here, and they would have done a good job if they had continued it in this case, but that is no proof they are not going to be sadly fooled and much opposed to it when they get to paying this tax.

Mr. MAY. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Kentucky.

Mr. MAY. Perhaps the gentleman from Massachusetts thought that business may have concluded that they were killed, anyhow.

Mr. TREADWAY. Yes. I may say that New England industry feels that way today.

Mr. HOFFMAN. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Michigan.

Mr. HOFFMAN. Is it not very possible they thought that we had good judgment and common sense?

Mr. TREADWAY. We represent them and they should tell us their views, but they have not done so.

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. DOUGHTON. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that all debate on this title and all amendments thereto close in 10 minutes.

Mr. HOEPEL. Mr. Chairman, reserving the right to object, I tried to get the floor for 4 or 5 hours yesterday and since I have been here today. I would like to know whether the gentleman will give me 5 minutes in which to discuss this title?

Mr. DOUGHTON. Mr. Chairman, I modify my request and ask unanimous consent that all debate on this title and all amendments thereto close in 15 minutes.

Mr. WADSWORTH. Mr. Chairman, will time be allowed to discuss title IX?

The CHAIRMAN. The request of the gentleman from North Carolina applies only to title VIII.

Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. TABER. Mr. Chairman, I am not surprised that the members of the Ways and Means Committee on the majority side have not replied to the charge made by the gentleman from New York [Mr. REED], that this bill was designed to fingerprint and enslave every worker of this land. Never in the history of the world has any measure been brought in here so insidiously designed as to prevent business recovery, to enslave workers, and to prevent any possibility of the employers providing work for the people.

Mr. Chairman, is it not about time that every one of us woke up and realized our constitutional responsibility to pass on legislation intelligently, on its merits, or, as in this case, on its absolute lack of merit, throwing those things out that are absolutely vicious? Do any of you suppose that you can go back home and justify the 6-percent pay-roll tax under title VIII, and the 3-percent pay-roll tax under title IX, and the fingerprint provision under section 808? Oh, that the membership of this House might appreciate its responsibility, that it might stand for the preservation of American liberty, that it might stand for giving the people of America an opportunity to work out their salvation in-

stead of enslaving them and preventing forever an opportunity for America to rise and triumph over this trouble. I hope that the House of Representatives, represented by its Committee of the Whole here today, will vote to strike out title VIII and pass the motion which has been offered by the gentleman from New York [Mr. REED].

Mr. HOEPEL. Mr. Chairman, if a big, heavy truck passes down Pennsylvania Avenue here in the city of Washington and side swipes from one side to the other, and damages various automobiles on the highway, including your own, what would you expect? You would look forward to recovery from the owner of the truck of the amount of your loss resulting from the damage his truck inflicted upon your machine.

In this bill, we are doing just the opposite. We are proposing a tax on the employed instead of a tax on mass-production machinery which is the very vehicle which causes unemployment. The modern machine, with its resultant mass production, is forcing more people out of employment than any other agency. In this bill under discussion, in order to relieve the situation, we are proposing to tax the workmen, the very individuals who are suffering because of mass production, rather than the agency responsible for their plight.

Mr. Chairman, I have in my hand a clipping quoting a famous economist to the effect that we are going to have unemployment permanently. Mr. Hopkins, Director of Federal Emergency Relief, made the statement recently that we are bound to have at least 5,000,000 or more unemployed at all times. I vehemently disagree with the statement of the economist, as well as with the statement of Mr. Hopkins. There is no necessity for a permanent list of unemployed of 5,000,000 or more in these United States.

As a "new dealer", perhaps Mr. Hopkins might follow in the footsteps of the Secretary of Agriculture, Mr. Wallace, who ordered the destruction of pigs and crops in order to relieve the market from an oversupply of these products. I do not believe in destroying any of God's products; neither do I believe in the theory that the only way we can solve the unemployment problem would be through a similar process of destruction applied to our people, thus reducing the competition in the labor market.

The new deal has been credited with having "brain trusters" at the helm, yet none of them, to my knowledge, has yet advanced a single plan to remove the basic causes of the depression. To meet the situation I have proposed an adequate tax to control the modern machine which displaces labor and the control and extension of credit through a central Government bank, with subsidiaries in every State. These plans offer a practical and constructive means of solving our present difficulties.

The bill which we are voting on today, in my opinion, is a monstrosity and I propose to vote against it. The Townsend plan has been described as "cock-eyed" and "fantastic" but no one has ever seriously questioned the honesty and sincerity of its objective, or its efficacy as a recovery measure.

I am especially opposed to the unemployment insurance features of this bill. Mr. Stephenson, former president of the American Bankers' Association, is quoted as saying:

Unemployment insurance is, in fact, merely an industrial dole.

Speaking further, he says:

I believe industry's real contribution to this problem can, and should be one of prevention of general unemployment rather than an attempt to patch up with doles a situation created largely by lack of industrial foresight.

Lack of industrial foresight exists in this Congress of the United States. Not only have we, as Representatives, closed our eyes to the human significance of modern machine development, but the Democratic administration has failed to recognize the menace of the machine which is creating unemployment in increasing numbers.

We evidence our archaic attitude by following the old-deal methods of voting tax-exempt bonds in order to obtain funds to give a crust of bread to the unemployed and their families.



and we obtain these funds from the very agency—that is, entrenched wealth—which controls the machines and which, in this manner, constantly adds to our unemployment problem. Until we adequately tax the machine which displaces human labor we will continue to grope in the dark for a solution of our unemployment problem.

New deal! Where is the new deal in this bill? The theory and plan of this measure is predicated upon the experiences and practices of Europe. Instead of traveling to Europe last year to survey conditions there, why did not Mr. Hopkins stay here in the United States and go into the industrial centers and to the farms to investigate conditions, consult with the unemployed, and hear their stories? Instead, he journeys abroad and comes back here with a European monstrosity! The social-security bill is not a new deal, but merely a copy from European systems.

If we are going to have a new deal, let it be a real new deal! Let us tax the agency which creates unemployment and control the juggernaut which is leaving widespread destruction in its wake as it ruthlessly casts aside increasing numbers of men and women from employment.

Mr. WOOD. Mr. Chairman, will the gentleman yield?

Mr. HOEPEL. I yield.

Mr. WOOD. Is it not a fact that the gentleman, as well as most of the other Members who have spoken against this title, voted for the Railroad Men's Retirement Act, which was passed in the last session? The gentleman voted for that, did he not?

Mr. HOEPEL. Certainly, I voted for that act, because it included in its benefits one of the largest and most substantial groups in America. If this bill included in its unemployment protection everyone in these United States and if it proposed to obtain the funds for this protection from the control of the juggernaut of the modern machine, I would favor it, but I do not believe in taxing the underpaid worker to provide protection against unemployment resulting from further machine progress, the profits of which are monopolized by entrenched wealth.

Mr. WOOD. The gentleman voted for that act and this provision is practically identical with the railroad men's retirement law. It is not exactly the same as to the contributions, but it is based on the same principle.

Mr. HOEPEL. I cannot argue with the gentleman on the principles of the railroad men's retirement law, which I favor.

Mr. WOOD. One is called a regimentation of labor and the other is called the "Railroad Men's Retirement Act." Is that it?

Mr. HOEPEL. I am not in favor of reducing the purchasing power of the masses of the workers, which this bill will do, inasmuch as it will exact up to 3 percent from already inadequate pay. What we need in America is an expanded consuming and purchasing power, not a restricted or decreased purchasing power, which is called for in this bill.

Mr. WOOD. Does the gentleman know of any labor organization that is opposed to this legislation?

Mr. HOEPEL. I do not know of any labor organization which has endorsed this bill. I cannot believe that the workers would approve of a deduction from their already inadequate pay for the purpose of protecting them from unemployment while, at the same time, they are cognizant of the fact that the owner of the modern machine, which creates unemployment, takes to himself the profit, as a result of which we have the present inordinate concentration of wealth. [Applause.]

Mr. SAMUEL B. HILL. Mr. Chairman, we are asking for a vote on the amendment of the gentleman from New York [Mr. REED] to strike out title VIII. There is nothing new to be said. The Committee is opposed to the amendment and we ask that it be voted down.

The question was taken; and on a division (demanded by Mr. REED of New York) there were—ayes 65, noes 128.

So the amendment was rejected.

The Clerk read as follows:

TITLE IX—TAX ON EMPLOYERS OF TEN OR MORE  
IMPOSITION OF TAX

Sec. 901. On and after January 1, 1936, every employer (as defined in sec. 907) shall pay for each calendar year an excise tax, with respect to having individuals in his employ, equal to the following percentages of the total wages (as defined in sec. 907) payable by him (regardless of the time of payment) with respect to employment (as defined in sec. 907) during such calendar year:

- (1) With respect to employment during the calendar year 1936 the rate shall be 1 percent;
- (2) With respect to employment during the calendar year 1937 the rate shall be 2 percent;
- (3) With respect to employment after December 31, 1937, the rate shall be 3 percent.

CREDIT AGAINST TAX

Sec. 902. The taxpayer may credit against the tax imposed by section 901 the amount of contributions, with respect to employment during the taxable year, paid by him (before the date of filing his return for the taxable year) into an unemployment fund under a State law. The total credit allowed to a taxpayer under this section for all contributions paid into unemployment funds with respect to employment during such taxable year shall not exceed 90 percent of the tax against which it is credited, and credit shall be allowed only for contributions made under the laws of States certified for the taxable year as provided in section 903.

CERTIFICATION OF STATE LAWS

Sec. 903. (a) The Social Security Board shall approve any State law submitted to it, within 30 days of such submission, which it finds provides that—

(1) All compensation is to be paid through public employment offices in the State;

(2) No compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required;

(3) All money received in the unemployment fund shall immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the unemployment trust fund established by section 904;

(4) All money withdrawn from the unemployment trust fund by the State agency shall be used solely in the payment of compensation, exclusive of expenses of administration;

(5) Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) If the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(6) All the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.

The Board shall, upon approving such law, notify the Governor of the State of its approval.

(b) On December 31 in each taxable year the Board shall certify to the Secretary of the Treasury each State whose law it has previously approved, except that it shall not certify any State which, after notice and opportunity for hearing to the State agency, the Board finds has changed its law so that it no longer contains the provisions specified in subsection (a) or has with respect to such taxable year failed to comply substantially with any such provision.

(c) If, at any time during the taxable year, the Board has reason to believe that a State whose law it has previously approved, may not be certified under subsection (b), it shall promptly so notify the Governor of such State.

UNEMPLOYMENT TRUST FUND

Sec. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund", hereinafter in this title called the "Fund." The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund. Such deposit may be made directly with the Secretary of the Treasury or with any Federal reserve bank or member bank of the Federal Reserve System designated by him for such purpose.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund.

Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 percent next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition.

(c) Any obligations acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency and shall credit quarterly on March 31, June 30, September 30, and December 31, of each year, to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on such date.

(f) The Secretary of the Treasury is authorized and directed to pay out of the fund to any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such State agency at the time of such payment.

#### ADMINISTRATION, REFUNDS, AND PENALTIES

Sec. 995. (a) The tax imposed by this title shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury and shall be paid into the Treasury of the United States as internal-revenue collections.

(b) Not later than January 31, next following the close of the taxable year, each employer shall make a return of the tax under this title for such taxable year. Each such return shall be made under oath, shall be filed with the collector of internal revenue for the district in which is located the principal place of business of the employer, or, if he has no principal place of business in the United States, then with the collector at Baltimore, Md., and shall contain such information and be made in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations prescribe. All provisions of law (including penalties) applicable in respect of the taxes imposed by section 600 of the Revenue Act of 1926, shall, insofar as not inconsistent with this title, be applicable in respect of the tax imposed by this title. The Commissioner may extend the time for filing the return of the tax imposed by this title, under such rules and regulations as he may prescribe with the approval of the Secretary of the Treasury, but no such extension shall be for more than 60 days.

(c) Returns filed under this title shall be open to inspection in the same manner, to the same extent, and subject to the same provisions of law, including penalties, as returns made under title II of the Revenue Act of 1926.

(d) The taxpayer may elect to pay the tax in four equal installments instead of in a single payment, in which case the first installment shall be paid not later than the last day prescribed for the filing of returns, the second installment shall be paid on or before the last day of the third month, the third installment on or before the last day of the sixth month, and the fourth installment on or before the last day of the ninth month, after such last day. If the tax or any installment thereof is not paid on or before the last day of the period fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand from the collector.

(e) At the request of the taxpayer, the time for payment of the tax or any installment thereof may be extended under regulations by the Commission with the approval of the Secretary of the Treasury, for a period not to exceed 6 months from the last day of the period prescribed for the payment of the tax or any installment thereof. The amount of the tax in respect of which any extension is granted shall be paid (with interest at the rate of one-half of 1 percent per month) on or before the date of the expiration period of the extension.

(f) In the payment of any tax under this title a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

#### INTERSTATE COMMERCE

Sec. 906. No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate commerce, or that the State law does not distinguish between employees engaged in interstate commerce and those engaged in intrastate commerce.

#### DEFINITIONS

Sec. 907. When used in this title—

(a) The term "employer" does not include any person unless on each of some 20 days during the taxable year each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day (whether or not at the same moment of time) was 10 or more.

(b) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash.

(c) The term "employment" means any service, of whatever nature, performed within the United States by an employee for his employer, except—

(1) Agricultural labor;

(2) Domestic service in a private home;

(3) Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States;

(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

(5) Service performed in the employ of the United States Government or an instrumentality of the United States;

(6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;

(7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(d) The term "State agency" means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

(e) The term "unemployment fund" means a special fund, established under a State law and administered by a State agency, for the payment of compensation, all the assets of which are mingled and undivided, and in which no separate account is maintained with respect to any person.

(f) The term "contributions" means payments required by a State law to be made by an employer into an unemployment fund to the extent that such payments are made by him without any part thereof being deducted or deductible from the wages of individuals in his employ.

(g) The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

#### RULES AND REGULATIONS

Sec. 908. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make and publish rules and regulations for the enforcement of this title, except sections 903 and 904.

Mr. STUBBS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STUBBS: Strike out the word "ten" in line 4, page 56, section 907, and insert in lieu thereof the word "four."

Mr. STUBBS. Mr. Chairman, I have a letter from the Merchants Association of Bakersfield, Calif., in my district, in which they state that—

The Wagner-Lewis social-security bill has had our serious consideration, and while endorsing the general principles of the proposed legislation, we are very much opposed to this section of the bill and we believe that the exemption of employers of not more than 10 workers as provided in H. R. 7260 will result in rank discrimination and great injustice so far as the workers are concerned, and will, furthermore, create an intolerable, competitive situation.

They furnish me no detailed statement regarding their objection to this provision, but they request that this amendment should be brought to the attention of the Congress, and in that spirit I offer the amendment at this time.

The amendment by the Merchants Association was sent to me by a committee composed of Alfred Harrell, Malcolm Brock, George B. Crome, A. Weill, John F. O'Neill, and other distinguished citizens of Bakersfield, for whose good judgment I have the greatest respect. It is apparent that they not only speak for the business men of that thriving community but also for business men in general of my district, and I ask the House to concur in this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. STUBBS].

The question was taken, and the amendment was rejected.

Mr. CONNERY. Mr. Chairman, I move to strike out the last two words. Mr. Chairman, there are many provisions in this bill that I do not like, but I intend to vote for the bill on its final passage, if for no other reason than to get the principle of old-age pensions and unemployment insurance on the statute books so that we can get something workable to aid and help these aged persons and help the unemployed.

I never did and do not now like the pay-roll tax. I think you are going to come back, if not next session of Congress in another session of Congress, and abolish the proposed law as to the pay-roll-tax provisions—you will be back here

later with something like the Deane plan, prepared by Albert Deane, now assistant to Mr. Moffatt in the Housing Corporation.

The Deane plan took from the employers a tax—not the employees—it did not take money from the employee to help support himself but money paid by the employers.

Mr. Deane brought that whole matter before the President last year. It was a matter of great regret to me that the Ways and Means Committee did not report the Deane plan instead of this plan. It was drawn up after years of work on it, and I think it is the best plan offered for unemployment insurance.

Mr. MCFARLANE. Will the gentleman explain what that plan is?

Mr. CONNERY. I would be glad to, but it is lengthy, and I have not the time now.

Mr. MCFARLANE. Will the gentleman place it in the RECORD?

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

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. CONNERY. I yield.

Mr. COOPER of Tennessee. Was the bill which the gentleman refers to placed before the Ways and Means Committee?

Mr. CONNERY. No; it was never put in the House as a bill. The President referred the plan to the Secretary of Labor, and the Secretary of Labor sent it to me and I brought it before my committee and let Mr. Deane explain the whole plan, but nothing came of it because this security legislation was referred to the Ways and Means Committee and not the Labor Committee. If it had been referred to our committee I believe we would have reported favorably on the Deane plan as part of security legislation.

Mr. COOPER of Tennessee. Does the gentleman know of any bill embracing the Deane plan that was referred to the Ways and Means Committee?

Mr. CONNERY. No; but I know that the Members of the Ways and Means Committee must be familiar with the Deane plan.

Mr. COOPER of Tennessee. I never heard of it.

Mr. CONNERY. I do not understand how the President of the United States and the Secretary of Labor could have had it under consideration without the members of the Ways and Means Committee knowing something about it.

Mr. COOPER of Tennessee. The gentleman understands, of course, that on the very point raised by him here, the same thing is carried in this bill.

Mr. CONNERY. Oh, no. You are taking the wages of the employee himself who is in industry. You have exempted the farmer and the domestic and you are taking this out of the industrial workers of the United States, and making them pay part of their own unemployment insurance. As suggested by my good friend from Texas [Mr. MCFARLANE], I will place in the RECORD at this point a suggested bill providing required legislation to effectuate the Deane plan, to which I have referred.

**SUGGESTED BILL PROVIDING REQUIRED LEGISLATION TO EFFECTUATE THE "DEANE PLAN"**

An act to promote the general welfare of the people, to foster their constitutional guaranties, to restore and maintain the normal flow of interstate commerce, to encourage and foster national industrial and social recovery, and to provide a permanent plan which encourages and regulates employment; to appropriate money and to secure revenue  
Be it enacted, etc.—

**TITLE I. EMPLOYMENT REGULATIONS**

**SECTION 1. DECLARATION OF POLICY**

This Congress recognizes and hereby declares:

- A. That the existing general unemployment of the people:
  1. Is hurtful to society and inimical to their general welfare;
  2. Endangers the rights of the people in contravention of their constitutional guaranties;
  3. Endangers the peace, tranquillity, prosperity, health, and safety of the people;
  4. Interferes with the normal flow of interstate commerce by reducing the purchasing power of the people and otherwise stifling industry;
  5. Creates industrial and social evils and emergencies.

B. That such general unemployment is due to the indiscriminate, arbitrary, and inequitable distribution of the total work-hour requirements of the Nation.

C. That the total purchasing power of the people expended for all types of products, manufactured goods, and services creates the total work-hour requirements of the Nation.

D. That such total work-hour requirements of the Nation determine the amount of the national purchasing power distributed to the people, which in turn determines the value of all property, goods, investments, and accumulations, and, therefore, constitutes such total work-hour requirements a great national resource.

E. That by making available to all the people some portion of this great national resource, their general welfare will be promoted, their constitutional guaranties will be fostered, the normal flow of interstate commerce will be restored and maintained, and industrial and social recovery will be encouraged.

F. That due to the inherent nature of our productive, manufacturing, distributing, and service processes, the employers automatically and of necessity are the custodians of this great national resource, and, therefore, the custodians of certain constitutional rights of the people and certain rights specifically granted to Congress by the Constitution. Therefore, it is the purpose and policy of this Congress to relieve unemployment and to so regulate this custodianship that there will be made available to all the people some portion of the total work-hour requirements of the Nation. To effectuate this purpose and policy it is provided:

**SEC. 2. DEFINITIONS**

A. "Corporation" as used in this act is the National Employment Reserve Corporation (the creation of which is provided for in this act).

B. "Worker", as used in this act, shall mean all persons of either sex in the continental United States (except those employed in agricultural or personal services or such other services, the nature of which makes impractical their employment for a predetermined number of hours per day or week) willing and desirous of working in a gainful and lawful occupation for an average money compensation of \$60 per week or less. The Corporation shall designate the types of "other services" falling within the aforesaid category, which designations may, from time to time, be changed by it.

C. Any person actually employed as aforesaid, or registered for employment as provided for in section 10 of this act, shall be deemed to be a worker under the provisions of this act.

D. "Employer", as used in this act, shall mean any person, proprietorship, partnership, corporation, society, organization, or any department of the United States, or any State, county, municipality, or local governing board, or any other entity employing one or more workers.

E. "Work-week", as used in this act shall mean 6 days: Provided, That in computing the number of work-weeks in any given calendar month, the Corporation shall subtract from the actual number of days in the month the number of Sundays and holidays in such month and divide the remainder by six. The holidays used in this calculation shall be designated by the Corporation.

F. "Hourly compensation", as used in this act, shall be the total basic compensation (exclusive of any extra payments for overtime and/or any supplemental compensation) received by the worker from his employer for each work-week or portion thereof divided by the number of hours employed during such work-week or portion thereof.

G. "Ten-year average", as used in this act, shall mean the average number of hours of employment per work-week per worker in the continental United States which the Corporation determines were available in each industrial classification during the preceding 10 calendar years.

H. "Monthly average", as used in this act, shall mean the average number of hours of employment per work-week per worker in the continental United States which the Corporation determines were available in each industry classification during the preceding month.

I. "Supplemental compensation", as used in this act, shall be an amount of money equal to 50 percent of the hourly compensation of any worker in the continental United States for each hour in any week by which the monthly average was less than the 10-year average.

J. "Overtime", as used in this act, shall mean the number of hours in any work-week by which any worker is employed in excess of the 10-year average or the monthly average, whichever is lower.

**SEC. 3. ADMINISTRATIVE REGIONS**

The Corporation may divide the continental United States into not less than 6 nor more than 12 regions, to be known as "administrative regions", and may determine and publish the 10-year and monthly averages by such administrative regions. Such administrative regions may be changed or altered from time to time by the Corporation. The States included in any given administrative region shall be coterminous and such administrative regions shall be designated with due regard to similarity and volume of employment.

**SEC. 4. MONTHLY AVERAGE**

The Corporation shall, as soon as practicable after the enactment of this act, and at the close of each calendar month thereafter, fix and forthwith publish the monthly average by industry classifications.

**SEC. 5. TEN-YEAR AVERAGE**

The Corporation shall, as soon as practicable after the enactment of this act, and during the month of January of each year thereafter, fix and publish the 10-year average by industry classifications.

**SEC. 6. INDUSTRY CLASSIFICATIONS**

The Corporation shall, as soon as practicable after the enactment of this act, and during the month of January of each year thereafter, classify the various industries in the continental United States and publish such classifications.

**SEC. 7. MASTER INSURANCE POLICY**

The Corporation shall issue a master insurance policy (the form of which shall be approved by the Attorney General of the United States of America) in favor of all employers and workers in the United States who have qualified under the terms of such master insurance policy. Such master insurance policy shall provide that the Corporation will forthwith upon demand reimburse all qualified employers for any supplemental compensation paid by them to their workers; shall guarantee all qualified workers the payment to them of such supplemental compensation; and such other benefits as are authorized in this act. Workers engaged in work for the Corporation, whether employed by the Corporation or by independent employers working under contract for the Corporation, may waive the payment to them of such supplemental compensation during the period of such employment.

**SEC. 8. EMPLOYERS' QUALIFICATION FOR INSURANCE**

All employers within the continental United States are hereby qualified under the Corporation's master insurance policy.

**SEC. 9. WORKERS' QUALIFICATION FOR INSURANCE**

All workers in the continental United States are hereby qualified under the Corporation's master insurance policy.

**SEC. 10. REGISTRATION FOR EMPLOYMENT**

Every unemployed worker in the continental United States may register for employment at the nearest office of the Corporation. The Corporation shall require all such workers when registering to identify himself or herself and to give such information as to his qualifications, etc., as the Corporation may elect. The Corporation shall maintain a sufficient number of branch offices or agencies, suitably located, in the United States to enable all workers to so register without unreasonable hardship: *Provided*, That the Postmaster General is authorized and directed to permit the use of any post office or employees of any post office in the United States by the Corporation to effectuate the provisions of this section.

**SEC. 11. RULES AND REGULATIONS**

The Corporation shall make such other rules, regulations, and requirements as it may deem necessary to establish the rights of the employers and workers to qualify under the provisions of its master insurance policy and otherwise, and shall make such other rules and regulations as it deems necessary to provide for the payment and collection of the insurance claims and premiums provided for herein.

**SEC. 12. UNEMPLOYED WORKERS**

The Corporation is authorized and empowered to furnish employment to all unemployed registered workers and, to further this end, may negotiate and cooperate with any State, county, municipality, or local governing body, and may use its funds to employ any unemployed registered workers for such public uses and purposes as it may determine.

**TITLE II. NATIONAL EMPLOYMENT RESERVE CORPORATION****SEC. 13. CREATION OF THE CORPORATION**

There is hereby created a body corporate with the name National Employment Reserve Corporation (herein called the "Corporation"). The principal offices of the Corporation shall be located in the District of Columbia, and it shall establish such other agencies or branch offices in the cities of the United States as the board of directors may from time to time deem necessary to carry out its duties under this act.

**SEC. 14. CAPITAL STOCK**

The Corporation shall have capital stock of \$300,000,000, subscribed by the United States of America, payment for which shall be subject to call in whole or in part by the board of directors of the Corporation.

**SEC. 15. APPROPRIATIONS**

There is hereby authorized to be appropriated, out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$300,000,000 for the purpose of making payments upon such subscription when called.

**SEC. 16. RECEIPTS FOR PAYMENT OF STOCK**

Receipts for payments by the United States of America for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States of America.

**SEC. 17. MANAGEMENT**

The management of the Corporation shall be vested in a board of directors consisting of the Secretary of Labor (or, in his or her absence, the Assistant Secretary of Labor), the Secretary of Commerce (or, in his or her absence, the Assistant Secretary of Commerce), the Secretary of the Treasury (or, in his or her absence, the Under Secretary of the Treasury), and four other persons appointed by the President of the United States by and with the advice and consent of the Senate. Of the 4 members

of the Board of Directors appointed by the President, not more than 2 shall be members of any one political party, and such members shall serve for a period of 2 years and until their successors are appointed and qualify. Such Directors appointed by the President shall receive salaries of \$10,000 per annum each. Each Director shall devote all his time not otherwise required by the business of the United States to the business of the Corporation.

**SEC. 18. DURATION**

The Corporation shall have perpetual existence unless it is dissolved by an act of Congress.

**SEC. 19. POWERS**

The Corporation shall have all the powers necessary or expedient to enable it to carry out the duties and responsibilities imposed upon it under this act.

**SEC. 20. FREE USE OF MAILS AND ACCESS TO INFORMATION**

The Corporation shall be entitled to free use of the United States mails in the same manner as the executive departments of the Government and shall be entitled to such information as the various departments of the Government may have with respect to matters and subjects coming within the functions or duties of the Corporation.

**SEC. 21. NOTES, BONDS, DEBENTURES, ETC.**

The Corporation is authorized and empowered to issue and to have outstanding at any one time its notes, debentures, bonds, or other obligations in an amount aggregating not more than 10 times its subscribed capital, such obligations to mature not more than 10 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturing in such manner as may be stipulated in such obligations and to bear no interest but to hear the unconditional guaranty of the United States, and such guaranty shall be expressed on the face thereof. In the event the Corporation is unable to pay upon demand, when due, such obligations, the Secretary of the Treasury shall pay the amount thereof, which is hereby authorized to be appropriated out of any moneys in the Treasury not otherwise appropriated and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to the rights of the holder of such obligations. Any Federal Reserve bank is authorized to lend the Corporation such moneys within the prescribed limits herein set forth as said Corporation may request, and the notes representing such loans shall be eligible as security for circulating notes issued under the provisions of the 6th paragraph of section 18 of the Federal Reserve Act as amended by section 401 of the National Emergency Banking Act to the same extent as notes, drafts, bills of exchange or bankers acceptances acquired under the provisions of the Federal Reserve Act.

**SEC. 22. CORPORATION EXEMPT FROM TAXATION**

The Corporation, including its capital, reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States or by any Territory, dependency, or possession thereof or by any State, county, municipality, or local tax authority except that any real property of the Corporation shall be subject to city, State, county, Territory, municipal, or local taxation to the same extent, according to its value, as other real property is assessed.

**SEC. 23. FORMS OF NOTES, BONDS, ETC.**

In order that the Corporation may be supplied with such forms of notes, debentures, bonds, or other obligations as it may need for issuance under this act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the Corporation, to be held by the Treasury subject to delivery upon order of the Corporation. The engraved plates, dies, bed pieces, etc., executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, delivery, and custody of such notes, debentures, bonds, and other obligations.

**SEC. 24. DEPOSIT OF CORPORATION'S FUNDS**

The funds of the Corporation shall be deposited with the Secretary of the Treasury or with such Federal Reserve banks as the board of directors may from time to time designate.

**SEC. 25. ANNUAL REPORT**

The Corporation shall make and publish a report annually of its operations to Congress in such form as Congress may from time to time designate and request.

**TITLE III****SEC. 26. TAXES LEVIED**

To obtain revenue for the purposes of this act, the following taxes are hereby levied:

(a) On all employers in the continental United States a tax equal to 100 percent of the hourly compensation of any worker employed by them for each hour in any work-week by which the total employed hours of such worker exceed the 10-year or monthly average, whichever is lower: *Provided*, That there may be deducted from this tax the amount of any extra compensation (exclusive of supplemental compensation) paid to such worker by such employers over and above the hourly compensation of such worker but not to exceed 50 percent of such hourly compensation for each excess hour.

(b) (See note.) On all employers in the continental United States, a tax equal to 50 percent of the hourly compensation of

any worker employed by them for each hour by which the 10-year average exceeds the monthly average during the week employed: *Provided*, That there may be deducted from this tax the amount of any supplemental compensation due to such worker under any policy of insurance issued by the Corporation and advanced to such worker by such employers at the close of any such week.

## SEC. 27

The taxes provided under section 31 of this title shall be collected at the close of each calendar month by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury. Such taxes shall be paid into the Treasury of the United States, but shall not be covered into the general funds but shall be credited on the books of the Treasury to the Corporation.

(NOTE.—The purpose of this provision is to insure a uniform practice of employers advancing supplemental compensation to their employees when due, for which they would be reimbursed by the Corporation (see sec. 7, title 1). It will be noted that the amount of the allowable deduction is the same as the tax, so that conformity with the practice laid down would eliminate the payment of any net tax.)

## SEC. 28. EMPLOYERS' STATEMENTS

Every employer shall transmit to the collector of internal revenue at the end of each month a statement upon a form approved by the Corporation, showing the number of workers employed during the month, the number of hours of their employment, and the total compensation paid them, and such other information as may be required by the collector of internal revenue and/or the Corporation.

## TITLE IV—PENALTIES

## SEC. 29. FINE AND/OR IMPRISONMENT PROVIDED

Any employer who shall knowingly fail to transmit to the collector of internal revenue such reports or statements as may be required to effectuate the provisions of this act, or who shall knowingly fail to pay the tax provided under title III, section 26, of this act, when due, shall for each offense be punishable by a fine of not exceeding \$1,000 or imprisonment for a period of not more than 1 year, or both. Any employer who knowingly shall submit to the Corporation a fraudulent statement shall for each such statement be punishable by a fine of not more than \$5,000 or imprisonment of not more than 2 years, or both. Any employer who shall knowingly fail to carry out any of the duties imposed upon him by this act or shall conspire to defeat the purpose of this act shall for each offense be punishable by a fine of \$1,000 or imprisonment of not more than 1 year, or both. Where a corporation is subject to any of the penalties herein provided each officer of such corporation who shall be a party to the act or omission for which such penalty is imposed is hereby made personally liable to the same extent as the corporation.

## TITLE V. MISCELLANEOUS

## SEC. 30. RIGHT TO ALTER AND AMEND

The right to alter, amend, or repeal this act is hereby expressly reserved. If any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

## ADD TO TITLE I, SEC. 4

In determining the monthly average as provided under this section, the Corporation shall make adjustments for seasonal variations in employment. Such adjustments shall be made on the basis of percentage tables, reflecting the percentage of annual production normally produced each month; said tables to be secured from the regularly constituted code authority or authorities existing under the National Industrial Act. In the absence of such code authorities for any industry classification, the Corporation shall determine the seasonal percentage tables for such industry classification.

## TITLE I, SEC. 5

The Corporation shall, as soon as practicable after the enactment of this act, fix and publish the 10-year average for each industry classification, for the calendar year 1934, giving weight, so far as practicable, to the present productive efficiency in each industry classification as reflected in volume of production per man-hour for workers employed therein.

During the month of January of each year, from 1935 to 1943, inclusive, the Corporation shall fix and publish the 10-year average for each industry classification, which shall reflect its determination of the average weekly hours of employment of all workers during the previous consecutive calendar years commencing with the year 1934.

During the month of January 1944 and during the month of January of each year thereafter, the Corporation shall fix and publish the 10-year average by industry classifications, which shall reflect the average weekly hours of employment of all workers during the previous 10 calendar years.

In determining the 10-year average as provided under title I, section 5, of this act, the Corporation shall make adjustments so far as practicable, for fluctuations, if any, in volume of production per man-hour for workers employed in the respective industry classifications.

## TITLE I, SEC. 5A

The Corporation is authorized and empowered to change from time to time the number of calendar years which shall be averaged in making its determination of the long-time average: *Provided*, That in no event shall the weekly hours of employment during less than 5 nor more than 10 calendar years be averaged, except as otherwise provided under title I, section 5, of this act.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. COOPER of Tennessee. Mr. Chairman, I rise in opposition to the pro forma amendment, simply to point out to the gentleman from Massachusetts that this bill provides for a 3-percent excise tax on the pay rolls of industry, to be paid by the employer. On that point Mr. Green, president of the American Federation of Labor, appeared before the committee in the consideration of this bill and before a subcommittee during the last Congress, of which I had the privilege of being a member, on the so-called "Wagner-Lewis bill", and stressed the point that the tax should be levied upon the employer, pointing out that it would be passed on to consumers, and the laboring people, constituting a great consuming class, would have to pay their part. He also insisted that so-called "private reserves" not be permitted; and both of those conditions pointed out by him have been specifically provided in this bill just in the form stated.

Mr. CONNERY. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Tennessee. Yes.

Mr. CONNERY. But you are making the employee, in taking part of his wages, pay part of the unemployment insurance.

Mr. COOPER of Tennessee. Not at all.

Mr. CONNERY. In title VIII, what do you do?

Mr. COOPER of Tennessee. We are talking about title IX. Title VIII has nothing to do with unemployment insurance.

Mr. CONNERY. We are talking about your pay-roll tax. You are going to tax the pay rolls in the first place, and the result of that will be to make the employer have the smallest kind of a pay roll that he can have for a starter.

Mr. COOPER of Tennessee. I do not agree with the gentleman.

Mr. CONNERY. If he has 3,000 men and he can cut down to 2,000 men, he will not have to pay so much, by using the labor-saving machinery that the gentleman from California [Mr. HOEPEL] was talking about, labor-saving devices, the speed-up and stretch-out system, and so forth, and he does not have to pay so much tax. The second thing is that he can cut the wages of his employees, and pass on to the consumer the price of his product, with which to pay the tax.

Mr. COOPER of Tennessee. I rose to point out to the gentleman that he is evidently confusing what is in title IX. The entire amount of the tax imposed is levied on the employer.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. SAUTHOFF. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Page 57, line 12, after the word "compensation", strike out "all the assets of which are mingled and undivided, and in which no separate account is maintained with respect to any person."

Mr. SAUTHOFF. Mr. Chairman, this is in many respects, from the point of view of Wisconsin, the most necessary amendment to this bill. Unless this amendment is adopted, Wisconsin will have to scrap its unemployment compensation law, refund the money already collected from employers, and begin all over again. By the end of the present fiscal year nearly \$6,000,000 will have been paid by employers into unemployment reserve accounts, which will be available for the payment of compensation to their unemployed workmen after July 1 of this year. This money is the individual property of the employers and so cannot be transferred to a pooled unemployment compensation fund, such as it is necessary to set up if this bill becomes law without this amend-

ment. All the advantage to workmen in Wisconsin through the enactment of an unemployment compensation law in advance of other States will be lost and employers will be out the costs of administration during the current year.

The theory under this entire title—relating to unemployment compensation—is that the States shall be free, with but few restrictions, to determine what sort of an unemployment compensation law they want. The clauses which it is proposed to strike out in this amendment, however, destroy freedom of choice with respect to one of the most important features of unemployment compensation, namely, whether they wish to have an unemployment-insurance system in which the contributions of all employers are commingled or an unemployment reserve system in which there is a separate account for each employer for the exclusive benefit of his own employees.

Many arguments can be made for a pooled unemployment insurance fund in which all contributions are commingled and from which all payments are made, but there are good arguments also for an unemployment reserve system. Individual employer accounts may become exhausted and their employees thereafter get nothing when they become unemployed. But pooled unemployment insurance funds also may become exhausted and unemployed workmen thereafter get nothing. In that event even employees in plants and industries having low rates of unemployment will get nothing, although they would have been fully protected had their employers been permitted to have individual accounts. Pooled unemployment insurance funds are advantageous to employees in industries which have a great deal of unemployment, but disadvantageous to employees in plants and industries which have a minimum of unemployment.

Individual employer accounts undoubtedly furnish a much stronger incentive to employers to regularize their employment than does a pooled unemployment-insurance fund. Where the employer is charged with the cost of the compensation payable to workmen he lays off, he naturally will make greater efforts to avoid having to lay off anyone, through reducing hours of labor and attempting to regularize his business, than under a system where discharges cost him nothing, all payments of compensation coming from the pooled unemployment-insurance fund. An unemployment reserves system furnishes an incentive to prevent unemployment; a pooled unemployment-insurance system may operate to actually increase unemployment.

In his special message of January 17 on economic security, President Roosevelt stated that in his opinion any unemployment compensation system that is established should afford an incentive to the prevention of unemployment rather than the reverse. In the bill as it stands there is no such incentive.

Employers very generally feel that a real incentive to the prevention of unemployment is created only when they are permitted to have individual unemployment reserve accounts, and are also allowed to stop or reduce their contributions to those accounts when they have built up—and while they maintain—reserves adequate for the payment of all compensation for which they might become liable. These employers, including many Wisconsin employers, objected to the provision in the original bill under which, while States might permit individual employer accounts, employers were to be excused from paying the Federal tax only while their reserve accounts equaled or exceeded 15 percent of their pay roll, and then only on condition that they must continue to pay 1 percent of their pay roll into a pooled State fund. In effect, this section of the original bill would have required Wisconsin to set up a pooled fund to which employers would contribute 1 percent on their pay roll, but would have enabled the State to continue the 2-percent contributions by employers to their own accounts. Employers were anxious to amend this provision to allow them exemption from the Federal tax without being required to make any contributions to a pooled fund.

There is much to be said for the employer's position, but I believe that it is best to ask—at least in the House—only for permission to the States to allow individual employer accounts if they so desire, without, at this time, asking for

additional credits to employers who have built up adequate reserves. It will be several years before any employers will have built up reserves sufficient to entitle them to any additional credits against the Federal tax, even if they have no unemployment in the meantime. It is far less important now to determine on what conditions employers shall get additional credits than to permit the States with regard to the establishment of individual reserve or pooled insurance systems.

Dropping all consideration of additional credits against the Federal tax for employers who have built up adequate reserves will remove the main objection advanced against freedom to the States to allow individual employer accounts if they wish to do so, namely, that this will result in nonuniform rates of taxation. If only the amendment suggested is adopted employers in States which permit individual accounts will have to make the same contributions as employers in States with pooled systems, and no claim can be made that they are favored or that the principle of uniformity in taxation is violated.

The real issue raised by this amendment is one of freedom of State action. This is the theory of the bill, and is also in accord with sound policy. Of the four States which have unemployment compensation laws, not only Wisconsin but also Utah provides for individual employer accounts; moreover, there are a considerable number of large employers in other States who have voluntarily established unemployment reserve systems. If the bill passes as it now stands, these two laws, and also the voluntary systems, will have to be scrapped and the employers will lose the protection afforded by the reserves already accumulated. Employers generally will bitterly resent any law which absolutely bars employer accounts and will do everything they can to get such a law repealed. Refusal to permit the States to allow individual employer accounts if they wish will endanger the entire future of unemployment compensation in this country.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. SAUTHOFF].

The amendment was rejected.

Mr. WADSWORTH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WADSWORTH: Beginning on page 47, line 20, strike out all of title IX down to and including line 2 on page 58.

Mr. WADSWORTH. Mr. Chairman, I realize perfectly well that this bill is going to pass the House of Representatives, after being favorably reported by the Committee of the Whole, without any substantial change, and nothing that I can say will prevent it or even tend to prevent it, in view of the determination of the majority.

It is not my purpose to discuss it in detail. Indeed, I do not have time in the 5 minutes allotted to me, but I am going to endeavor to glance a little toward the far future and analyze some one or two things which seem to me to be susceptible of analysis, and certainly worth serious thought on the part of Members of the House regardless of their political affiliations.

First, as to the financing of the major portion of this program. As I understand it—and I have listened attentively to the debate—these funds are to be established in the Treasury Department, through the collection of pay-roll taxes. In one instance, 3 percent upon wages and 3 percent upon the employer, a total of 6 percent; in another instance a 3 percent tax upon the employer. The bill provides in general that those moneys shall be invested solely in the bonds of the Government of the United States or bonds guaranteed as to principal and interest by the Government. As I read the report and have listened to the discussion on the floor, it is apparent that the proponents of this bill expect that this fund will grow from time to time, year after year, until about 1970, if I am not mistaken, the fund will approximate \$32,000,000,000, every penny of which must be invested in Government bonds.

It is apparent that unless the national debt of the United States goes far, far beyond \$32,000,000,000 in the

time over which this calculation is extended, by the time this fund has been built up to any considerable degree it will become a fund large enough to absorb at least a major portion of the national debt, and finally absorb it all.

The bill provides, in effect, that the funds shall be invested in these bonds, but the bonds and special securities authorized by the bill shall net not less than 3-percent interest to the fund. Thus it would seem that when the thing gets started at full blast and goes on year after year, the national debt of the United States must be floated to the fund and only to the fund, and must pay 3 percent.

Now, that may seem an effective and adequate way to finance the Government's financial activities in all the years to come. I am trying to look to the future. Heretofore the Government has financed its undertakings primarily and fundamentally as the result of the confidence of the individual citizen in the soundness of the Government's undertaking, but from this point on we are apparently going to abandon that philosophy of public confidence and resort to a very different practice. The Government is to impose a pay-roll tax through one of its agencies, collect the money into the Treasury Department, then the Treasury Department with its left hand on the proceeds of these taxes is to turn around and buy bonds of the United States Government issued by the right hand of the Treasury Department. Thus the Government of the United States, after this thing gets going, is no longer to be financed directly by its citizens, confident in the soundness of the Government, but it is to be financed instead by arrangements made within the bureaucracy—an undemocratic and dangerous proceeding.

The CHAIRMAN. The time of the gentleman from New York [Mr. WADSWORTH] has expired.

Mr. WADSWORTH. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. WADSWORTH. Now, this may not seem important at this moment. I may be old-fashioned. Indeed, I have been charged with being such a good many times, and sometimes the word "Democrat" added to the epithet "old-fashioned", in which case I am very, very lonely in the House of Representatives. [Laughter.] It seems to me that we are moving away from democracy in this new and manipulative method of financing the obligations of the United States. I do not question the integrity and the honor of the men who are going to manage this fund or the men who will be Secretaries of the Treasury down through the years to come, but there is something offensive to me in the spectacle of one branch of the Treasury Department having collected a fund by taxing the working people of America, and then using that money for the floating of its own bonds. It seems to me to present the possibility of a vicious circle, and is certainly removing the financial support of the Government of the United States far from the people themselves and confining it to an inner ring, bureaucratic in character. I am trying to look ahead and visualize what that may mean in the preservation of democracy.

Another point and I am done.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. WADSWORTH. I only have a few minutes. The gentleman can answer me in his own time.

Mr. COOPER of Tennessee. I want to point out to the gentleman that he is making an able argument, but it does not relate at all to the title he has moved to strike from the bill.

Mr. WADSWORTH. Perfectly true. I am discussing the general policies of this bill relating to Government finances, and, probably, strictly speaking, I am out of order for not speaking to the amendment I have offered.

One other thing looking toward the future, Mr. Chairman. I know the appeal this bill has to every human being, that it appeals to the humane instincts of men and women everywhere. We will not deny, however, that it constitutes an immense, immense departure from the traditional functions of the Federal Government for it to be projected into

the field of pensioning the individual citizens of the several States. It launches the Federal Government into an immense undertaking which in the aggregate will reach dimensions none of us can really visualize and which in the last analysis, you will admit, affects millions and millions of individuals. Remember, once we pay pensions and supervise annuities, we cannot withdraw from the undertaking no matter how demoralizing and subversive it may become. Pensions and annuities are never abandoned; nor are they ever reduced. The recipients ever clamor for more. To gain their ends they organize politically. They may not constitute a majority of the electorate, but their power will be immense. On more than one occasion we have witnessed the political achievements of organized minorities. This bill opens the door and invites the entrance into the political field of a power so vast, so powerful as to threaten the integrity of our institutions and to pull the pillars of the temple down upon the heads of our descendants.

We are taking a step here today which may well be fateful. I ask you to consider it, to reexamine the fundamental philosophy of this bill, to estimate the future and ask yourselves the questions, "In what sort of country shall our grandchildren live? Shall it be a free country or one in which the citizen is a subject taught to depend upon government?"

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the distinguished gentleman from New York [Mr. WADSWORTH], has just presented a motion which, were it to be adopted, would leave in the bill provisions establishing an unemployment compensation law but take out of the bill the machinery by and through which such provisions would go into operation and have effect. The gentleman has not informed us yet whether he is opposed to unemployment compensation. I yield to the gentleman to find out definitely.

Mr. WADSWORTH. The gentleman from New York is going to vote against this bill.

Mr. McCORMACK. The gentleman has not yet answered my question whether or not he is opposed to unemployment compensation. I will be very glad to yield to the gentleman from New York to answer.

Mr. MARCANTONIO. Mr. Chairman—

Mr. McCORMACK. The gentleman from New York [Mr. WADSWORTH], is amply able to take care of himself. I will be very glad to yield to the gentleman to answer the specific question whether or not he is opposed to unemployment compensation.

Mr. WADSWORTH. Under Federal auspices, yes. [Applause.]

Mr. McCORMACK. The gentleman says he is in favor of unemployment compensation under State auspices, but he is opposed to the Federal Government exercising its powers and its influence to meet this epidemic, this disease from a national angle.

Mr. SAMUEL B. HILL. Mr. Chairman, if the gentleman will yield, this is a State system we are providing here.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. JENKINS of Ohio. The gentleman had better correct the first two or three sentences of his statement, else he will go on record as being against this from the standpoint of constitutionality.

Mr. McCORMACK. Mr. Chairman, I do not need any correction from my friend. I am quite capable of forming my own opinions and expressing my own thoughts. [Applause.]

The gentleman from New York [Mr. WADSWORTH], takes the position in favor of State unemployment compensation. With 48 States in the Union he favors it being dependent upon each State assuming the responsibility; and he says he is opposed to the Federal Government encouraging the institution by the State governments of systems by legislation which will meet this evil, this disease, this epidemic which is national. The gentleman does not go the full distance,

however, for if this title were stricken out we will have still remaining a national employment compensation law but would have stricken out the power and the methods by and through which it could be put into operation.

If we are confronted with a national problem—and unemployment is a national problem as well as a State problem—are we to have it administered strictly in accordance with our State systems of government, by one State passing a law requiring a 3-percent contribution, a second State passing a law requiring 5- or 6-percent contribution, and a third State passing a law requiring contribution on still another basis? States with a rural and agricultural background would be engaging in competition to gain advantage over each other. States with an industrial background would engage in the same policy with reference to each other of trying to obtain an advantage over each other.

We are confronted with a national question, but the distinguished gentleman from New York takes the position that the powers and the agencies and the influence of the Federal Government should not be exerted to meet this clearly national problem.

Mr. MARCANTONIO. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. MARCANTONIO. And until such time as the States adopt an unemployment-insurance plan, what happens to these funds which are collected through the 3-percent tax? They go into the general funds of the Treasury, do they not?

Mr. McCORMACK. Of course.

Mr. MARCANTONIO. And may be used for anything?

Mr. McCORMACK. Of course. This bill holds out encouragement to the States to pass unemployment-compensation laws, which they will do because of the taxation features.

The gentleman talked about the Secretary of the Treasury and his use of these funds. He talks about a departure from the traditional functions of the Federal Government. That is the argument that has been advanced against every piece of progressive legislation of the past. It was advanced against the 48-hour law. Also in my State and in other States it was opposed as imposing additional burdens upon industry. It has been the argument against every piece of progressive legislation in State and Nation. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The amendment was rejected.

Mr. HIGGINS of Massachusetts. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I recognize the argument submitted by Members on the other side of the aisle. I, like my colleague the gentleman from Massachusetts [Mr. CONNERY], am not in sympathy with the machinery that is set up to provide money for financing the undertaking proposed in this bill. However, the merits of the bill outweigh its weak features, and accordingly I am going to vote for it. The thing I want to call the attention of the Committee on Ways and Means to is the fact that I hope that for the next year they are going to give this matter attention and undoubtedly attempt to perfect what, to my mind, is a fairly decent structure for the so-called "social-security plan." May I call to their attention the fact that unless the article in this bill is changed providing and stipulating to a State that a man need only have 5 years of residence in a State in order to become eligible to be a recipient of the old-age-pension plan, Massachusetts will become a Utopia. Under this provision, and I submit this to my colleague the gentleman from Massachusetts [Mr. McCORMACK], who always has the welfare of our State at heart, the State of Massachusetts will literally become the Utopia for every pensioner in the country. We have today a perfected system in Massachusetts which provides for 20 years of uninterrupted residence in our State before one is entitled to the benefit of old-age assistance.

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. HIGGINS of Massachusetts. I yield to the gentleman from Washington.

Mr. SAMUEL B. HILL. Does the gentleman think that after a person arrives at the age of 65 he is going to move to the State of Massachusetts and lose 5 years?

Mr. HIGGINS of Massachusetts. No; but I think a man who is 60 will be encouraged to spend the next 5 years of his life in Massachusetts. That fact has been evidenced to the Members of this House. Ask any gentleman from California in reference to the migration to California within a year because of the publicity given to the Sinclair EPIC plan. New York and Massachusetts have perfected a system. Now, what is going to stop the residents of Vermont, Rhode Island, Maine, and every other State in the Union from moving into Massachusetts, where we pay the highest pensions of any State to our residents?

Mr. McCORMACK. Will the gentleman yield?

Mr. HIGGINS of Massachusetts. I yield to my friend and colleague from Massachusetts.

Mr. McCORMACK. This is not the E. P. I. C. plan.

Mr. HIGGINS of Massachusetts. I appreciate that.

Mr. McCORMACK. The gentleman I am sure does not subscribe to the necessity of a 20-year residence in a State in order to obtain some old-age benefits?

Mr. HIGGINS of Massachusetts. Not at all, but at the same time I want Massachusetts money to be provided for Massachusetts residents, not given to carpetbaggers who move into the State to get the benefit of our high pension rates.

Mr. DOCKWEILER. Will the gentleman yield?

Mr. HIGGINS of Massachusetts. I yield to the gentleman from California.

Mr. DOCKWEILER. Inasmuch as the gentleman mentioned California, I may say that they went there, not on account of the E. P. I. C. plan, but on account of the salubrious climate.

Mr. HIGGINS of Massachusetts. Yes; but the gentleman knows also that there have been thousands move into California on the strength and the attraction of the so-called "E. P. I. C. plan."

Mr. DOUGHTON. Will the gentleman yield?

Mr. HIGGINS of Massachusetts. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. The gentleman realizes there are other requirements than the residence requirement in this old-age-pension plan?

Mr. HIGGINS of Massachusetts. Yes; and the other requirements for a pension are left to the States, except the important restriction which placed upon the States in title I, which says that no State can bar any applicant who has lived in the State for 5 years. I am in accord with the provision if it will help any bona fide resident of Massachusetts, but would want it changed because it permits men and women who have no connection or ever lived previously in Massachusetts to come into our State, live 5 years in the State, and be recipient of a pension. Proper thing to do would be to let Massachusetts Legislature determine the period of time required.

Mr. DOUGHTON. The man must be destitute and in need.

Mr. HIGGINS of Massachusetts. Yes. I am in favor of aiding the needy but they must be Massachusetts men and women who are needy.

Mr. DOUGHTON. If he moves from New York to Massachusetts and he is 60 years old, as well as being dependent, what is he going to live on?

Mr. HIGGINS of Massachusetts. He will not move from New York to Massachusetts because they have two similar and perfected systems.

Mr. DOUGHTON. Or from any other State.

Mr. HIGGINS of Massachusetts. Mr. Chairman, the overwhelming expressions of opinion in favor of the so-called "social-security bill" by Members of the House reflects the opinion of the American people on this subject. There is no more appealing subject to the mind of the people of all classes than the tragedy and misfortune of men and women too old to work and without a dollar of income and the example of men and women physically able and willing to work, but who, because of the present set-up of our indus-



trial system, are unable to obtain work. The need of security against poverty in old age and the hazard of unemployment is obvious. We have neglected the problem for years notwithstanding the fact that while our industrial development, with the adoption of age limits for employment by many firms was decreasing the years of remunerative employment, the period of old age, and the number of our citizens in that classification was on the marked increase. The need for security has been accentuated during the depression and after resisting these social changes for over a half century that they have been in operation in other countries, it is only after the collapse of our social system during the past 5 years that the need of such legislation has attracted our attention.

Conditions are changing and our laws pertaining to these social and economic changes should be brought abreast of the times, for laws that are archaic and not in harmony with the needs of the people make a nation unhappy and its people difficult to govern. The greatest good for the greatest number of our people should be the only standard whereby our laws should be formulated. The program for old-age assistance in the present bill divides the subject into three distinct divisions, all with the same objective of eliminating the insecurity attached to old age:

(a) A Federal subsidy to help States pay old-age pensions at once, the Government to contribute 50 percent of the pensions, but not more than \$15 a month per person, provided State laws meet certain minimum standards.

(b) The inauguration of a compulsory contributory plan of old-age insurance, with contributions by employees and their employers, to provide for the aged of the future, the system to be administered as a national plan by the Federal Government.

(c) A system of voluntary old-age insurance for those whose incomes excludes them from the compulsory plan, administered by the Federal Government and paid for by regular individual premiums.

The program of old-age insurance recognizes the fact that old age is a universal hazard and makes provisions in one of the three above-described classes for every citizen. The plan distinguishes between the problem of relieving the conditions of persons already of advanced years and the insurance against old age of those citizens now in the prime of life. The magnitude of the problem of financing old-age pensions in years to come may be appreciated by a compilation of the actual and estimated minimum number of persons aged 65 and over compared to the total population from 1860 to 2000.

Year	Total population	Number aged 65 and over	Percent aged 65 and over
1860.....	31,443,000	849,000	2.7
1870.....	38,558,000	1,154,000	3.0
1880.....	50,156,000	1,723,000	3.4
1890.....	62,622,000	2,424,000	3.9
1900.....	75,925,000	3,089,000	4.1
1910.....	91,972,000	3,958,000	4.3
1920.....	105,711,000	4,940,000	4.7
1930.....	122,775,000	6,631,000	5.4
1940.....	132,000,000	8,311,000	6.3
1950.....	141,000,000	10,563,000	7.7
1960.....	146,000,000	13,590,000	9.3
1970.....	149,000,000	16,066,000	10.1
1980.....	150,000,000	17,001,000	11.3
1990.....	151,000,000	19,102,000	12.6
2000.....	151,000,000	19,333,000	12.7

Source: Data for years 1860 to 1930 from the United States censuses.

It is quite obvious that if the plan of Federal subsidy whereby the Government contributes 50 percent of the pension to States, but which in no event will the grant by the Government exceed \$15 per month, regardless of what pension amount is allowed by the State, were to stand alone, gratuitous old-age pensions would be an impossible financial burden on the Government within the next 30 years, because, as indicated in the table, of the increasing number of aged. To curb the cost of federally aided State pensions, this bill provides for the two other plans, (b) and (c) above, applicable to those who have not reached old age, both of which embrace the contributory feature by younger

gainfully employed persons who will thus be assured of more liberal old-age pensions through this system of contributory insurance. For reasons that are obvious after an analysis of the reduced long-time cost of this system, I am willing to vote for an amendment that will increase the gratuitous grants by the Government to the State so that men and women who are in old age today will receive a pension sufficient to permit them to spend their declining years in happiness and contentment, with a decent income, divorced in every sense from the tinge of dole or pauperism.

The policy of providing public money for the care of dependent children, maternal, and child-welfare and public-health service expansion to prevent sickness and disability is well recognized as an obligation of all divisions of government and is merely a furtherance of the principle of human charity. The core of any social plan must be the child, for in less than a generation these children will constitute the adults who must carry the burdens of our social system and the responsibilities of our Government. The child-welfare program, mothers' aid, and provisions against sickness and disability provided for in the bill are so manifestly human that I cannot conceive anyone opposing these features of the bill.

The real difference of opinion on this bill among Members has been on the subject of unemployment-insurance compensation. In considering this important part of the general security plan we must admit that its purpose is to alleviate the shock of unemployment and to increase the continuity of employment. The need of unemployment insurance in any country is a challenge to those in command of our industry and commerce, for it is hard to conceive the spectacle of 18,000,000 American citizens receiving Government relief in one form or another in the midst of an industrial system which I conclude, if properly organized and administered, would yield dividends to the American people in the form of social security that would pale into insignificance the benefits we seek to obtain by this bill under consideration today. Unemployment remains as a problem of industry, and unemployment insurance is a necessity in our modern industrial life.

Any measure designed to insure against unemployment must be permanent, uniform, and national. The plan before us embraces these three essentials and provides for a tax on pay rolls, beginning at 1 percent January 1, 1936, and reaching 3 percent by 1938 and 5 percent by 1957, with employers receiving a 90-percent credit on contributions they make to approved State unemployment-insurance systems. The payment to persons out of work would be \$15 a week. On a 3-percent contribution basis, the maximum benefit period would be 15 weeks. The objection to the unemployment-insurance feature of the bill has been the anticipated burden upon industry. The opponents contend that the plan is unworkable, fantastic, and ruinous to industry. However, to my mind, the building up of unemployment reserves, providing for the protection of labor, is similar to the provisions made by capital establishing reserve funds for corporations. There can be no doubt that the depression for the past 5 or 6 years has made inroads into the income and the standard of living of the working classes. In contrast with this condition has been the record of dividend and interest payments by American corporations, particularly during the first 2 years of the business depression.

It is quite obvious and grossly inequitable that industrialists should be protected by the accumulation of these reserves which tend to stabilize the money incomes of these individuals through strained economic times. To them it is a perfectly correct policy to stabilize their incomes. If that policy is applicable to the money classes, what, then, is wrong with the creation of such reserves to protect the income of the working classes and the low-salaried men and women in industry in order to insure them against being thrown out of work and deprived of their current earnings? A system in which one group is so well protected cannot continue to function with any degree of effectiveness and without harmonious coordination. With these facts admitted, it is ironical for a class whose incomes are stabilized to object to any system of unemployment insurance that

will guarantee a reserve for the laboring man in times of economic distress.

It is quite evident to all who have studied this problem that any system of unemployment insurance should be compulsory. The objection raised by men who are opposed to this bill is that it will add a great financial burden to industry, which they claim is already staggering under a financial tax load. However, if we are to have a system of unemployment insurance, it must be mandatory, because long experience has taught us that private enterprise, except in rare cases, has not embraced the principles of unemployment insurance on a voluntary basis. It has been said that we have approximately 31,000,000 wage earners in occupations other than agriculture who need the protection of unemployment insurance, and it is apparent that after 15 years of voluntary experimentation by private industrial plans, commencing with the inauguration of the Dennison plan in 1916, the result has been that only about two-thirds of 1 percent of those exposed to the hazard and risk of unemployment are covered by insurance. The interest displayed by far-sighted industrial firms, such as Dennison, Columbia Reserve, Procter & Gamble, and others, is not taken seriously by their fellow industrialists, and there has been no evidence of a willingness on the part of other firms to follow this movement of voluntary unemployment insurance. The pioneers in industry who have established voluntary systems have done commendable service in getting the public mind oriented to the problem by their cumulative experience that will be of aid to any new plan. Yet, it is more than that; if the money of the American worker is to be protected, it must be by some form of mandatory insurance which will make it obligatory upon industry to carry it into effect.

There is a wide difference of opinion as to who will make contributions to the reserve fund set up by a new unemployment system. The potential sources of contribution are three—employers, workers, and the State. In the European systems we find varying combinations of these possibilities. For example, in the Ghent system of voluntary insurance the State and the worker are the contributors and the employers are exempted from payment except for such slight contribution as they make in Denmark. In Italy the employer and the worker alone contribute to the compulsory insurance of that country. In Great Britain the employers, workers, and the State contribute to the reserve set up by the system, but in the case of Great Britain the Government merely bears the total expense of extended benefits which are paid after the twenty-sixth week to those in need. In Germany the contributions are made by the worker and employer and the Government merely bears the expense of emergency benefits. In Russia, as one would expect, the exclusive cost of benefits is charged to the employer, but the word "employer" in this sense does not mean the same as in capitalistic countries, but employers are rather what we call state trusts.

It is with the plan of unemployment insurance in this bill I am not in accord. I agree there must be contributions by the employer because unemployment has its origin in our unorganized industrial system and by the Government which has the duty to provide for the well-being of our citizens. If the Government is to compel contributions by the employee and act only as a custodian of the funds, then the contribution by the worker should be a nominal one, and the State should pay extended benefits. The money needed for the Government to pay such extended benefits could be obtained by some such plan as provided by—

#### FIRST. INCOME TAXES OF INDIVIDUALS

If the United States were to apply merely the tax rates of Great Britain upon all individual incomes of \$5,000 or over, a considerable sum would be available for social insurance. These rates in 1928 would have yielded the Federal Government five and three-fourths billion dollars as against slightly over one billion actually collected. In 1932, a year of low income, we would have collected on the same basis \$1,128,000,000, as against the actual receipts of \$324,000,000.

#### SECOND. CORPORATION INCOME TAX

Compared with other countries also our corporation tax is very low. Taking a flat rate of 25 percent, we would have raised in 1928 the amount of \$2,600,000,000 instead of \$1,200,000,000.

#### THIRD. INHERITANCE OR ESTATES

Here again the United States is very lenient. In 1928, on a total declared gross estate of three and one-half billion dollars, the total collected by Federal and States taxes was only \$42,000,000, or a little over 1 percent. If an average of 25 percent were taken, this would have been raised in 1928 to \$838,000,000.

#### FOURTH. TAX-EXEMPT SECURITIES

Exact figures on the total are not available, but here is an important source of large additional returns which should be available for the general welfare.

#### FIFTH. TAX ON CORPORATE SURPLUS

In 1928 the corporate surplus, representing the accumulation by corporations of funds which have not been distributed to labor and capital, amounted to \$47,000,000,000, and even in 1932 it was over thirty-six billions. Made possible as it is by the cooperation of labor and capital, thus surplus which is now set aside to meet capital's claim for exigencies certainly should be also a source of funds for labor's social insurance in the exigencies of unemployment. The Department of Commerce has shown in its study of the national income that labor has lost a larger percent of its earned income in the depression than capital has lost in interest charges, because capital has been sustained by drawing both on current income and on accumulated surplus. The great economist, Adam Smith, 150 years ago called the industrial system a "collective undertaking." Thus it is both logical and just to provide a tax on corporate surpluses as a source for social insurance.

Another regrettable feature of the present bill is that it makes no provision for the countless millions that are presently unemployed. This great army of men and women must first be absorbed by industry before they become eligible to participate in the plan. Under the method in the bill before Congress the worker, in addition to paying his own assessment, will also, as a consumer, pay the employers' contribution. Maximum payments of \$15 a week for 16 weeks, after a waiting period of 4 weeks, cannot by the widest stretch of the imagination be termed extravagant.

I appreciate my time is limited, Mr. Speaker, and I must conclude with a general observation that there is imperative need of unemployment protection. Neither the present bill or a bill that would embrace the thoughts I have expressed on the subject can be termed an impractical or Utopian scheme. The bill in its present form, I am confident, will pass, and it is my intention to vote for its enactment because of the many appealing features of old-age pensions, mothers' aid, and public health, together with a structure at least for an unemployment-insurance plan which, even though not ideal today, will be perfected I hope by a continued study and amendment to the bill by future Congresses. Passage of this act today will establish a new milestone in future economic security of our citizens.

(Mr. HIGGINS of Massachusetts asked for and was given permission to revise and extend his remarks in the RECORD.)

Mr. DOUGHTON. Mr. Chairman, I move that all debate on this title and all amendments thereto close in 8 minutes.

The motion was agreed to.

Mr. MOTT. Mr. Chairman, in a very few minutes the Committee of the Whole House on the state of the Union will rise and recommend that this bill, upon which we are now concluding more than 30 hours of debate and to which 42 amendments have been offered and rejected, do pass. The Committee will recommend that this bill, the President's Social Security Act, covering 60 printed pages and 10 different titles, or subjects, be passed exactly as it was sent to us, word for word, without a single amendment, without a single betterment and without a single change.

These 42 amendments have been offered from the floor not by Republicans alone, but by some of the most distin-

gushed Members on the Democratic side, Members whose knowledge and experience in this class of legislation is recognized both by the Congress and by the country. Some of these amendments were so worthy, so admittedly valuable, that no word of criticism could be offered to them, and none was offered. And yet every one of these amendments have been defeated, every one of them shouted down regardless of their merit, by practically solid Democratic votes.

Nor is that all. When the Committee rises and reports that it has succeeded in throwing out every suggestion for the betterment of this bill that has been offered by any of the 435 Members of the House—except two insignificant changes agreed to in advance by the administration and opposed by no one—the Committee will then ask the House to approve and adopt its report. And the 332 Democrats of the House, including those whose amendments have been spurned, will vote solidly and unanimously to approve and adopt the report, and thus put in order the passage of this bill which, I venture to say, does not satisfy 10 percent even of the Democrats of the House.

As an outstanding example of this administration's perfect and absolute control of its 3-to-1 Democratic majority in Congress the progress of this bill through the House has been unique. Reports have gone out from time to time recently that the administration was beginning to lose its iron grip upon majority Members in this body and that Democrats in the House could be expected in the future to begin to show some signs of independent thinking and independent voting. Mr. Chairman, I regret to say that the hopes of the country raised by those reports have been effectively blasted during the past 30 hours.

Never in this session of the Congress, nor in the preceding one, have I seen the administration machine so well oiled. [Applause.]

Mr. Chairman, there has been no real consideration of this bill. The reading of it for amendment under the 5-minute rule may just as well have been dispensed with. All of the amendments, regardless of their merit, were intended by the Democratic leaders from the very first to be defeated and they were voted down solidly on that side of the House just as fast as they were offered. Most of the good amendments, on the other hand, as the division and teller votes will show, were supported by the Republican side of the House, without regard to whether those amendments were offered by Democrats or Republicans.

Mr. SISSON. Will the gentleman yield?

Mr. MOTT. I am sorry, but I have only 5 minutes, which barely gives me time to say what I want to say at this point.

Mr. SISSON. What would the gentleman call "real consideration"?

Mr. MOTT. I repeat, I am sorry, but I must decline to yield to the gentleman.

Mr. Chairman, that was the case in all of the amendments offered, with the exception of one or two. Even the vote on the revised McGroarty old-age-pension bill amendment and the Scrugham-Greenway old-age-pension amendment was almost a party vote. I call attention to what I consider the rather remarkable fact that on an amendment so far-reaching as the one to substitute the McGroarty bill for the old-age-pension provisions of the administration bill, more than half of the Republicans present on the floor at that time voted "yes" and they stood up and were counted. Thirty-eight of them voted "yes" and that is more than one-third of the entire Republican membership of the House, while only 18 Democrats out of a total of 168 present, and out of a total Democratic membership of 332, voted in favor of that amendment. [Applause.]

Why, Mr. Chairman, even the amendment offered by the distinguished gentleman from Ohio [Mr. JENKINS], to include a small Federal contribution to States to aid them in providing for their indigent blind people, was voted down by a solid party vote. Just two gentlemen on the Democratic side voted "yes" and stood up to be counted on that vote, while every Republican voted for it. Do my Demo-

cratic friends mean to tell me that they did not want to vote for that amendment? We know you wanted to. We saw many of you looking toward the leader's table with a look almost of longing in your eyes. Why, Mr. Chairman, every gentleman in this House knows that a single nod from the Chairman of the Ways and Means Committee seated at the table across the aisle would have brought every Democrat to his feet in approval of that amendment. But the nod did not come, Mr. Chairman, and the indigent blind man will continue to beg with his tin cup on the street corner.

It is not what you did in this bill that is so wrong. It is what you did not do that will disappoint and dissatisfy the country. You had such a wonderful chance in this legislation to give us a real solution to the problem of old age and unemployment. The country was hoping for it. It was waiting for it. It was expecting it. You have not done your duty either by the country or by yourselves.

Mr. Chairman, there is a little good in this administration bill as well as some bad. Its greatest faults are those of omission rather than of commission. In considering how one should vote upon a bill as inadequate and unsatisfactory as this one is, a Republican is confronted with the same old situation and the same old question that has confronted him in every major piece of administration legislation that has been offered in the last two sessions of the Congress.

In most of this major legislation there has been a crumb of good, and in order to get that crumb we have had to take the bad along with it. Never have you permitted us to improve one of your major bills. Never has your 3 to 1 majority allowed us to substitute a better bill for it. Never have you gone the whole way upon the solution of any problem, even when the majority of the individual membership on both sides of the House desired it. We have been given always what the executive department wanted us to consider, and we have been allowed to consider nothing else on that particular subject. With less than one-third of the membership of the House on the minority side we have been rendered helpless against your overwhelming majority.

And so, as usual, we must determine now in this bill whether the good outweighs the bad. When I say "we" I am referring to Republicans. I know, of course, that our Democratic friends are not burdened with that kind of a problem because they will vote upon this bill as they have voted on all of them; that is, as a party measure.

Mr. Chairman, although this bill is entirely inadequate, although it gives the aged poor of our country only a pauper's pension, still I am confronted with the fact that without this bill they will not even get that, so far as the Federal Government is concerned. This is the only bill we will have at this session on the subject of old-age pensions, and for the time being it is a case of this or nothing. And so, after having put up as good a fight as I could for something better, having supported as strongly as I could all worthy amendments that have been offered and having seen them all defeated, I intend to vote for the bill now [applause], but I vote for it solely upon the ground that it is better than nothing. [Applause.]

[Here the gavel fell.]

Mr. KVALE. Mr. Chairman, I do not know whether I dare intrude upon the patience of this body at this time, even to the extent of 3 minutes, but I would like to address myself to the remarks of the gentleman from Massachusetts [Mr. McCORMACK].

The gentleman from Massachusetts quite properly pointed out that the motion of the gentleman from New York [Mr. WADSWORTH], to strike out all of title IX would be rather futile inasmuch as it would still leave the companion title, title III, in the bill which sets up the necessary machinery.

I sincerely hope therefore that some member of the Committee on the minority side will offer a motion to recommit the bill and include instructions to strike out both said titles of the bill, and for this reason: I have long been an advocate of unemployment insurance, and I shall so continue, but I cannot feel good about the provisions of this

bill which relate to unemployment insurance and old-age insurance, or accept them as the best thought to incorporate in permanent legislation.

The provisions of this bill will not apply until 1942. Why, then, all this haste about the unemployment-insurance provision of the measure? We can keep intact the other commendable portions of this measure and give further thought and study to the advisability of erecting a permanent structure for unemployment insurance such as the one now before us, which makes the load fall entirely upon labor and upon the consumer.

This omnibus bill holds out nothing to the present unemployed, and the Committee does not try to deceive us on that point. They state this frankly in their report. The unemployed has no help in any part of this measure and neither has an employed person anything very cheerful to look forward to. All he has to face is a small added penalty which increases as the years roll on. If the employer does not pass the tax on to him in the form of wage reductions, the employer will pass it on to him in his capacity as a consumer. He cannot escape. He may get it both ways.

Agriculture, in addition to being left entirely out of the picture, faces the possibility of a reduction in national purchasing power that does not bode well for his commodity prices.

If the motion to recommit might prevail, I could support the measure gladly, because of its belated recognition of governmental responsibilities for which I have long and consistently fought, even though none of its provisions can be termed adequate or commensurate with what we might like to provide.

Mr. Chairman, I ask unanimous consent to include, as an extension of my remarks, a statement which has been prepared by the American Association for Social Security, of 22 East Seventeenth Street, New York City. It briefly and ably analyzes the provisions of the revised measure.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The pro forma amendment was withdrawn.

The statement follows:

The revised bill is a vast improvement over the original Wagner-Lewis-Doughton bill. Unlike the jumble of confusion in the original draft, this bill is clearly written, and its provisions are lucid. It is logically arranged, and its aims are clearly set forth.

It is still an omnibus bill. It contains 10 titles and covers 9 different subjects:

- (1) Old-age pensions.
- (2) Old-age insurance.
- (3) Unemployment insurance.
- (4) Dependent children.
- (5) Infant and maternal welfare.
- (6) Welfare services for children.
- (7) Vocational rehabilitation.
- (8) Care of crippled children.
- (9) Federal public-health services.

It makes 9 appropriations and sets up 3 different taxation systems: 1 on employees and 2 on employers.

The appropriations are made to three different agencies:

(1) To the Federal Social Security Board: (a) For subsidies to State old-age-pension systems; (b) for subsidies to State plans for dependent children; (c) for aid in the administration of State unemployment-insurance systems; (d) for administrative expenses of the Board.

(2) To the United States Department of Labor: (a) For promotion of the health of mothers and children, especially in rural areas; (b) for services to crippled children and the provision of medical, surgical, and corrective care for them; (c) for establishment, extension, and strengthening of public-welfare services in rural areas for children; (d) for extending and strengthening programs for vocational rehabilitation.

(3) To the Surgeon General of the Public Health Service: (a) For the establishment and maintenance of public-health services.

#### OLD-AGE-INSURANCE TAXES

The bill sets up a tax on wages for old-age insurance, euphemistically called an "income tax." This tax is levied on all employees regardless of their wages or salaries, but not more than \$3,000 a year is taken as the basis for contributions. Exempted are agricultural laborers, domestic servants in a private home, casual laborers, crews of ships, Government employees, and workers in educational and charitable institutions. This tax, to be collected from wages, will be equal to 1 percent of wages during 1937-39, 1½ percent during 1940-42, 2 percent during 1943-45,

2½ percent during 1946-48, and 3 percent beginning with 1949 and thereafter.

Employers are to pay similar contributions for the same purpose.

#### UNEMPLOYMENT-INSURANCE TAX

An excise tax on all employers of 10 or more workers (including officers of a corporation) is set up for unemployment insurance. This tax is at the rate of 1 percent of the total wages paid in 1936, 2 percent in 1937, and 3 percent from 1938 on. Similar classes of employees are exempted as under the old-age insurance plan.

Employers making contributions to approved State unemployment-insurance funds are relieved up to 90 percent of the Federal tax.

#### SOCIAL IMPLICATIONS OF REVISED BILL

##### OLD-AGE PENSIONS

The revised bill does not set up as desirable standards as conditions for Federal subsidies to State old-age pension systems as were contained in the original bill. The problem is nevertheless met adequately. The passage of this part of the bill will mean the greatest step forward in social security. It can definitely be expected to bring about a Nation-wide system of old-age security for our destitute aged. The needs of the aged can be adequately met through this bill.

##### DEPENDENT CHILDREN

The same applies to the Federal subsidy for dependent children. It is thoroughly sound and will help the States to meet this problem. If necessary the Federal Government can later increase its share of the cost, now fixed at only one-third.

##### OTHER WELFARE PROVISIONS

The various appropriations made to the Children's Bureau and the Surgeon General for maternal and child care, crippled children, public-health services, vocational rehabilitation, etc., are necessary and should be enacted. They have little to do with the Social Security Board created under this bill, and there was no real necessity for including these features in the bill.

##### OLD-AGE INSURANCE

From a social point of view the most vulnerable feature of the bill is involved in the contributory old-age-insurance system which is pregnant with many social dangers:

(1) The bill puts the entire burden of the future support of the aged upon the workers and industry. Since industry is bound to pass on its contribution to the consumers it means that the employees, in their dual role of workers and consumers, are to be made to bear practically the entire burden of support of the aged. Beginning 5 years hence the burden of old-age support will be increasingly shifted upon that part of the population least able to bear it. The wealthier groups in the community will be gradually relieved of their share toward old-age support since the contributions from the workers will more and more assume the responsibility for the care of all the aged even if the latter have contributed for only short periods. No nation has ever put into operation a contributory old-age insurance plan without placing at least some of the burden on the State in order to make possible the sharing of the costs by the higher income groups. Even 50 years ago the German Government assumed a definite share. This has been followed by all other industrial countries.

(2) By stepping up the contributions to a total of 6 percent of wages within 12 years enormous reserves will be built up much more rapidly than necessary and will be frozen for a generation. The committee estimates that under this bill there will be a reserve fund of over \$10,000,000,000 by 1948 and the reserve will amount to over \$32,000,000,000 by 1970.

(3) The unnecessary removal of so much purchasing power at this time may hamper recovery and cause great social harm. It is extremely questionable whether our economic system can stand the withdrawal of this much-needed purchasing power.

(4) The bill places a back-breaking burden upon the present generation. The present generation, as taxpayers, will not only have to pay the cost of the noncontributory-pension system for the present aged, but will be forced to provide fully for its own old age.

(5) The avowed aim of the committee to have these reserves used as a means of ultimately abolishing the evil of tax-exempt bonds is a distortion of the entire principle of social insurance. To force upon the bulk of the wage earners a compulsory system of savings which is beyond their means in order to deal with the evil of tax-exempt securities is the height of folly and must be thoroughly condemned.

(6) The revised bill provides that an insured person's contributions will be returned to his estate if he dies before he has received by way of benefits the entire amount to which he was entitled. This is contrary to all principles of social insurance in practice abroad. It is not only socially unnecessary but adds to the cost. This provision would be justified only if the payments were limited to dependent survivors.

##### UNEMPLOYMENT INSURANCE

The revised bill is much superior to the original bill in its provision that State unemployment-insurance funds, in order to be approved by the Federal Social Security Board, must provide that the contributions shall be "mingled and undivided" and that "no separate account is maintained with respect to any person." This makes possible true social insurance and will not affect adversely the growth of the labor movement. The bill is seriously defective, however, for many other reasons:

(1) The revised bill, as the original bill, still offers no real incentives to States to enact unemployment-insurance laws. Its bait is still largely directed to employers instead of to the public at large. At best employers will have to pay three-tenths of 1 percent more in taxes by the enactment of State laws requiring an employers' tax of 3 percent.

(2) Instead of helping State funds by Federal appropriations, as is done in all workable unemployment-insurance funds abroad, the Federal Government actually contemplates making a profit on its unemployment-insurance tax. The committee estimates that after 1938 the total yearly receipts from the excise tax will amount to about \$800,000,000 or more. Since the Federal Government will give credit only up to 90 percent of the Federal tax, it means that the Federal Treasury will at the most lose by such credits only about \$720,000,000. The administrative appropriation allowed to the State under this bill is set at \$49,000,000, beginning with 1937. This will mean that the Federal Government will make a profit of from \$30,000,000 to \$40,000,000 every year from its unemployment-insurance tax. Moreover, the Federal tax is payable with respect to wages paid to all employees, regardless of the amount of the wages earned. Since most State laws will probably exempt employees earning \$3,000 a year or more, the credit which can be claimed by employers will be diminished and the Federal Government will make additional profit from its excise tax.

(3) Like the original bill, the revised draft sets up no definite standards for the State systems. This will unquestionably result in a variety of benefit standards which will create confusion and bad feeling on the part of the unemployed and disparity as among the States.

(4) The revised bill continues to require the turning over of State unemployment insurance funds to the Federal Treasury. This will constitute a handicap to the development of State legislation. There is no justification whatsoever for the prevailing fear that large reserves will be built up under the contemplated plan of unemployment insurance. Even if larger contribution rates were set up it is doubtful whether the plan will ever be more than on a pay-as-you-go basis.

(5) The provision in the bill that no State unemployment-insurance fund shall begin payment of benefits for at least 2 years "after the first day of the first period with respect to which contributions are required" may be advisable now, but must not be continued after 1938 when the full 3-percent contributions go into effect. This handicap will tend to discourage the immediate adoption of State laws.

(6) The revised bill as the original bill continues to set up two duplicating systems of taxation which are thoroughly uncalled for, i. e., the Federal tax and the State tax for which credit is to be given. The plan recommended to the Committee on Economic Security by the advisory council for a Federal subsidy to States enacting laws under proper standards, and financed by a single, uniform Federal tax, provides a far superior and less costly method.

The Clerk read as follows:

TITLE X—GENERAL PROVISIONS  
DEFINITIONS

SECTION 1001. (a) When used in this act—

(1) The term "State" (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia.

(2) The term "United States", when used in a geographical sense, means the States, Alaska, Hawaii, and the District of Columbia.

(3) The term "person" means an individual, a trust or estate, a partnership, or a corporation.

(4) The term "corporation" includes associations, joint-stock companies, and insurance companies.

(5) The term "shareholder" includes a member in an association, joint-stock company, or insurance company.

(6) The term "employee" includes an officer of a corporation.

(b) The terms "includes" and "including", when used in a definition contained in this act, shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(c) Whenever under this act, or any act of Congress or under the law of any State, an employer is required or permitted to deduct any amount from the remuneration of an employee and to pay the amount deducted to the United States, a State, or any political subdivision thereof, then, for the purposes of this act, the amount so deducted shall be considered to have been paid to the employee at the time of such deduction.

(d) Nothing in this act shall be construed as authorizing any Federal official, agent, or representative, in carrying out any of the provisions of this act, to take charge of any child over the objection of either of the parents of such child, or of the person standing in loco parentis to such child, in violation of the law of a State.

RULES AND REGULATIONS

SEC. 1002. The Secretary of the Treasury, the Secretary of Labor, and the Social Security Board, respectively, shall make and publish such rules and regulations, not inconsistent with this act, as may be necessary to the efficient administration of the functions with which each is charged under this act.

SEPARABILITY

SEC. 1003. If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

RESERVATION OF POWER

SEC. 1004. The right to alter, amend, or repeal any provision of this act is hereby reserved to the Congress.

SHORT TITLE

SEC. 1005. This act may be cited as the "Social Security Act."

Mr. FERGUSON. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. FERGUSON: Page 59, line 20, after section 1002, add a new section to read:

"No provisions or sections of this act shall become effective until two-thirds of the States have been certified as having a State plan for old-age assistance which has been approved by the board."

Mr. COOPER of Tennessee. Mr. Chairman, I make a point of order against the amendment.

Mr. FERGUSON. Mr. Chairman, will the gentleman withhold the point of order?

Mr. COOPER of Tennessee. Mr. Chairman, I reserve the point of order.

Mr. FERGUSON. Mr. Chairman, since this comes under the heading of general provisions, I think it should be germane to the bill.

We have heard voiced here today and during the entire discussion of this bill objections from States that are qualified, as so ably stated by the gentleman from Massachusetts, and objections from States that are not qualified, as stated by numerous Members. Since this legislation is so far-reaching and affects so many people and so many classes of people, I think the States should have an opportunity to pass on the acceptability of this measure and not have it become effective until two-thirds of the States have put their houses in order and are in position to accept the benefits of this law, and not put the States that cannot participate in the position of being taxed because their constitution prohibits them from accepting the benefits of this act for a period of some 2 years.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. FERGUSON. I yield.

Mr. SAMUEL B. HILL. It is entirely possible, is it not, that even under the gentleman's amendment, if adopted, the States he has in mind would be unprotected?

Mr. FERGUSON. But the majority of the States, or two-thirds of them, would be in position to accept and not just a few of the States would be able to participate under this bill.

Mr. SAMUEL B. HILL. There are probably not over 6 or 8 States that have constitutional inhibitions against such participation.

Mr. FERGUSON. And there are probably not over half a dozen States that can participate under this act as it is now drawn.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. FERGUSON. I would rather not yield until I have finished my statement.

Since the pay-roll tax does not take effect until July 1937, if the States want such a provision, my amendment could have no possible effect on the way that portion of the bill functions. If such an amendment were adopted by the House today it is possible that a provision that would actually pay the aged on the relief rolls would be adopted at this session of the Congress and give these people who are expecting a pension in the various States and who are entitled to a pension, something from this session of the Congress, which is something they will not get out of this bill.

I have been assured by leading Members of the House that until provisions of this act go into effect the aged and those in distress will be cared for by relief rolls. It is my contention that the old people who are in need would receive greater benefit from a monthly pension than from being subjected to the scrutiny of a social-service worker and the degradation caused by the acceptance of a Federal dole, Mrs. GREENWAY, who has fought hard for a pension that would actually be paid and for a reasonable pension, has assured me that she intends to introduce a resolution that will provide for the payment of a reasonable pension to

those over 60 years of age who are on relief rolls in this country. This would be an actual pension—not a fictitious one such as is contained in this bill—and would provide a stopgap until the States could meet the requirements necessary for them to receive the grants and aid outlined in this legislation.

I think this legislation has many meritorious features, such as the care of crippled and dependent children, and maternal and child-welfare aid, and public-health provisions. I do believe that the provisions of sections 2 and 8 will have to be modified to take the entire burden of employment insurance off the shoulders of the wage earners.

However, I believe the States should have an opportunity to pass on whether they want to accept it or not. You cannot force social legislation down the throats of this country. We tried this when we passed the Prohibition Act, and if you want to educate the States to accept this and try to cooperate, if you adopt my amendment it will give them a period of time for the necessary two-thirds to accept this bill and whole-heartedly cooperate with it.

[Here the gavel fell.]

Mr. COOPER of Tennessee. Mr. Chairman, I withdraw the reservation of a point of order and ask for a vote on the amendment.

The amendment was rejected.

Mr. IGLESIAS. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

On page 58, line 7, after the word "Hawaii", insert "Puerto Rico."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Puerto Rico.

The question was taken, and the amendment was rejected.

Mr. DOUGHTON. Mr. Chairman, we are nearing the close of consideration of this bill, one of the most important that has ever been considered by an American Congress.

This measure has received more attention during its consideration by the committee, and by the Committee of the Whole, than any bill considered by the Congress in many years. There has been more time used in general debate; more liberal opportunity given for amendment than in any bill heretofore considered. I believe that every Member who so desired has expressed his views and opinions.

It has been carried in the press of the country that the leadership of our great President was impaired and that the bill would be ripped to pieces by amendments.

I am proud to say that notwithstanding the bill has been attacked from every angle, in criticizing the measure not a single amendment has been made to the bill, except two perfecting amendments offered by the committee.

Mr. CONNERY. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. CONNERY. I want to pay a slight tribute to a man whom I consider one of the great Members of this House, a man whose friendship I prize highly, a man who has the courage of his convictions, a great American, a man never afraid to take the floor and state his position, a man who has unconsciously paid a great tribute to himself today when he said that not an amendment had been made to this bill. That this is true is due to the distinguished and fearless leadership of this man, beloved by the Membership of this House, the great Chairman of the Ways and Means Committee, Bob DOUGHTON, of North Carolina. [Applause.]

Mr. DOUGHTON. I thank my kind friend the gentleman from Massachusetts [Mr. CONNERY].

Mr. Chairman, those on the minority side who so bitterly attacked the bill have given the impression that they are opposed to the bill, but when the roll is called, I predict most of them will give it their support, thereby showing their good judgment and consideration for the welfare of the country.

I predict that the vote on the passage of this bill will show to the country that the Congress of the United States is behind our great President, that his leadership is still militant, that the American people as well as the American Congress, have confidence in him, in his courage, and in his wisdom, and that before this Congress closes, his entire new-deal

program will be consummated. When this is done the country will say, "Well done, good and faithful servant."

The CHAIRMAN. Under the rule, the Committee will rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 7260, and, pursuant to House Resolution 197, he reported the bill back to the House with sundry amendments adopted in the Committee of the Whole.

The SPEAKER. The previous question is ordered under the rule. Is a separate vote demanded on any amendment? If not, the Chair will put them en gros. The question is on agreeing to the amendments.

The amendments were agreed to.

The SPEAKER. The question is upon the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. TREADWAY. Mr. Speaker, I offer the following motion to recommit, which I send to the desk.

The Clerk read as follows:

Mr. TREADWAY moves to recommit the bill H. R. 7260 to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendments:

Page 2, line 10, strike out "\$49,750,000" and insert in lieu thereof "\$69,750,000"; page 4, line 25, strike out "\$30" and insert "\$40"; beginning on page 7, line 18, strike out all of title II down to and including line 9, on page 15; beginning on page 40, line 10, strike out all of title VIII down to and including line 19, on page 47.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. SNELL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 149; nays 253, answered "present" 1, not voting 29, as follows:

[Roll No. 56]

YEAS—149

Allen	Ekwall	Kramer	Rich
Amle	Engel	Kvale	Robson, Ky.
Andresen	Englebright	Lambertson	Rogers, Mass.
Andrew, Mass.	Fenerty	Lehlbach	Ryan
Andrews, N. Y.	Fernandez	Lemke	Sauthoff
Arends	Focht	Lord	Schneider
Ashbrook	Gassaway	Lundeen	Scott
Ayers	Gearhart	McFarlane	Secrest
Bacharach	Gehrmann	McGrath	Seger
Bacon	Gifford	McGroarty	Short
Binderup	Gilchrist	McLean	Smith, Wash.
Blackney	Goldsbrough	McLeod	Snell
Bolleau	Goodwin	Maas	Stefan
Bolton	Granfield	Mapes	Stewart
Brewster	Greenway	Marcantonio	Stubbs
Buckbee	Griswold	Marshall	Sutphin
Buckler, Minn.	Guyer	Martin, Mass.	Taber
Burdick	Gwynne	May	Taylor, Tenn.
Burnham	Hancock, N. Y.	Merritt, Conn.	Thurston
Cannon, Mo.	Hartley	Michener	Tinkham
Cannon, Wis.	Hess	Millard	Tobey
Carlson	Higgins, Mass.	Monaghan	Tolan
Carter	Hildebrandt	Mott	Treadway
Cavicchia	Hill, Knute	Murdock	Truax
Christianson	Hoeppel	Nichols	Turpin
Church	Hoffman	O'Malley	Wadsworth
Cole, N. Y.	Hollister	Patterson	Wallgren
Collins	Holmes	Perkins	Welch
Connery	Hook	Peterson, Ga.	Werner
Cooper, Ohio	Hope	Pfeifer	White
Crawford	Hull	Pittenger	Wigglesworth
Crosser, Ohio	Jenkins, Ohio	Plumkey	Wilson, Pa.
Darrow	Jones	Powers	Wolcott
Dirksen	Kahn	Ransley	Wolfenden
Ditter	Kennedy	Reeco	Wolverton
Dondero	Kimball	Reed, Ill.	Woodruff
Dunn, Pa.	Kinzer	Reed, N. Y.	Zioncheck
Eaton			

NAYS—253

Adair	Bell	Bloom	Brooks
Arnold	Berlin	Boehne	Brown, Ga.
Barden	Biermann	Boland	Brown, Mich.
Beam	Bland	Boylan	Brunner
Belter	Blanton	Brennan	Buchanan

Buck	Evans	Lewis, Colo.	Richardson
Buckley, N. Y.	Faddis	Lewis, Md.	Robertson
Bulwinkle	Farley	Lloyd	Robinson, Utah
Burch	Ferguson	Lucas	Rogers, N. H.
Caldwell	Fiesinger	Lucky	Rogers, Okla.
Carden	Fitzpatrick	Ludlow	Romjue
Carmichael	Flannagan	McAndrews	Rudd
Carpenter	Fletcher	McClellan	Russell
Cartwright	Ford, Calif.	McCormack	Sabath
Cary	Ford, Miss.	McGehos	Sanders, La.
Casey	Frey	McKcough	Sanders, Tex.
Castellow	Fuller	McLaughlin	Sandlin
Chandler	Fulmer	McMillan	Schaefer
Citron	Gasque	McReynolds	Schuetz
Clark, Idaho	Gavagan	McSwain	Schulte
Clark, N. C.	Gildea	Mahon	Scrugham
Cochran	Gillette	Maioney	Sears
Coffee	Gingery	Mansfield	Shanley
Colden	Gray, Ind.	Martin, Colo.	Sisson
Cole, Md.	Gray, Pa.	Mason	Smith, Va.
Colmer	Green	Massingale	Snyder
Cooley	Greenwood	Maverick	Somers, N. Y.
Cooper, Tenn.	Greever	Mead	South
Corning	Gregory	Merritt, N. Y.	Spence
Costello	Haines	Miller	Stack
Cox	Hamlin	Mitchell, Ill.	Starnes
Cravens	Hancock, N. C.	Mitchell, Tenn.	Sullivan
Crosby	Harian	Montague	Summers, Tex.
Cross, Tex.	Hart	Montet	Sweeney
Crowe	Harter	Moran	Tarver
Crowther	Healey	Moritz	Taylor, Colo.
Cullen	Hennings	Nelson	Taylor, S. C.
Cummings	Hill, Ala.	Norton	Terry
Daly	Hill, Samuel B.	O'Brien	Thom
Darden	Hobbs	O'Connell	Thomason
Dear	Houston	O'Connor	Thompson
Deen	Huddleston	O'Day	Tonry
Delaney	Igoe	O'Leary	Turner
Dempsey	Imhoff	Oliver	Umstead
Dietrich	Jacobson	O'Neal	Underwood
Dingell	Jenckes, Ind.	Owen	Vinson, Ga.
Disney	Johnson, Okla.	Palmisano	Vinson, Ky.
Dobbins	Johnson, Tex.	Parks	Walker
Dockweiler	Johnson, W. Va.	Parsons	Warren
Dorsey	Kee	Patman	Wearin
Doughton	Keller	Patton	Weaver
Doxey	Kelly	Pearson	Welchel
Drewry	Kennedy, Md.	Peterson, Fla.	Whittington
Driscoll	Kennedy, N. Y.	Pettengill	Wilcox
Driver	Kleberg	Pierce	Williams
Duffey, Ohio	Kloeb	Polk	Wilson, La.
Duffy, N. Y.	Kniffin	Quinn	Wood
Duncan	Kocialkowski	Rabaut	Woodrum
Dunn, Miss.	Kopplemann	Ramsay	Young
Eagle	Lambeth	Ramspeck	Zimmerman
Eckert	Lanham	Randolph	The Speaker
Edmiston	Larrabee	Rayburn	
Eicher	Lea, Calif.	Reilly	
Ellenbogen	Lee, Okla.	Richards	

Mr. DOXEY. Mr. Speaker, my colleague from Mississippi, Mr. RANKIN, is unavoidably detained on account of illness. Therefore, he has not voted on this roll call.

The result of the vote was announced as above recorded. The SPEAKER. The question is on the passage of the bill.

Mr. DOUGHTON. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered. The question was taken; and there were—yeas 372, nays 33, answered "present" 2, not voting 25, as follows:

[Roll No. 57]  
YEAS—372

Adair	Dingell	Igoe	Palmisano
Allen	Dirksen	Imhoff	Parks
Amle	Disney	Jacobsen	Parsons
Andresen	Ditter	Jenckes, Ind.	Patman
Arends	Dobbins	Jenkins, Ohio	Patterson
Arnold	Dockweiler	Johnson, Okla.	Patton
Ashbrook	Dondero	Johnson, Tex.	Pearson
Ayers	Dorsey	Johnson, W. Va.	Peterson, Fla.
Bacharach	Doughton	Jones	Peterson, Ga.
Barden	Doxey	Kahn	Pettengill
Beam	Drewry	Kee	Pfeifer
Belter	Driscoll	Keller	Pierce
Bell	Driver	Kelly	Pitenger
Berlin	Duffey, Ohio	Kennedy, Md.	Plumley
Biermann	Duffy, N. Y.	Kennedy, N. Y.	Polk
Blinderup	Duncan	Kenny	Powers
Blackney	Dunn, Miss.	Kimball	Quinn
Bianton	Dunn, Pa.	Kinzer	Rabaut
Bloom	Eagle	Kieberg	Ramsay
Boehne	Eaton	Kloeb	Ramspeck
Bolleau	Eckert	Kniffin	Randolph
Boland	Edmiston	Kocialkowski	Ransley
Boylan	Eicher	Kopplemann	Rayburn
Brennan	Ekwall	Kramer	Reece
Brewster	Ellenbogen	Lambertson	Reed, Ill.
Brooks	Engel	Lambeth	Reilly
Brown, Ga.	Englebright	Larrabee	Richards
Brown, Mich.	Evans	Lea, Calif.	Richardson
Brunner	Faddis	Lee, Okla.	Robinson, Utah
Buchanan	Farley	Lehibach	Robison, Ky.
Buck	Fenerty	Lewis, Colo.	Rogers, Mass.
Buckbee	Ferguson	Lewis, Md.	Rogers, N. H.
Buckler, Minn.	Fernandez	Lloyd	Rogers, Okla.
Buckley, N. Y.	Fiesinger	Lord	Romjue
Bulwinkle	Fitzpatrick	Lucas	Rudd
Burnham	Flannagan	Lucky	Russell
Caldwell	Fletcher	Ludlow	Ryan
Cannon, Mo.	Focht	McAndrews	Sabath
Cannon, Wis.	Ford, Calif.	McClellan	Sadowski
Carden	Ford, Miss.	McCormack	Sanders, La.
Carlson	Frey	McFarlane	Sanders, Tex.
Carmichael	Fuller	McGehee	Sandlin
Carpenter	Fulmer	McGrath	Sauthoff
Carter	Gasque	McKeough	Schaefer
Cartwright	Gassaway	McLaughlin	Schneider
Cary	Gavagan	McLeod	Schuetz
Casey	Gearhart	McMillan	Schulte
Castellow	Gehrmann	McReynolds	Scott
Cavicchia	Gifford	McSwain	Scrugham
Chandler	Gilchrist	Maas	Scars
Chapman	Gildea	Mahon	Secrest
Christianson	Gillette	Maioney	Seeger
Church	Gingery	Mansfield	Shanley
Citron	Goldsborough	Mapes	Short
Clark, Idaho	Granfield	Marshall	Sisson
Clark, N. C.	Gray, Ind.	Martin, Colo.	Smith, Conn.
Cochran	Gray, Pa.	Martin, Mass.	Smith, Va.
Coffee	Green	Mason	Smith, Wash.
Colden	Greenway	Massingale	Snell
Cole, Md.	Greenwood	Maverick	Snyder
Cole, N. Y.	Greever	May	Somers, N. Y.
Collins	Gregory	Mead	South
Colmer	Griswold	Meeks	Spence
Connery	Guyer	Merritt, N. Y.	Stack
Cooley	Gwynne	Michener	Starnes
Cooper, Ohio	Haines	Miller	Stefan
Cooper, Tenn.	Hamlin	Mitchell, Ill.	Stewart
Corning	Hancock, N. C.	Mitchell, Tenn.	Sullivan
Costello	Harian	Montague	Sutphin
Cox	Hart	Montet	Sweeney
Cravens	Harter	Moran	Tarver
Crawford	Hartley	Moritz	Taylor, Colo.
Crosby	Healey	Mott	Taylor, S. C.
Cross, Tex.	Hennings	Murdock	Taylor, Tenn.
Crosser, Ohio	Hess	Nelson	Terry
Crowe	Higgins, Mass.	Nichols	Thom
Crowther	Hildebrandt	Norton	Thomason
Cullen	Hill, Ala.	O'Brien	Thompson
Cummings	Hill, Knute	O'Connell	Thurston
Daly	Hill, Samuel B.	O'Connor	Tinkham
Darrow	Hobbs	O'Day	Tobey
Dear	Holmes	O'Leary	Tonry
Deen	Hook	Oliver	Treadway
Delaney	Hope	O'Malley	Truax
Dempsey	Houston	O'Neal	Turner
Dietrich	Hull	Owen	Turpin

ANSWERED "PRESENT"—1

Knutson

NOT VOTING—29

Bankhead	Doutrich	Lesinski	Smith, Conn.
Celler	Fish	Meeks	Smith, W. Va.
Chapman	Gambrill	Peysen	Steagall
Claiborne	Halleck	Rankin	Thomas
Culkin	Higgins, Conn	Sadowski	Utterback
DeRouen	Kerr	Shannon	West
Dickstein	Lamneck	Sirovich	Withrow
Dies			

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. BYRNS, and he answered "nay."

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Fish (for) with Mr. DeRouen (against).  
Mr. Halleck (for) with Mr. Utterback (against).  
Mr. Higgins of Connecticut (for) with Mr. Dies (against).  
Mr. Thomas (for) with Mr. Smith of Connecticut (against).  
Mr. Withrow (for) with Mr. Chapman (against).  
Mr. Doutrich (for) with Mr. Smith of West Virginia (against).

General pairs:

Mr. Rankin with Mr. Culkin.  
Mr. Bankhead with Mr. Meeks.  
Mr. Claiborne with Mr. Ayers.  
Mr. Lamneck with Mr. Sadowski.  
Mr. Gambrill with Mr. Kerr.  
Mr. Steagall with Mr. Lesinski.

Mr. SABATH. Mr. Speaker, my colleague, Mr. MEEKS, is absent today due to illness. If present, he would vote "no."

Mr. CULLEN. Mr. Speaker, the gentlemen from New York, Mr. SIROVICH, Mr. DICKSTEIN, and Mr. CELLER, are unavoidably absent. Were they present, they would vote "no" on this motion to recommit.

Umstead	Wearin	Willcox	Wood
Underwood	Weaver	Williams	Woodruff
Vinson, Ga.	Weich	Wilson, La.	Woodrum
Vinson, Ky.	Werner	Wilson, Pa.	Young
Wallgren	Whetchel	Wolcott	Zimmerman
Walter	Whittington	Wolfenden	Zioncheck
Warren	Wigglesworth	Wolverton	The Speaker

## NAYS—33

Andrew, Mass.	Hancock, N. Y.	McGroarty	Stubbs
Andrews, N. Y.	Hoepfel	McLean	Summers, Tex.
Bacon	Hoffman	Marcantonio	Taber
Bland	Hollister	Merritt, Conn.	Tolan
Bolton	Huddleston	Millard	Wadsworth
Burch	Kvale	Monaghan	White
Burdick	Lanham	Perkins	
Darden	Lemke	Reed, N. Y.	
Goodwin	Lundeen	Robertson	

## ANSWERED "PRESENT"—2

Knutson

Rich

## NOT VOTING—25

Bankhead	Doutrich	Lamneck	Smith, W. Va.
Celler	Fish	Lesinski	Steagall
Claiborne	Gambrill	Peyser	Thomas
Culkin	Halleck	Rankin	Utterback
DeRouen	Higgins, Conn.	Shannon	West
Dickstein	Kerr	Sirovich	Withrow
Dies			

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. BYRNS, and he answered "yea."

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Withrow (for) with Mr. Rich (against).  
Mr. Dies (for) with Mr. Knutson (against).

General pairs until further notice:

Mr. Rankin with Mr. Culkin.  
Mr. Bankhead with Mr. Higgins of Connecticut.  
Mr. DeRouen with Mr. Fish.  
Mr. Claiborne with Mr. Doutrich.  
Mr. Smith of West Virginia with Mr. Thomas.  
Mr. Utterback with Mr. Halleck.  
Mr. Steagall with Mr. Gambrill.  
Mr. Lamneck with Mr. West.  
Mr. Kerr with Mr. Lesinski.

Mr. KRAMER changed his vote from "no" to "aye."

Mr. RICH. Mr. Speaker, my colleague, Mr. WITHROW, of Wisconsin, desired to absent himself from Washington on important business. He requested me to pair with him. My colleague, Mr. WITHROW, if present, would vote "aye." I, however, reserved the right with my colleague to support the old-age-pension feature, as presented in title I, which I would do if the other titles to the bill were eliminated, especially titles II and VIII, which I am sure are unconstitutional, and as I have taken a solemn oath to support the Constitution, I must necessarily vote "no."

Therefore, because of my pair with the gentleman from Wisconsin, Mr. WITHROW, I withdraw my vote "no", and vote "present."

Mr. KNUTSON. Mr. Speaker, without making a speech, I desire to announce that I had a pair with the gentleman from Texas, Mr. DIES, who is in favor of this bill. I am opposed to it, but in view of my pair, I desire to vote "present" on both the motion to recommit and on the passage of the bill.

I also desire to announce that my colleague, Mr. FISH, is unavoidably absent. If present, he would have voted "aye" on the passage of the bill.

Mr. MARTIN of Massachusetts. Mr. Speaker, the gentleman from Pennsylvania, Mr. DOUTRICH, the gentleman from Connecticut, Mr. HIGGINS, and the gentleman from Indiana, Mr. HALLECK, are unavoidably absent. If present, they would have voted "aye."

Mr. CULLEN. Mr. Speaker, the gentleman from New York, Mr. SIROVICH, the gentleman from New York, Mr. DICKSTEIN, and the gentleman from New York, Mr. CELLER, are unavoidably detained. If present, they would have voted in the affirmative on the passage of the bill.

Mr. BIERMANN. Mr. Speaker, my colleague, Mr. UTTERBACK, is absent on account of a death in his family. He asked me to say that if present, he would have voted "aye."

The result of the vote was announced as above recorded.

On motion by Mr. DOUGHTON, a motion to reconsider the vote by which the bill was passed was laid on the table.

## EXTENSION OF REMARKS—SOCIAL SECURITY BILL

Mr. WOLVERTON. Mr. Speaker, I am in full accord with the purpose and spirit of the proposed social-security legislation now under consideration by this House. It is highly commendable in that it seeks to promote the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health and unemployment compensation. My favorable attitude toward this type of legislation has been expressed on numerous and varied occasions, and I am gratified to see the possibility of enactment of such at this session of Congress.

I regret, however, in some particulars, the proposed legislation—H. R. 7260—falls short of what may be considered adequate relief. Furthermore, it does not serve all who should properly be considered within the scope of such an act. Some amendments have been offered which, if adopted, would greatly improve its effectiveness. However, although I am not entirely satisfied with all of its provisions, yet, I shall vote in favor of its adoption because I consider it a step in the right direction. It recognizes the principle that, "We are our brother's keeper." The mere recognition of this great fundamental principle is in itself an outstanding victory. The writing of that principle of human brotherhood into the statute law of our Nation indicates an awakened conscience. It evidences a forward movement now in progress the final result of which will be to enhance and improve living conditions, and relieve the distressed and underprivileged who struggle under handicaps both economic and physical.

The need for legislation of this kind is everywhere apparent at this time. Human suffering, distress, and fear are breaking down the morale and courage of the past. The Nation has responded generously in the effort to relieve distress and provide work by the inauguration of public-works projects. But all such means are temporary and designed only as relieve against the ravages of our present economic condition. Our full duty extends beyond providing relief from existing distress. It must find expression in the enactment of legislation to provide a system that will guard against destitution and dependency in the future.

This bill seeks to lay the foundation for future social security. It recognizes that dependency and destitution in most cases arise from old age with its consequent inability to procure gainful employment; and unemployment of workers in industrial pursuits resulting in loss of earnings creating a condition of distress that affects not only the individual and his family life, but which also seriously disturbs the whole economic and industrial structure.

It further recognizes the well-established fact that children are tragic victims of the distress that arises when those upon whom they are dependent are unable to provide for them either because of unemployment, death, physical or social handicaps. It is generally acknowledged that the best provision that can be made for families of this description is public aid for such dependent children in their own homes. Already many States provide such aid, but with the financial break-down of State and local governments, the task of caring for these dependents has become increasingly difficult and in some cases suspended.

Closely connected with this type of aid provision is also made for maternity and infancy welfare, particularly in rural areas, and in localities suffering from severe economic distress. The need for such services has increased with the depression.

Federal aid is also provided under the terms of this bill to develop local child-care service. These services are concerned with 300,000 dependent and neglected children. Each year approximately 200,000 of these come before the courts as delinquents, and another 70,000 are illegitimate children born each year. These groups are in many respects the most unfortunate of all children, as their lives have already been impaired.

It is the purpose of this bill not only to aid and encourage child-care institutions and services which seek to repair



these damaged lives and keep them from becoming a permanent burden to society, but also to provide hospitalization and care for that vast army of handicapped and crippled children, estimated between three hundred thousand and five hundred thousand; and also to provide aid to our States for vocational rehabilitation. This concerns adults rather than children, but has a similar purpose in helping the blind and those otherwise physically handicapped, to become self-supporting rather than a charge upon the public. Recognizing that preservation of health is a prime necessity for economic independence, sickness being one of the major causes of dependency, Federal aid is likewise extended to enable an expansion in public-health services.

The purpose and intent of this legislation is of a character to create within me a sense of privilege in having a part in its enactment, not because I consider it a complete measure of economic security, but because it is a recognition of a great humanitarian principle. It lays a foundation. It is a start toward a more complete acknowledgment of our duty to our fellow man. We must, however, be alert and willing to supplement or correct whenever and in whatever way experience gained in the days to come shall indicate to be either necessary or advisable. An awakened national conscience toward those to whom we owe this duty demands the favorable consideration of this measure.

Mr. SMITH of Washington. Mr. Speaker, I am very happy in the realization that finally our Government is about to introduce a system of old-age pensions, unemployment insurance, and maternal and child benefits. I pointed out to my colleagues in the last Congress the deplorable fact that the United States had to share with China and India what I then termed "the national ignominy and disgrace of providing no system of pensions or insurance for its aged indigent citizens." It is a cause for national rejoicing that we are now at least making a start toward putting into effect these great social reforms. Of course, the provisions and benefits are not as liberal as we would like them to be, nor are the amounts or age specifications satisfactory. However, it must be borne in mind that we are extending this assistance to our citizens at a time when the Nation's finances are at their lowest ebb, and that as conditions improve, we will increase the amount of the payments and also lower the age limit.

THE AGED IN SOUTHWEST WASHINGTON

I have received from Hon. W. L. Austin, Director Bureau of the Census, Washington, D. C., a statement showing the number of citizens 65 years of age and over in the nine counties of the Third Congressional District of the State of Washington. The official figures are as follows:

County	Age 65-74	Age 75 and over
Clark.....	2,108	793
Cowlitz.....	947	325
Grays Harbor.....	1,923	649
Lewis.....	1,869	707
Mason.....	413	136
Pacific.....	598	231
Skamania.....	152	58
Thurston.....	1,511	608
Wahkiakum.....	151	50
Total.....	9,677	3,563

There are thus approximately 13,240 citizens in southwest Washington who will be eligible to participate, and if they receive \$30 per month, of which \$15 will be provided by the Federal Government, they will receive the total monthly sum of \$397,200, and the total annual payments will amount to the sum of \$4,766,400 in the nine counties, which will be a blessing to the aged and should also contribute to improving general business conditions.

UNEMPLOYMENT INSURANCE

The unemployment-insurance feature of the bill also marks a forward stride in progressive legislation. It is intended to confer manifold benefits upon employee and employer alike as a result of the lessons learned from actual operation of the plan, salutary changes for its improvement will undoubtedly suggest themselves and be the subject of legislation by future Congresses.

MATERNAL AND CHILD HEALTH

The humanitarian object of this title in the act is stated in the text to be to provide funds "to enable the Federal Government to cooperate with the State agencies of health in extending and strengthening services for the health of mothers and children, especially in rural areas, and in areas suffering from severe economic distress", and one section applies specially to the "care of crippled children", which expresses a new, noble, and glorious conception of the duties of government.

THE TOWNSEND PLAN

Mr. Speaker, I am of the opinion that the McGroarty bill, H. R. 7154, which embodies the Townsend plan, should be substituted for title I of this measure, dealing with the subject of old-age pensions.

I have studied the Townsend old-age revolving pension plan for over a year and feel that I know something about it. In the last Congress I placed in the RECORD a statement of the objects and purposes of the plan, the first public and official notice which it received in the Congress of the United States. (See CONGRESSIONAL RECORD, Apr. 4, 1934, pp. 6039-6040.)

Last December when I came to the Capital a month before Congress convened, I was one of a small group of Congressmen who met with Dr. Townsend and issued the call for the meeting in the House caucus room at which he made his first public explanation of his plan in the Nation's Capital, and I attended the session. Later I joined with Dr. Townsend, the gentleman from California [Mr. MCGROARTY], and several other colleagues in drafting the first bill, H. R. 3977; and I also collaborated with them in revising that bill and formulating H. R. 7154, the present McGroarty bill.

I voted against changing the discharge rule to require 218 instead of 145 signatures. I was the eighteenth Member to sign the petition on the Clerk's desk to discharge the committee and bring the first McGroarty bill before the House for consideration and vote, and the other day I was one of 103 Members who voted against the previous question in order to insure that the revised McGroarty bill would be submitted as a substitute for title I of the committee bill, but we were defeated in our effort. I am pleased, however, that the question of germaneness was resolved in favor of such procedure, and was one of the 56 Members who voted in favor of the bill.

The revised McGroarty bill is essentially in principle the same as the first bill, excepting that we have broadened the tax base to impose an increased 10-percent tax on incomes and to add an extra 2-percent tax on inheritances and gifts over \$500. We also provide that the "annuity", which term we employ instead of "pension", because it is more accurately descriptive, shall not be paid to anyone having an annual income of over \$2,400, and that the present income of the annuitant shall be debited against the annuity, and that the annuity shall be "in such amount not exceeding \$200 per month as may properly be paid from the funds accumulated." In other words, the amount of annuity to be paid shall be measured and determined, as it would necessarily have to be in any event, by the tax revenues yielded and derived from the collection of the 2-percent business transactions tax and the other taxes just referred to. This improved bill makes no material departure from the original bill, and this view is shared by Dr. Townsend himself, by Mr. MCGROARTY, and by all of us who have taken the deepest interest and most active part in urging the Townsend plan. This modified bill is more explicit, practical, and workable, and is, in my judgment, far superior to title I of the act which we are considering during this debate. According to the studies of the actuaries and statisticians, the tax receipts would be sufficient to pay to each annuitant \$50 the first month, with a steady increase of 20 to 25 percent each month until at the end of 1 year the full maximum of \$200 could be paid. This is the testimony of Dr. Robert D. Doane, one of the leading economists in the Nation.

QUALIFICATIONS—DR. ROBERT D. DOANE

Education—public schools, Wesleyan University, Georgetown University, Columbia University, New York University. Has been pro-

fessor and lecturer in schools of economics. Has also served as consultant for the United States Department of Commerce and the United States Department of Labor, in addition to 15 other outstanding national organizations. Author of 10 leading works on economics, some of which are used as textbooks in our educational institutions.

In his opening remarks before the Ways and Means Committee of the House of Representatives, Dr. Doane stated that he was not advocating any particular economic-security measure, but was appearing as an economist and statistician to testify as to the revenue which could be derived from the imposition of a 2-percent turn-over or transaction tax.

Dr. Doane filed several statistical tables with the Ways and Means Committee, including those referred to below.

Table IV covers physical goods transactions for a limited list consisting of only farm products, forest products, fisheries, mines, and quarries, and table I gives a classification of consumer expenditures for this limited list of items.

TABLE V.—Maximum theoretical possibilities under 2-percent turn-over tax.

	Selected items as given in table I (millions)	All producer and consumer expenditures (millions)	All expenditures including Government and institutions (millions)	All gross transactions and transfers (millions)
Estimated annual 1935 collections.	\$4,000	\$5,000	\$6,300	\$9,600
Estimated annual collections on a 1929 basis.....	\$7,500	\$12,000	\$12,600	\$18,700
Estimated expected increase in prices (percent).....	12	18	20	24
Annual volume of transactions, 1935.....		\$224,000	\$242,000	\$481,000
1929.....		\$358,000	\$376,000	\$935,000

<sup>1</sup> Note the small percentage expected increase in price levels due to imposition of 2-percent tax.

Table V (above) shows that income from the proposed tax will be four billion dollars the first year on the selected items only when based on 1935 levels of business and prices. The income for the first year on all transactions would be nine billion six hundred million. On 1929 levels the income the first year would be, on limited list only, seven billion five hundred million, and on all transactions eighteen billion seven hundred million.

Dr. Doane stated before the Ways and Means Committee that a monthly increase of 20 to 25 percent in volume of trade and a consequent increase in tax revenue might be expected monthly until immediate wants are supplied (p. 1054).

This monthly increase, if realized, would evidently provide ample funds to pay pensions as fast as pensioners could qualify and register—we quote as pensioners could qualify and register. Since this testimony was given Dr. Doane has stated that under this 2-percent transaction tax-revolving method, the anticipated monthly increase in income would be as follows:

"First month, three hundred and thirty-six million; second, four hundred and twenty million; third, five hundred and twenty-five million; fourth, six hundred and fifty-six million; fifth, eight hundred and twenty million; sixth, one thousand and twenty-five million; seventh, twelve hundred and eighty-one million; and eighth, sixteen hundred and one million."

This rate of business increase which is expected from the introduction of the Townsend plan is substantiated by the annual Federal Reserve report of 1933, which shows a monthly increase of 20 percent occasioned by the introduction of the N. R. A.

The forced spending feature of the Townsend plan should cause a much greater business increase than that occasioned by the N. R. A.

The following table I is a combination of Doane's tables II and III, which were filed with the Ways and Means Committee.

TABLE I.—Total estimated monthly consumer expenditures and average monthly per capita consumer expenditure, by income groups, 1935 basis

Income classes (thousands)	Income recipients (actual)	Monthly spending (thousands)	Per capita present prices <sup>1</sup>	Expected total revenue ('000 omitted)	Estimated tax 2 percent per income recipient	Estimated tax per capita per total population
\$1,000 and over.....	77	\$481	\$6,670	\$10	\$133.40	\$35.10
\$500 to \$1,000.....	149	826	5,917	17	118.34	31.14
\$300 to \$500.....	268	1,340	5,335	23	100.70	28.07
\$150 to \$300.....	1,056	4,069	5,009	105	100.18	26.36
\$100 to \$150.....	1,634	6,830	4,458	145	89.16	23.43
\$50 to \$100.....	7,830	25,866	3,527	552	70.54	18.50
\$25 to \$50.....	24,308	46,209	2,028	985	40.56	10.67
\$10 to \$25.....	137,751	147,948	1,146	3,157	22.62	6.03
\$5 to \$10.....	417,655	256,022	654	5,462	13.08	3.44
\$3 to \$5.....	912,630	283,828	333	6,078	6.66	1.75
\$2 to \$3.....	4,674,100	808,619	185	17,294	3.70	.97
\$1 to \$2.....	16,281,430	1,449,047	95	30,934	1.90	.60
\$1 and under.....	15,091,109	875,284	63	19,014	1.26	.33
Total.....	37,550,000	3,907,289		83,781		

<sup>1</sup> These totals include the anticipated mark-up of 12 percent occasioned by the imposition of the 2-percent tax.

A study of table I, compiled by Dr. Doane, reveals that the tax imposed on income recipients would range from \$133.40 for those in the higher brackets down to \$1.26 monthly per individual recipient. And per capita tax would range from \$35.10 down to \$0.33 per individual, monthly. These figures include mark-up or increase in retail selling price due to the imposition of the 2-percent tax.

In further confirmation of the volume of business transacted we quote E. A. Goldenweiser, Director of Division of Research and Statistics of Federal Reserve Board, testifying before the Ways and Means Committee at the Seventy-second Congress, May 2, 1932, who said: "The total volume of transactions in this country in 1929 was about \$1,200,000,000,000."

Dow-Jones News, December 5, 1934, reports \$1,165,000,000,000 of business in 1929.

Federal Reserve bank debits as reported in 1929 were \$982,531,000,000.

Dr. Doane appeared before the Senate Finance Committee February 20, 1935, and made an opening statement, which we condense as follows:

"It is my primary purpose to present a brief statistical visualization of certain inherent current revenue possibilities now available to the Government under a 2-percent general sales tax. I wish you to understand that I appear as an independent statistician to show the revenue possibilities of a 2-percent sales tax or turn-over tax calculated on a very broad base \* \* \*

"I have caused to be prepared a series of preliminary tabulations \* \* \*, in order that some clear insight may be gained into the revenue possibilities under the 2-percent sales tax at present levels.

"It will be also understood that I do not profess that these tabulations are to be accepted as final."

Particularly attention is called to that part of Dr. Doane's closing statement before the Senate Finance Committee to the effect that, "This form of taxation, if uniformly employed could easily through possible substitution decrease the tax liability now imposed on real property with the consequent material increase in capital value."

The income derived from tax on transactions as referred to by Dr. Doane in table no. 5, filed with the Ways and Means Committee, reproduced herein, based on 1929 transactions would provide ample means the first year to pay \$200 per month pension to 7,500,000 pensioners.

Dr. Doane is authority for the following statements:

"The cumulative effect of a uniform Nation-wide turn-over tax at the low rate of 2 percent on limited transactions could easily put a stop to further Budget deficit and finance such a social-security program as envisaged by the Townsend plan.

"Certainly sufficient funds could be raised by this turn-over tax to more than care for the social-security program now before the country.

"The turn-over method of taxation is an equitable and fair way to provide means to pay as you go the service charge of Government that will bring revenue and a blessing to all business and social enterprises once it is put into action.

CLOSING STATEMENT OF DR. ROBERT R. DOANE BEFORE THE UNITED STATES SENATE FINANCE COMMITTEE FEBRUARY 20, 1935

Briefly summing up the returns from a 2-percent tax, as set forth in detail in table I, which includes the tax on raw materials, manufacturing, wholesaling, and retailing on total monthly transactions of some eight and three-fourths million dollars, while the estimated increase in the cost of goods due to the tax has been placed at approximately 10 percent. That will be found in column 4, table I. The total estimated revenue from the tax on this limited list approximates \$4,000,000,000 yearly, at present levels, without giving consideration to any accelerated movement of trade; while an identical tax on all transactions would return nine to nine and three-fourths billions of dollars per year at present levels of production.

The estimated increase in retail price of goods, based on experience of other nations, would be 10 percent; while the volume of trade expectancy could increase 25 percent monthly for the first few months, after which the increase would be at a decreasing rate. A continuation of this stimulated volume of trade could be expected under normal conditions until the revenue derived from the tax could amount to \$26,000,000,000 per year, but that would be in the future.

This form of taxation, if uniformly applied, could easily, through possible substitution, decrease the tax liability now imposed on real property, with a consequent material increase in capital value.

The social security envisaged in the Townsend plan is undeniably a challenge to our modern economy. It seems that if we accept as a sound business principle a 2½-percent annual depreciation charge against our capital equipment of brick, mortar, steel, and so forth, it is natural that mankind should accept a like charge annually against our human resources.

Mr. Speaker, Dr. Doane makes it clear that he is not advocating any old-age-pension plan and that his sole purpose is to show what money could be raised by a 2-percent turn-over or transaction tax. His estimate is \$336,000,000 for the first month, increasing 25 percent monthly until the eighth month the income is estimated at \$1,601,000,000, nearly enough to pay \$200 per month to 7,500,000 citizens, which is the maximum annuity, and this was before we broadened the tax base, which will provide additional revenue.

Dr. Doane's table no. 1 disproves the unfounded statement sometimes made that the burden of raising the money would fall on the poor. He shows by income groups for the year 1935 that incomes of \$1,000,000 and over each would pay \$143.30 per month. These payments range down through the different incomes until they reach those with incomes of \$1,000 and under, which is the much larger percentage of the population, where the estimated burden of the tax would be \$1.26 per income monthly, while the per capita tax would range from \$35.10 per month for those in the highest brackets to 33 cents per month in the lower brackets. What a small contribution this would be to bring about the recovery of business and improved conditions for all our people.

Dr. Doane further states that—

This form of taxation, if uniformly employed, could easily . . . decrease the tax . . . on real property, with a consequent material increase in capital value.

What greater benefit could accrue to the overburdened taxpayers and owners of real estate, homes, and farms than to have their tax burdens lightened, with a resultant increase in the capital value of real property? Dr. Doane's statement places the Townsend plan on the basis of a practical business method of recovery.

It requires no argument to establish that increased purchasing power, a stimulus to business, industry, and agriculture, reemployment and a greater volume of general prosperity, would be certain to result from the enforced spending of the annuity funds. I quote from the statement of Dr. Francis E. Townsend:

Briefly, the Townsend plan of old-age revolving pensions has as its objective three salient features.

Primarily, to effect and maintain complete recovery in the United States and to sustain this prosperity by a constant and sufficient supply of purchasing power, evenly distributed in accordance with the population throughout the entire Nation by means of employing citizens past 60 to make the distribution.

Secondarily, to create a condition of employment assurance by replacing those over the age of 60 now employed with younger workers and by creating other employment through the expenditure of the pension money in the marts of trade.

Dr. Doane asserts that at present levels the annual expenditure in retail trade of \$1,730 will create continuous employment for one man.

And, lastly, but by no means the least desirable feature of the Townsend plan, is the creation of an adequate retirement fund for each individual who can and does qualify upon reaching age 60. It is a very significant fact that over a period of years each individual creates his own retirement fund. In effect, the Townsend plan is a collective involuntary purchase of retirement annuities, using the Federal Government as the agency of collection and distribution.

Mr. Speaker, let us not be biased against the adoption of this plan because of the apparent large sum involved. We spent \$33,500,000,000 in the world war, and nearly everyone recognizes the fact we are now engaged in a war more serious and fatal to our own people—a war against unemployment, against poverty, against starvation, against sickness, against suicide, against broken lives, against revolution.

What has this present war against the depression cost us to date in loss of national income?

According to authentic sources, the figures are as follows:

National income

	Amount of income	Loss compared to 1929	Authority
1929	\$3,000,000,000+		S. Doc. 124, 73d Cong.
1930	70,000,000,000+	\$13,000,000,000	
1931	54,000,000,000+	29,000,000,000	Do.
1932	39,000,000,000+	44,000,000,000	Do.
1933	40,000,000,000-	43,000,000,000	Associated Press reports.
1934 (approximate).	45,000,000,000	38,000,000,000	Do.
Total		167,000,000,000	

The investors of our country lost at least \$50,000,000,000 in the stock-market crash of 1929-30.

A FEW FINAL QUESTIONS

Would it be dangerous to cause, as Dr. Doane estimates would be the effect, an increase in the price level of retail goods of 10 percent, when we have in the past permitted the private bankers of the country to inflate credit and debt

checks in circulation in the sum of approximately \$50,000,000,000?

A retail sales tax has been urged by big business and the most conservative Members of the House and Senate for years as a just and equitable form of taxation. Will someone point out why a tax imposed upon all business transactions would be any more unsafe, unsound, or unjust than a retail sales tax, and wherein lies the difference which should cause us to adopt the one and reject the other? Is not the only real difference that the transaction tax would fall most heavily upon those who do the most business and are therefore the most able to pay the tax?

Is it worth while to pay 2 cents on each \$1 of business transactions in order to end a condition which has cost us a loss of \$167,000,000,000 in the past 5 years, not to mention the billions appropriated by Congress and spent by the Federal Government for relief, the cost of charities and poor farms and homes for the aged running into many more billions, and the cost of crime caused by poverty amounting to billions of dollars, which would be substantially reduced?

A transaction tax of 2 percent on every business and money transaction would be the most just and equitable form of taxation which could be devised, and there is not a single, valid, sound objection against it. If it is not enacted into law in this Congress, it will be in the Seventy-fifth Congress.

Mr. YOUNG. Mr. Speaker, the administration social-security bill contains the most liberal provisions and provides for the most liberal old-age-security payments in any law of any nation anywhere on earth.

President Roosevelt's message to the Congress of June 8, 1934, has been accepted, and we uphold his leadership in supporting this beneficent measure.

President Roosevelt in his great message to the Congress said:

Among our objectives I place the security of the men, women, and children of the Nation first. . . . People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguards against misfortunes which cannot be wholly eliminated.

The enactment into law of the Social Security Act of 1935 will mark a happy event in American life. We have builded well a strong foundation upon which will be erected economic and social security and contentment for our people and for those who will come after the time we are gone and forgotten.

This bill provides for unemployment insurance under State authority. It grants aid to States for financial aid to dependent children, for maternal and child welfare, for public-health service, for care of crippled children, and for vocational rehabilitation. Generations as yet unborn will rejoice because a Democratic Congress in the year of 1935 undertook this, the noblest experiment in constructive social service ever undertaken by any government.

Four hundred fourteen thousand and eight hundred individuals whom I, as Congressman at large, represent are at the present time eligible for old-age-security payments under the beneficent provisions of this bill. I am happy to say to these 414,800 citizens of Ohio, "You have lived for 65 years or longer and served and helped build our Nation and State. Your Government now holds out and gives to you for the balance of your lives \$15 per month. All it asks is that the State government contribute \$15 per month or more."

I voted for the amendment that would have increased the old-age pensions for each elderly individual to \$40 per month instead of \$30. I had hoped that these old-age-security payments would commence at 60 instead of 65. Wise legislation is, however, usually the result of compromise, and we mark an epoch in the passage of this great legislative measure. Future Congresses will carry this work forward, I hope, and amend and liberalize the provisions of this measure.

It was cruel and uncalled for that so many of my fine constituents were deceived by high-pressure advocates of the first Townsend plan. This plan was embodied in H. R. 3977, Mr. McGROARTY introduced last January. It was abandoned by its author and repudiated by its sponsors.

The \$200-per-month payment feature has been eliminated, although all of this time leaders of the Townsend plan, so called, have been asserting to high heaven that there was and would be no compromise. Many thousands of my constituents have been and are being misled and deceived. A great fraud has been perpetrated by those who have claimed that the original Townsend plan for \$200 to every individual of 60 or older has only been "slightly revised" by the provisions of H. R. 7154, Mr. McGROARY introduced on April 1, 1935. The facts are that the original Townsend plan has been utterly abandoned. H. R. 7154, which sets forth the Townsend plan as of April 1, 1935, embodies fundamental changes. The former measure was not "slightly revised." An entirely new proposal was offered. The sham and fraud is evidenced by the admission openly made by proponents, in the course of this debate, that the Townsend plan as of April 1, 1935, will pay not to exceed \$50 per month to elderly individuals. That figure is their guess. My estimate, carefully made, is that elderly individuals, were this measure enacted into law, would receive about half that amount, or possibly \$28 per month.

The Ways and Means Committee, according to information given me, intended to make a report in regard to H. R. 3977, but when this measure was abandoned and repudiated by its author, it became unnecessary for committee members to give it further consideration.

The Townsend plan as of April 1, 1935, embodied in H. R. 7154, provided that the monthly stipend may range anywhere from nothing to \$200, dependent upon the amount of revenue obtained and the expense of administration. I object to this as not providing real old-age security. Some definite minimum should be established in the law.

Furthermore, it provided for only a small inheritance tax. I favor greatly increased inheritance taxes against large fortunes.

Threats have been made that unless I vote for the original Townsend plan, abandoned on the doorstep of Congress, there would be another Congressman at large from Ohio in my place. Mr. Speaker, the office of Congressman at large belongs to the sovereign citizens of Ohio. It is not mine. They have honored me, and I appreciate the confidence shown me in 1932 and 1934. I intend to again go before the electorate of Ohio in 1936, but at all times I do intend to work at this job and consider my solemn oath and the welfare of our country. A threat that I must vote for an unsound proposal to assure my own reelection is an insult to my integrity as a public official. Threats do not bother me. I do not scare. I will work at this job and do my duty. The elections will take care of themselves. Furthermore, even though threats procured through the machinations of those who are making a racket of a "plan" since abandoned as unsound were to be carried out—were these unscrupulous agitators to bring about my defeat—I have an abiding faith that our country would struggle along somehow without my services in the Congress. A Divine Providence would, I am confident, come to the rescue of our beloved country and fill the vacant chair.

Mr. Speaker, I have consistently voted against gag rules. Certainly I would have voted against any gag rule in connection with old-age security and unemployment insurance. We have had prolonged debate of a high character and full opportunity to offer and consider amendments of every kind, including the Townsend plan, so called. No one can claim that any gag rule was offered or adopted in connection with this social-security bill. The facts are that H. R. 7154 has been considerably amended and changed. The gentleman from Oregon (Mr. MORRIS) states that some of these amendments are of considerable importance and he in his remarks on April 17 offered the latest revised version of the Townsend plan. Therefore, we may properly consider that the Townsend-plan leaders have again changed their proposal as of April 17, 1935. No reference, directly or indirectly, is made in this latest revised version as to \$200 per month or \$2,400 per year. That is definitely out. Is it not reasonable to expect another

Townsend plan to be offered so that the agitation may continue and the quarters may keep pouring in?

Mr. Speaker, I made speeches in Ohio in favor of old-age security long before Dr. Townsend announced his first plan. As a member of the Ohio Commission on Unemployment Insurance in 1930 and 1931 I studied this great problem and I signed the majority report recommending unemployment insurance. The citizens of Ohio whom I represent know that they can depend upon me to support the most liberal social-security program that is practical. [Applause.]

Mr. FARLEY. Mr. Speaker, old age ought to be made secure. Men and women who have done their part in the duties of life should not end their days in penury and want. It is a proved fact that less than 10 percent of all people who have reached the age of 60 years have been able to lay by a competence for their closing days. Of the other 90 percent, some struggle on to the end to earn what they require. Others end their days dependent upon the bounty of children or other kin, while still others have no reliance but upon the meager provisions of public agencies.

President Roosevelt in a message to Congress, June 8, 1934, said in relation to the uncompleted part of his program:

Among our objectives I place the security of the men, women, and children of our Nation first.

Upon that I stand with our great President. One of the things he had in mind was the old-age pension. That is the subject that I wish to discuss briefly with you.

Think as we may, say what we will, there is none among us all who can hold, even to himself, that old age should either be heavily burdened with labor or deprived of the plain comforts of life. It is all very well to say, as some do, that industry, thrift, and prudence must be our security against an old age of dependence, penury, and want. But we know, all of us, that the vast majority of human beings everywhere enter the period of declining years in just that condition. It always has been so; and because it has, some there are who believe it always must be so. From any such conclusion I dissent with all positiveness. I no more agree that the aged poor should be deprived and made to suffer than I would share the monstrous doctrine once held that crippled children had no right to live.

We find our subject to fall naturally into three parts—the old-age pension as an economic recourse; the old-age pension as a factor of social justice; the old-age pension as an example of practical altruism.

It has been something of a fashion among opponents of the old-age pension to declare against it as "economically unsound." That has become trite, but it never can become true. There is nothing economically sound in helpless poverty. I never could, nor do I believe any of you ever can, see anything economically sound in a poorhouse. Quite certainly you will agree that there is nothing that socially is sound in the cold tolerance of suffering that need not be. When we permit the aged poor to be helplessly burdened with poverty, we submit ourselves to a condition which has a variety of bad reactions, all costly and some of them demoralizing. To provide the aged poor with resources necessary to decent living and comfortable existence means to keep them in the class which consumes normally. That in turn means something to industry of most sorts, to trade of many kinds. The benefits are distributed, and all of us, including even the rich, stand to gain by it.

It is recognized that in all times there has been and that most probably in all future times there will be a great difference in human beings. Some are capable, more or not; some are aggressive, more are submissive; some are acquisitive, more are indifferent to wealth; some are thrifty, and many are imprudent. In this wealthiest land the world has ever known, where less than 10 percent of the people own more than 90 percent of the wealth, these human differences seem to be more sharply accented than in any other land. Yet these very differences make possible the doing of the work that must be done. There is much toil that is harsh and uninviting. Yet for those who perform it the recompenses are lowest in the scale. It is impossible

that those so engaged can in many instances acquire good homes and lay by a competence against the time when age and infirmity forbid effort. What is to become of these? Are they to be starved, or turned into the streets to beg, or kenned in almshouses? That does not, somehow, seem to fit with the scheme of an enlightened and wealthy civilization. It does not comport with the ideas most of us hold concerning social justice. If all the wealth of the Nation were to be equally distributed at this time, there would be something less than \$3,000 per head, or not to exceed \$10,000 for each family. No unencumbered man could live on his \$3,000, no family could subsist on its \$10,000. But there is and there will be no such distribution of wealth. A few will be very rich, a great number will be moderately circumstanced and some millions of people will have nothing save the wages of labor from day to day. It follows that millions will enter upon the period of old age with nothing upon which to live. Because they did the menial tasks, performed the poorly requited labor that is indispensable to progress, to economic development and balance, and to domestic comfort, have they no desert beyond the mean wage they were paid and the precarious life of old age without substance to which they have come? There is such a thing as social justice. We are coming more and more to recognize it and to institute its principles in our civil establishment and in our society.

In no other country of any age has practical altruism had such splendor of example as in the United States. Public benefactions have gone literally and stupendously into the billions. With few exceptions these lavish gifts have been bestowed upon education. That is worthy and will be endlessly useful to all mankind. Yet the largess given to religious causes has been itself an immensity of benevolence that will bear fruit everywhere to the end of time. Health, social research, child welfare, and civic advancement all have shared bounteously in the lavish giving that has so burnished this era with a splendor of benevolence. Yet in it all there has seemed to be less thought for the poverty and helplessness of old age than for any other condition which can appeal to the spirit of philanthropy. The poorhouse and the community chest remain in this age of rich and enlightened benevolence the chief reliance for the warding of the aged poor from the misery of penniless existence. The old-age pension is a practical altruism, but it is not charity. It recognizes that in the very nature of our economic system and social fabric there must be great numbers who cannot take hostage for the comfort of their old age.

Now, let us not give ourselves the jitters over this question of old-age pensions. It is not an untried but, threatened experiment in some field of socialism. Half of the States of the Union have established systems of old-age pension in some form and in some degree. Others will make similar provisions during legislative sessions the coming winter. President Roosevelt has caused practical researches to be made for the enlightenment and guidance of himself and Congress in the consideration of a Federal system of old-age pensions. He proposes that it shall be a system jointly maintained and administered by the National Government and the States. That is as it should be. Just what the plan is precisely to be I am unable to say. Nor am I at this time able to say just what should be the plan I most would favor. But all that will be worked out. Time will be required to wisely develop and thoroughly establish any efficient and economical plan. In general, I should say the plan ought to provide that those who are likely to be its beneficiaries should be required during their earning years to contribute to the resources from which they are to benefit. Not everything we can desire an old-age-pension system to be can have immediate development. But it can be given an early beginning and built up as time permits and improved as experience shall dictate.

In this thing we can do better than the poorhouse, better than public or private charity, better than we ever can possibly do with either. We can treat our old folks who have done their part, have acquitted themselves well and have contributed their best years and most fruitful toil

to our progress and well-being, as the veterans of our wars are treated when they are broken in the fray or have bended under the burden of their years. The Government of the Nation and of some of the States have established civil pensions for those long in public service. Those who are citizens of Fort Wayne are quite familiar with their own pension system for retired members of the fire and police departments. It is in the useful pursuits of peace as it is in fiery strife of war an honorable discharge from service. Have not those others whose toil is necessary, whose lives have been useful and whose recompense never has been such as would permit them, however diligent, thrifty, and prudent, to lay up a competence, also a just claim upon the generosity of Government and society? Are they not entitled to receive the means of comfort and decent living upon a ground and in a manner that will neither brand them paupers nor wound their self-respect? I think so.

And as for ourselves everywhere, who have had our lives cast and our paths drawn in more generous fields, have we no duty of respectful regard for those who have wrought for the common good as sturdily though less fortunately? We shall not escape the reproaches of our conscience nor the condemnation of heaven if we shall fail to see and stubbornly go on to flout this obligation which rests upon us all.

Mr. THOM. Mr. Speaker, the principles of aid to the aged and of unemployment compensation as embraced in the social-security bill must be utilized if we are to correct some of the obvious and distressing hardships of what we call the "private-profit system." There are those who look upon these social measures as destructive of our present system of production and distribution, and they shrink sincerely from their adoption into our scheme of things; and yet in my humble belief those who espouse these measures of reform are the true friends of the profit system and will be so looked upon by future historians. To me, it seems certain that if our present system does not afford an income to the average man, preferably, of course, through employment, then it will be supplanted. Every advanced country in the world, under stress of conditions such as we now face, has found it necessary to resort to old-age pensions and the creation of unemployment reserves, and it seems logical to deduct from their experience that this country—especially since the free lands of the West, where formerly our surplus population could migrate, have disappeared—must follow suit.

This measure has been characterized as revolutionary, and I think it is properly so designated, for it introduces the theory that the Federal Government owes a duty to the unemployed, not only in times of emergency such as we have been passing through but during normal times. Some sincere advocates of the principles of the bill are aggrieved and greatly disappointed that the relief afforded is not larger in amount. Since not all of their ideas are accepted, they proceed in misguided fashion to assail the whole measure and discredit it in the eyes of the public. By so doing they join hands with the ultraconservatives, who are opposed to the bill, lock, stock, and barrel. This combination of extremists appears constantly in the legislative conflicts on this floor. Between the extremes, happily, march a set of moderate-minded men who realize that the world cannot be reformed overnight and who are willing to make progress slowly rather than none at all. In England there are two noteworthy social thinkers, Sidney and Beatrice Webb, who have long striven in the field of social reform, and they have coined a phrase which they use frequently in their discussions of social progress, to wit, "the inevitability of graduality." In other words, progress comes slowly, unless you wish to adopt methods of violence.

May I now speak briefly about the two main phases of this bill, addressing myself first to old-age pensions?

The plight of the aged is directly traceable to what we are pleased to call the "machine age." Before the advent of labor-saving machinery, an artisan was compelled to spend years in the perfection of his trade. It usually required precision and the sort of skill that only laborious efforts over many years could achieve. The employer could not easily supplant this trained man. He could not go out into the street

and pick up a substitute. As a result, the man of age was looked upon as a desirable employee, and I have known many instances of men in my home community who have worked steadily at a bench up to the age of 75 years. They were looked upon as fixtures in their plant and as irreplaceable. The transfer of this human skill to automatic machinery has changed the situation entirely. Our workmen have largely become merely machine tenders, and the requirements for successful performance of this type of work are youth and vigor. Almost universally, therefore, the factory door is now closed at least to new employees who are over 45 years of age. I might add that workmen's compensation for accidents has also militated against the older man because of the fear that he will recover less quickly, and possibly not at all, from a shop accident.

It seems to me, therefore, that the payment of old-age pensions is the diversion of part of the profits of labor-saving machinery to the care of the human victims of this improvement. It is a much more enlightened way of treating the problem than was used in France and England when the installation of automatic machinery stimulated riots among the workmen and in many instances resulted in the physical destruction of the machinery itself. Happily, we have not indulged in this age in any sort of blind destruction such as this. Notwithstanding the displacement of aged men, we realize that the machine has been a benefactor in that it has increased the sum total of things for distribution among our people. It has been a creator of wealth and is in a large part responsible for the improved living standards of our age. Yet, I am one of those who believes that we cannot accept these improvements without taking steps to alleviate in some way or other the suffering that comes with their inauguration. Primarily, the machine is intended to cut down costs of production and at the same time reduce the selling price of the articles manufactured. The cost of old-age pensions, as well as unemployment compensation, will result in less advantages from machine production, so far as dollars and cents are concerned, to the consumer as well as to the industrial owner; but these two classes must not share all the benefits of progress, and permit the aged and the unemployed to go to the scrap pile as the human debris of progress.

My observations on old-age pensions would not be complete unless I called attention to the fact that the pioneer work in the popularization of the old-age-pension idea was undertaken not by either of the major political parties, nor by the Townsendites or the Popeites, who recently have come onto the scene, but by the Fraternal Order of Eagles. The members of that organization did the real battling for this cause at a time when by advocacy of it you invited ridicule and abuse from a large element of the population. But the education of the people as to the needs of old-age pensions was pursued by the Eagle lodges all over the country with such vigor and intelligence that we now see few who dissent to the principle, and the only disagreement is as to methods and amounts. The record of this debate ought to contain this recognition of the efforts of this organization.

May I now make several observations about my hopes with reference to unemployment compensation?

Much emphasis in the past has been placed on the rate of wages paid workmen. What counts now, as President Roosevelt recently observed, is the number of hours of employment that a man obtains during a year. This raises the question of the regularization of employment, and it is a question of supreme importance. A recent survey of the automobile industry shows that the average annual earnings in four plants was \$1,050 in 1934. This is typical of what has happened in wage income in many industries. Steady employment the year around has become almost unknown for the average man. The truth is that most of our industries have become seasonal in their output. Purchasers of automobiles desire to be supplied in the springtime and this means that there is a peak load of production in automobile plants during the three spring months, March, April, and May. It cannot be blamed on the manager of industry

that the demands of the people are such that all of his orders pile in on him within a brief period of time.

And yet what happens because of this heavy output confined to a particular period of the year is that automobile, as well as other employees, bring into their factories a great many extra workers drawn from the country, use them for a brief period, and when the rush is over they are returned to the labor market. During the rest of the year, instead of returning to their homes, oftentimes these workers remain in the industrial cities subjects of charity. If regularization of production could be attained, there would be a more or less steady employment for the regular force of men and there would not be this importation at seasonal periods of additional men who are taken from the farms and who thereafter consider themselves as industrial labor. I am happy to say that the automobile industry is now trying to flatten out its production in the hope of giving men more steady work and removing the need of recruiting workers from other districts when orders rise to high peaks.

It is my hope that the unemployment-compensation premiums payable by the managers of industry will act as a spur in promoting regularization of employment. Industry will naturally attempt to keep down the assessments for unemployment compensation, and in order to accomplish this end industrial concerns will seek means of stabilizing their output. In this connection it is essential in my mind that the State insurance systems to be set up shall eventually offer a reduction of premium or assessment to those employers who succeed in regularizing their employment.

It does not seem altogether fair that the industry which does not create irregularity in employment should bear the same burden of expense as does that industry which has a record of persistent unemployment. I might add that there is another fruitful field for experiment in regularizing employment by a specific industry adding to its product some article which can be manufactured during those times of the year when its chief product is not in demand, thus keeping its men at work in slack seasons. Whether the penalty of unemployment-compensation premiums will serve to promote effort for regularization of employment remains to be seen. To all legislative acts the words of Theodore Roosevelt are applicable:

Their success or failure is to be determined not on a prior reasoning but by actually testing how they work under varying conditions.

I notice that there is exhibited by representatives of rural States in this debate an attitude of indifference toward unemployment compensation, and yet such a system will be indirectly of great benefit to their people. When the period of unemployment comes the compensation payments will serve to cushion the fall of business, and the moneys collected in lieu of pay-envelop money will be spent for the food which comes from the country and for clothing, the raw material for which is furnished by agricultural States. In other words, the customers of the agricultural States will, despite unemployment, be able, in a measure at least, to continue buying and consuming the products of agriculture, and to this extent the American farmer will benefit.

In conclusion may I say that we cannot foresee whether the social-security measure will be a success in all its phases as now proposed. The experts know the experience of European countries, and they have builded for the United States on the basis of that experience, modifying old plans in accordance with peculiar domestic conditions. Only actual experience will demonstrate wherein they have erred.

Mr. MARTIN of Colorado. Mr. Speaker, I spoke three times against title 1 of the social-security bill. This is the title carrying straight old-age pensions. I also tried to amend it so that the Federal Government would have to pay for 2 years whether the State plans conform to the Federal plan or not, giving the States that length of time to pass laws conforming to the Federal plan. The amendment was voted down, as were all other amendments.

Now that the bill has passed the House and gone to the Senate, I feel that it is only fair, to myself, to the House and to the bill, to say something on the other side of the question.

The vote by which the social-security bill passed the House of Representatives was one of the most impressive votes which has been cast during the life of the Roosevelt administration. There are 435 Members in the House of Representatives. Only 33 votes were cast against the bill on the final roll call—13 Democrats, 18 Republicans, and 2 Farmer-Laborites. For it were 271.

Among the Republicans who voted for the bill were the party leaders in Congress who sat side by side at the minority table and voted "aye" when the roll was called.

There is food for thought in this vote. For 10 days the bill had been under steady debate, the longest House debate in the life of this administration. Various features of the bill had been severely criticized, just as I criticized title I. Others criticized the contributory old-age-pension title, a plan of building up old-age pensions for which the railroad men of the United States have been fighting for many years, which was finally passed by the last Congress and which is now pending before the Supreme Court of the United States, with railway employees organizations of the country lined up for it. Others attacked it because of the unemployment-insurance feature, although the United States is the only civilized country in the world which has no unemployment-insurance law.

But there was so much of good in the bill as a whole that when the roll was called its critics joined its supporters and rolled up one of the most impressive majorities for it that has been given any administration measure since Roosevelt was inaugurated.

My criticism was directed wholly against title I, the straight old-age-pension plan. It was my position that the Government contribution was too small and that many States would get nothing for a considerable period of time while getting their old-age-pension laws in shape to conform to the Federal requirements. I wish now to look for a moment at the other side of the picture.

There are nine titles in this bill, some of which, for the benefit of dependent mothers and children, for crippled children, for maternity aid, for the Public Health Service, for vocational rehabilitation, were without any opposition whatever.

More than 100 national leaders, men and women in the various activities and walks of life, and all of them students of social security, working as 9 subcommittees for a period of 6 months, produced this bill.

The committees of the two Houses gave it hearings which fill 2,000 pages of testimony and the House committee considered it for 3 months. It was framed by skillful builders, who had at their command the knowledge and experience of the civilized world. As a whole, it is a rounded program of social security furnishing a firm foundation upon which the future may build. It is an enduring structure.

Title I lays the foundation and provides the plan for as liberal a system of old-age pensions as the taxpayers are willing to finance. It is not a question of how big a pension I am for, but how big a tax and where the tax will be laid. I will not repeat here my views expressed in other speeches on the bill that a greater share of the tax than has yet been proposed should be laid on those best able to bear it.

It was urged a number of times during the course of the debate that the people of the United States are pension-minded. If this is true, the only thing that remains to be done is to make them tax-minded.

Mr. Speaker, I would be less than fair if I did not admit that the social-security bill is a great forward step for the care of those unable to care for themselves, whether old or young, or the unemployed of working age, and on a national scale. I look for the Senate to improve this bill. Future Congresses will improve it. England, the most advanced country in social security in the world, finds it necessary to change its system from year to year. We will repeat this experience.

I have looked forward to the initiation of such a program for many years. I must not let temporary disappointment over one feature of the program blind me to the great benefits of the program as a whole. I pledged myself to fight for

the most liberal plan of old-age pension we could finance. I have done so. I am proud to have had some small part in the beginning of a great national plan purely for the benefit of humanity. I can close these remarks in no more fitting way than to repeat here the opening statement of my first speech on the security bill:

Every living man and woman ought to be interested in the question of old-age security. The specter of a destitute old-age shadows every life. The removal of this fear would be the supreme achievement of our civilization.

Mr. ANDREW of Massachusetts. Mr. Speaker, I am thoroughly sympathetic with the humane purposes of this bill, but I think it a crucial mistake to have lumped together in one omnibus bill so many different subjects of vast importance as old-age pensions, old-age insurance, unemployment compensation, aid to dependent children, aid to mothers, child welfare, vocational rehabilitation, public health, and the others that are therein included. It is utterly impossible for Congress in a few days to give to so many varied problems the careful and deliberate consideration that their vital importance and their sweeping consequences deserve. I consider it one of the great errors of our present administration that it insists upon attempting everything at once. Even though there are many ills to be cured, it is not a safe method to prescribe a great variety of medicines simultaneously, especially when some of the medicines are untested experiments and the patient is in a frail and very unstable condition of health.

One of the subjects included in this bill which is clearly desirable and for which I should very much like to have voted is old-age insurance, but this is inextricably tied up with a multitude of other questions. Moreover, the provisions of the bill dealing with this desirable subject are needlessly confused and complex, involving two different kinds of Federal old-age assistance superimposed upon State systems already existing in a majority of the States. The first, which is simple, understandable, and commendable in method, proposes to grant supplementary aid to the State systems and to encourage their establishment where they do not exist. The second proposes an additional Federal system which apparently overlaps the first and which is highly discriminatory in its application. It does not apply to aged farmers or farm laborers. It does not apply to aged fishermen and sailors. It does not apply to aged domestic servants or casual laborers. It does not apply to teachers or to employees of the Federal, State, or local Governments. Nevertheless it involves the accumulation of a gigantic reserve by the Federal Government which it is estimated will reach a total of \$32,000,000,000, a sum greater than the whole national debt at the present time. The need for this second system, with its discriminatory exclusions and its monstrous reserve, seems to me dubious, to say the least.

Likewise with unemployment insurance, a problem for which most of us would like to see some reasonable solution. The part of the bill dealing with this subject is highly discriminatory. It does not provide insurance against unemployment in general as many may suppose, but only compensation to certain classes of people who are unemployed. Its provisions do not apply to farmers and farm hands, to fishermen and sailors, to domestic servants, to employees of Federal, State or local Governments, or to teachers. Furthermore, they do not cover employees of factories or shops or stores who work for persons or firms employing less than 10 people. These omissions, including more than half of the population, are bound to cause wide-spread disappointment and resentment.

The subject of unemployment insurance is an entirely new field for legislation; and we ought to be particularly sure that we know what we are doing before launching the Federal Government on a permanent policy in this untried field. Unemployment compensation, known as "the dole", has been tried in England for several years, but with doubtful success. It has never been tried or experimented with by any one of our 48 States, except Wisconsin, and there for less than a year. I cannot feel that there is need for such haste as to justify the enactment of a vast measure on a

national scale which has never been really tried out in any of our States and which is so little thought out as to contain, for example, the discriminatory provisions just mentioned.

It has often been remarked that there are three more or less distinct goals for legislation in the United States today—first, relief; second, recovery; and third, reform. I think the order of their urgency is the order in which they are named. The millions of people out of work and without means of livelihood at the present time in this country need relief, and they need it now. On that account we voted the other day nearly \$5,000,000,000 to furnish work and relief for those who are in need and without means of livelihood. We have provided abundantly, therefore, for immediate relief for the victims of the depression, assuming, of course, that the vast appropriation which we have placed in the hands of the President is fairly and wisely administered.

The recovery of normal conditions is our next most urgent goal, and in order to achieve that goal every effort of government should now be directed. The so-called "security bill" is not designed to contribute either to immediate relief or to recovery. In fact, it might very well serve to retard recovery if enacted at a time when business is feebly staggering to its feet. The 9-percent tax upon pay rolls, for which it calls, might easily cause apprehension if adopted in these disturbed times. The proposed building up of a gigantic reserve fund of \$32,000,000,000, whose ultimate effects no one can foresee, raises other questions that might well give us pause. I feel that we should move very cautiously about such experiments that are only half thought out, that involve vast new burdens, and whose ultimate implications and consequences are but vaguely discerned. I cannot evade the conclusion that the commendable purposes of this bill could be far better provided for if more time for study and consideration were allowed, and if this bill were not precipitated through Congress, as have been so many other costly and futile experiments during the past two years.

Mr. LUDLOW. Mr. Speaker, this bill, which throws the protecting arm of a Nation's affection around our worthy old folks, is the acme of humane legislation.

Looking backward to the beginning of our history I see three great human achievements standing out like majestic mountains above the surface of lesser and trivial things. These are:

1776—A declaration that all men are born equal and the establishment on that principle of a great Nation dedicated to liberty.

1863—A proclamation that banished human slavery forever from American soil.

1935—The enactment of legislation to make life serene as the shadows lengthen and to emancipate our worthy aged from the slavery of want and poverty.

Three times since the birth of a Nation—in 1776, in 1863, and in 1935—humanity, disregarding the tides of selfishness that ceaselessly ebb and flow, has taken the pen of history in its hand and has written epochal chapters of progress that shine with the love that gleams from the Beatitudes.

It is our fortune today to be living participants on one of these great occasions. It is our fortune to be instruments of a guiding Providence in writing humanity's latest epoch-making decree into the statutes of the land. It is our fortune to have this opportunity to show our devotion for and adherence to that command so strongly emphasized in the Book of Books: "Honor thy father and thy mother."

By our action in passing this bill today we are saying that the man of advanced years who has worked hard and has tried to be a good citizen all his life and the faithful helpmate who has shared with him, in sunshine and in rain, the bitter and the sweet through all the years, shall not be compelled to drain the dregs of poverty and sorrow when their hair turns to silver and age slows their movements and dims their faculties. In effect we are saying to them:

You have nobly done your duty to society and now society owes to you the duty of seeing that you do not suffer and that the evening years of your lives shall be filled with comfort and cheer and happiness.

We are saying to the aged man who has worthily toiled and served that never again need he feel sick at heart when he reads the hateful sign "Old men not wanted", because we are going to take care of him for what he already has done.

Mr. Speaker, this is humanity's hour. Love is about to register a major victory. I am enthused with a happiness I never have felt on any other occasion—the happiness that comes from being a Member of Congress today with the privilege of casting a vote for this historic measure, which for the first time recognizes in a legislative enactment the Nation's sacred obligation to care for the worthy aged.

Mr. BACHARACH. Mr. Speaker, the depression which has gripped the world for the past 4 years forcing millions upon millions out of employment, among them many who, by reason of advanced age, will not again be able to find suitable employment, has bluntly brought this great Nation of ours to realize that the time has come when we must face the problem of caring for our aged and unemployed.

With the humanitarian principles enunciated in this bill I am fully and heartily in accord and for that reason I am going to vote for it, even though I am not in agreement with all of its provisions and believe that there is room for improvement.

Title I of the bill provides for old-age pensions. I am a believer in the principle of old-age pensions. I would prefer that this bill carried a larger grant to the States in order that larger pensions might be paid by the States. For that reason I will support an amendment to be offered by the gentleman from Massachusetts [Mr. TREADWAY], to make the maximum Federal contribution equal to \$20 per month per person. With such a contribution from the Federal Government it would be possible for many of the States to pay as high as \$40 or \$50 per month.

I am whole-heartedly in favor of titles IV, V, and VI, which provide Federal grants to States for dependent children, maternal, and child welfare, and for the development of public-health services. I am especially interested in title V, which provides for vocational rehabilitation and the care of crippled children.

Titles III and IX provide for what is commonly known as "unemployment insurance." I am in favor of unemployment insurance, and I am sure that both employers and employees are for it, although, because of our present economic conditions, it may not result in national benefit at this time. However, it is a protection to both the employer and the employee and must be accepted by industry sooner or later.

Title II provides for "old-age annuities" and title VIII provides the method by which to raise the revenue necessary to meet the expenses. There seems to be considerable doubt as to the constitutionality of this section of the bill. Personally, I am not wholly in favor of the provisions of this section principally because, as it is written, it will destroy old-age-retirement systems set up by private industries. There are many such systems now in effect which are far more liberal in their benefits than are the benefits carried in this bill. In my opinion, the bill should be so written as to permit these private systems to remain in force. Perhaps it would have been better to have left the question of old-age annuities out of this bill to be taken up for consideration as a separate proposition at some future time. The adoption of this legislation will add an additional burden upon industry and labor and might retard rather than advance economic recovery under present conditions.

The whole bill is one of experimental legislation. That which we seek to accomplish is all new to us and we will have to learn by experience what is good and what is bad in it and amend it accordingly. I am hopeful that when the bill comes back to the House from the Senate it will be considerably improved and those things which we find objectionable now may be so adjusted in conference that the final result will be a much better and smoother piece of legislation.

Mr. MASSINGALE. Mr. Speaker, I rise in opposition to the pro forma amendment.



Mr. Speaker, I wish to say a few words regarding this proposed bill. I do not believe this Congress ought to send out any message to the depressed people in America that they are getting an old-age-pension bill that will be of any service to them, at least for the coming year or the fiscal year beginning July 1.

This bill figures, on the assumption that every person estimated to be of the age mentioned in the bill is eligible, \$6.63 per person for the year ending June 30, 1936. In my State of Oklahoma I estimate there are 150,000 people over the age limit of this bill. This means that we will get probably \$1,000,000 out of the \$49,750,000 provided, and, of course, the people in my State, if they all qualify—and they cannot all qualify—will receive the princely sum of \$6.63 for the first year of the operation of this bill.

We ought to be frank about it. We ought not to try to deceive these people. The distinguished Chairman of the Rules Committee got up here yesterday and made the statement that there were a lot of decent destitute, but deluded people in America—those who favor the Townsend plan. I do not think the chairman ought to have made that statement. He does not know the people in my country. They are not deluded. I will tell you what he might have said. He might have said that they are denuded, because they have not anything to eat or anything to wear, and you can see how Dr. Townsend can get the immense following throughout the Nation that he has aroused in support of his pension plan.

A great deal of derision has been cast upon Dr. Townsend, and I think it should not have been done. He has aroused the public conscience of America and he has brought more forcefully to this Congress than anybody else that I know the articulate demands of the poor people of this country, and I will say this to you: I voted for the modified Townsend plan, or the McGroarty plan, and I did it intentionally, and I did it for the purpose of trying to provide something for the people who are now hungry, without clothes, and in distress throughout this Nation.

I do say this about the pending bill: I think in all probability, after this coming year, there may be some relief for these people, but we ought not to deceive them.

No, the people in western Oklahoma are not deluded. This bill presumes upon their ignorance, but they will not be deceived by the title.

I admit the ring of humanitarianism is heard in the title, and immediately it challenges the attention and demands the most serious consideration not only of Members of the Congress but of the entire citizenship of the Republic.

The committee report accompanying the bill is also appealing, and it eloquently keeps to the fore that beautiful concept of a perfect national life which forgets avarice and other forms of selfishness and renders real service to the unfortunate.

Solicitude for new-born babies, proper medical care for mothers in maternity, assistance to crippled children, relief to the aged, abolition of poorhouses, putting our own on a plane of decent living, routing unemployment, and attaining social security.

What a program!

No Member of this Congress but who favors the program of the title and the report. They are charmingly fascinating, and they run the gamut of human life. They bridge it completely from the cradle to the grave. If the provisions of the bill carry out the blandishment of the title and report, no one could object.

We should not count too much on preambles. The place to look is in the body of the bill. All of us know that many valueless books have been sold because of a beautiful prospectus. The lithographer's art has taken billions of dollars from people for worthless stocks and bonds. This is because people are prone to rely too much upon words and pictures.

The bill does not live up to its title, and it is nothing short of tragedy to denominate it an old-age-pension bill. In fact, title I is denominated "Grants to States for old-age assistance."

What are the grants the States will get? Forty-nine million, seven hundred and fifty thousand dollars for the year ending June 30, 1936. There are said to be not less than 7,500,000 people in the United States who are 65 years of age or older. If all these age eligibles ask for the assistance, there will be \$6.63 for each one from now until June 30, 1936. All those of the qualifying age will not get their part during the first year of the operation, because many will not apply for it, some are excluded by the terms of the bill, and none can get it until the State in which they live has passed a law conforming to the requirements made of the States in this bill before their citizens can receive anything under the bill.

Oklahoma will have to have its legislature enact a statute of compliance before any person in the State can get a dollar under this law. I do not have access to the Oklahoma constitution, but I am thinking the constitution will have to be amended in order to give authority to the legislature to make a levy for old-age pensions. In other words, unless the State can and does make provision for paying as much as \$15 per month to the aged, then the Federal Government will not pay them \$15. If Oklahoma pays her old people \$5 per month, then the Government will pay an additional \$5 per month, making the total pension to be received \$10 per month, and in no event will the Government contribute an amount exceeding \$15 per month for the benefit of any aged person.

If Oklahoma and all the other States now had qualifying statutes, there would be no more than the \$49,750,000 with which to pay old-age pensions between now and June 30, 1936.

Nobody can know how many are going to apply for this assistance. If all the estimated age eligibles should apply, it will require \$1,350,000,000 for the Government to pay them \$15 each per month for the coming fiscal year. Upon the assumption that not more than one-half would apply, I offered an amendment to raise the appropriation from \$49,750,000 to \$500,000,000 so the Government would have enough money to actually pay \$15 per month. This amendment was voted down.

Just prior to the offering of my amendment, I cast my vote to substitute the McGroarty bill for the present bill. I did this because the McGroarty bill carried provisions which would enable the Government to pay about \$50 per month to our old people. This bill was a modification of the former McGroarty bill, which was the Townsend plan.

I do not think \$50 is adequate for an old-age pension, but I certainly prefer that to \$15, which the old may never get.

I hope the President will find a way to supplement this \$49,750,000 with money from the \$4,880,000,000 public-works bill, so our old people will really get substantial aid in the coming fiscal year.

This Congress has lavished money by the billions on banks, railroads, building-and-loan associations, and the like, and yet there is only a possible \$6.63 for each old person during the next year.

Sometimes I feel that God has something to do with Dr. Townsend and his movement. Dr. Townsend may have dipped too heavily in the bright colors in painting his rainbow of hope to our miserable old people. If so, his mistake was on the side of humanity. Harriet Beecher Stowe chose the most despicable characters of which the mind could conceive to portray hatred of human slavery. Uncle Tom's Cabin precipitated the bloodiest war in history. Harriet Beecher Stowe won.

I should not be surprised to see America shake off her apparent lethargy toward old-age pensions as a direct result of the efforts of Dr. Townsend.

I am going to give my support to this present bill because it is all that will be offered to our old. Beginning with June 30, 1936, there is a possibility of their receiving a maximum of \$15 per month from the Federal Government. I trust that in the second session of this Congress or in some future Congress the richest and most powerful Government of the world will meet its full duty and responsibility to our aged people by so amending this bill that gloom and despair

will be banished from the closing chapters of millions of well-meant and well-spent lives.

Mr. DORSEY. Mr. Speaker, the social-security program which has been presented to this legislative body for enactment into law has received more attention from our citizenry than any other legislation presented to this Congress, mainly because it "reaches home" to almost every wage earner. Its passage will stamp this Democratic Congress as one of the most important historically in the period of our existence as a sovereign entity.

During the extensive hearings on this legislation and the liberal time granted for debate on the floor of the House every opportunity has been given for the presentation of social-security plans, ideas, and even palliatives. Very little can be said regarding this legislation which has not already been stated, discussed, studied, and debated. If it were not for the fact that I have given much time to the study of pensions and industrial insurance during the past 15 years, and have definite views on the subject, I would hesitate to subscribe anything to the voluminous testimony already presented.

#### OLD-AGE PENSION

I intend to discuss in particular the old-age-pension features, because I feel that this title in the bill marks a great forward step which will correct the evils existing in many of the pension systems now operating in business and industry.

A few years ago I made an extensive study of 54 pension systems in effect in business and industry throughout the United States. All three types of systems were found among these concerns: (1) Solely contributory, (2) noncontributory, and (3) partly contributory, most of the plans being noncontributory. In many cases I found that no security whatsoever was given to the prospective pensioner because the pension plan was not on an actuarial basis and sufficient reserves (or funds) were not set up to assure the payment of a definite pension when due. In most of the plans the employees had no voice in the administration of the pension; the system was controlled solely by the management; and both the amount of the pension and pensionable age were left to the discretion of the employer. Because of the unsound basis, sufficient funds were not set up to take care of the increasing number of pensioners who were added to the lists as time went on. After employees had spent the best years of their productive life in an industry they were at the mercy of the employer for protection in old age. The sad history of such pension plans shows that there was very little security in old age for the employee.

Especially in times of depression, pension allotments were cut, many were discontinued entirely, and in a vast number of cases old pensioners were brought back into plants from pension rolls to give what little they could in a productive way to the industry during their aged life. Many employees who were of pension age were continued in employment, being carried on the pay roll as "hidden pensioners" because no definite funds were available for direct pensions.

The fear of old age has taken its toll among American workmen. Years have been taken from their productive life by worries of the future when they would be no longer able to produce. Faced with the problem of onrushing old age they became less productive and even suffered accidents because of the nervous strain under which they were working.

This legislation, in its liberal provisions, is a forward step which will guarantee to the worker, through Government and State grants, that security in old age which has been denied him in the past. It is sound in principle and liberal in its provisions. While I personally would like to see the Government's contribution increased above the maximum provided in the bill, yet I realize that this legislation is laying the foundation for a system of guaranteed pensions which can be built upon as we profit from our experiences with this new venture on our journey to the ultimate security of the individual.

#### UNEMPLOYMENT INSURANCE

The unemployment-insurance features of the bill are, in my opinion, experiments in social legislation which must be

tested by experience before their ultimate value can be determined. Apparently sound in principle, it recognizes that the security of business through sustained buying power, the security of the individual through an assured income during periods of unemployment, and even the security of Government through the elimination of the hazards of depression must be secured through the cooperation and contributions of all interested parties for the common welfare of all.

While I look on the pay-roll tax with some concern, particularly when I realize that the average worker is now taxed from his weekly wage for health and accident insurance, and other forms of group insurance, including death benefits, and for fraternal insurance benefits of various types, I, nevertheless, will support this legislation, because I know that it is a serious attempt to recognize the security of the worker as a governmental responsibility.

There are two important factors which we must recognize in passing upon this legislation: First, the price level must be sustained and increased in order to make it possible for business to stand the additional burden; and second, the wage level must be kept at a high standard so that the worker can afford the tax. We must realize that 30 cents per week tax means more to the man who makes \$10 per week, for all his income is needed for sustenance, than \$1.50 per week means to the man making \$50 per week, for only part of his income is needed for the necessities of life.

With so many burdens upon them the worker in the low-wage brackets can well repeat the old Army saying, "All we do is sign the pay roll." To my mind, the best insurance for the American worker is the assurance of sustained employment—the security of a job.

#### SOCIAL-SECURITY LEGISLATION

Mr. Speaker, this is a great day for America. Federal recognition of old-age security as a governmental responsibility, the insurance of the worker against the hazards of unemployment, Federal assistance through grants to States for dependent children, child welfare, and public-health service—"the security of the men, women, and children of the Nation first", as we were admonished by our great leader, President Roosevelt—these objectives are about to become realities.

In supporting this legislation we are discharging an obligation to those millions of our people who, after looking for so many years at the dark clouds of fear and uncertainty, can now see the bright sunshine beaming upon the future, which will give them the security to which they are justly entitled.

Mr. BUCKLER of Minnesota. Mr. Speaker, we have been discussing and considering this social-security bill for more than a week here on the floor of this House. The Ways and Means Committee have held hearings on the bill H. R. 7260, originally known as the "Wagner-Lewis measure", for several weeks.

Yet with all this deliberation and consideration I do not believe that this administration measure will prove very satisfactory. In respect to old-age pensions I would prefer the new Townsend plan introduced by Congressman McGROARTY. In respect to old-age pensions and also unemployment, social-insurance, and other social benefits I think the Lundeen bill is far more adequate than the administration bill. When offered for a vote here I voted for both of these bills, first the Townsend bill and later the Lundeen measure, both of which were turned down by the majority of this House. Although the administration measure is not at all liberal enough and adequate in its provisions, I am, nevertheless, voting for it because it does offer something to those in need, and whatever help and assistance is received is better than what the Federal Government heretofore has provided, which has been nothing.

And the passage of this social legislation is a great step forward toward eventual social security, and a definite advance to bring about a Nation-wide program of benefits for the noble aged people of our Nation, dependent or crippled children, the unemployed, and to provide for infant and

maternal welfare, vocational rehabilitation, and public-health services.

The act covers nine different subjects:

First, old-age pensions.

Second, old-age insurance.

Third, unemployment insurance.

Fourth, dependent children.

Fifth, infant and maternal welfare.

Sixth, welfare services for children.

Seventh, vocational rehabilitation.

Eighth, care of crippled children.

Ninth, Federal public-health services.

It makes 9 appropriations and sets up 3 different taxation systems: 1 on employees and 2 on employers.

The appropriations are made to three different agencies:

First. To the Federal Social Security Board: (a) For subsidies to State old-age-pension systems; (b) for subsidies to State plans for dependent children; (c) for aid in the administration of State unemployment-insurance systems; (d) for administrative expenses of the board.

Second. To the United States Department of Labor: (a) For promotion of the health of mothers and children, especially in rural areas; (b) for services to crippled children and the provision of medical, surgical, and corrective care for them; (c) for establishment, extension, and strengthening of public-welfare services in rural areas for children; (d) for extending and strengthening programs for vocational rehabilitation.

Third. To the Surgeon General of the Public Health Service: (a) For the establishment and maintenance of public-health services.

#### BENEFITS SHOULD START AT ONCE

I object to the provision that old-age payments and other payments by the Federal Government and the insurance features are not effective at once.

This old-age benefit to the worthy pioneers of our land should be paid to them starting now. Not a year or more from now after many of them have died. These elders are in need of food, clothing, medical and dental care, and other necessities of life. If the pension payments were started now, in more liberal and adequate amounts however, the wheels of industry would start turning and the income to the farmer would increase and somewhat better times would return.

Of course, other fundamental changes are necessary before permanent social and economic justice comes to the American people.

First of all we have to shake loose of the "money crowd" of Wall Street and international bankers. The money and credit problems must be solved and remedied and not for the interests of the big bankers but for the great mass of common people of the Nation and for our own Federal Government. The evils of usury, high interest rates, must be abolished.

We must have money and credit justice for the American farmer. Legislation such as the Frazier-Lemke bill is necessary. Why should not our Government loan money to the farmers on their farms, the foundation of our country, at low rates of interest and amortization payment? Is not their security, the land, as good as the so-called "gold bonds" of foreign nations to whom we loaned millions at virtually no rate of interest and even then were forced to cancel a good portion of the loan and still not receive payments except from sturdy little Finland?

We need cost of production plus a fair margin of profit for the farmers of the United States. Any other business stops production if there are no profits but the farmers cannot stop producing because if they did there would be a famine. I often wonder when the factory owners and the industrial people will realize that when the farmer prospers then they will prosper.

The Patman bonus bill payment would help the veterans and others as well. They should be paid their adjusted-service certificates. They have earned this money, it is theirs, why should it not be paid to them now when they need it the most for themselves and their families.

These measures would help greatly. A prosperous people have more courage and power to promote economic and social justice than a nation of impoverished people, who dare not protest when food and shelter for their wife and children are at stake.

Virtually all other major countries of the world have adopted social-security legislation years ago. Our country has been one of the last to recognize our obligations to the aged people, the pioneers, the builders, and the people who have created the wealth of our Nation. They, through no fault of theirs, but because of the vicious monopolistic money and credit system, have lost most if not all of their life savings and their property values.

#### PURPOSE AND SCOPE

The need for legislation on the subject of social security has been apparent to the liberal progressive thinkers and leaders of the country for a long time. On every hand the lack of such security is evidenced by human suffering, weakened morale, increased crime, and increased public expenditures.

This situation necessitates two complementary courses of action: We must relieve the existing distress and should devise measures to reduce destitution and dependency in the future.

Thus far in the depression we have merely attempted to relieve existing distress, but the time has come for a more comprehensive and constructive attack on insecurity. Liberal progressives have attempted to waken the old parties to the need for such a program. Some principles of such a program are laid in the present bill.

Work for the employables on relief is contemplated in the work relief bill; a second vital part of the program for security is presented in this bill. The bill is designed to aid the States in taking care of the dependent members of their populations, and to make a beginning in the development of measures which will reduce dependency in the future. It deals with four major subjects: Old-age security, unemployment compensation, security for children, and public health. These subjects are all closely related, all being concerned with major causes of dependency. Together they constitute an important step in what I hope eventually will lead to a well-rounded, unified, long-range program for social security. And that is why I am voting for this bill.

This bill will have to be greatly improved and liberalized in the course of time, as has been the history of all other major new legislation. But it makes a beginning toward economic security which has been long overdue.

This beginning is made along lines which are in accord with our Christian life and charitable traditions. It is not class legislation, but a measure which will benefit the entire public.

From the governmental point of view this bill contemplates a united attack upon economic insecurity by the Federal and State Governments. It does not vest dictatorial powers in any Federal officials.

#### NUMEROUS OBJECTIONS

Having stated my support of this measure I also wish to outline some of my objections which I hope in the future will be corrected.

First. The bill is wholly inadequate and will not bring the full results sought to be obtained.

Second. Many of its provisions cannot be made effective for several years, too long a time to wait for those expecting relief and aid now. And this will be a sad and bitter disappointment to those who have been looking hopefully for aid and relief from the administration.

Third. The Federal payments of \$15 are not nearly sufficient.

Fourth. The age limit of 65 years is too high; it should be not above 60 years.

Fifth. The administration of the law would be discriminatory to people living in States that are bankrupt or nearly so since they would receive no aid or but very little, since Federal payments are based on the cooperation and payment of the States. Therefore, I believe that the Federal Gov-

ernment should stand a much larger portion of the pension payments.

Sixth. The bill is too complicated; would require very large administrative expenditures and would be hampered by too much red tape in its administration.

Seventh. Provision for benefits to crippled children, for public health, maternal and child welfare, dependent children, and vocational rehabilitation are wholly inadequate and more liberal provisions should be made.

#### SUPPORTS TOWNSEND PLAN

To remedy the objections to the old-age sections of this measure I would urge the enactment of the Townsend plan, which I think is worthy of a trial. I have yet to find truthful objections to the plan. It is admitted that it would increase business and industry. The Townsend plan would put out money in the pockets of the people who would spend it. While the administration bill, which demands a 2- to 6-percent tax on all pay rolls for the old-age-insurance and unemployment-insurance features of the measure, will take out of circulation for many years both the share assessed the employee and the employer. This cuts down their purchasing power, reduces demand, and, of course, reduces production. The people have the use and need for the output of factories and the farms, but they have not the money to buy. The Townsend-plan benefits would bring considerable prosperity back to the farmers, laborers, and all the people, because there would be an increased demand for everything.

The Townsend plan provides a decent pension to the people over 60 years of age. The cost of the plan would not be a burden on the Government. There would only be comparatively small appropriations for the simple administration of the act. The new modified Townsend plan provides for a 2-percent tax on inheritances and gifts and a one-tenth increase in all present income taxes in addition to a 2-percent transaction tax. Although this latter tax would cost the employed persons less than what he will be required to pay under the old-age insurance features of the social-security bill, he would receive a much larger pension at 60 years than he would at 65 years under the social-security bill.

#### TAX ON ABILITY TO PAY

However, I would personally wish to see the entire elimination of the transaction tax or, at least, reduced to 1 percent, with food exempted. It would be better to double or more, if necessary, the present income-tax rates on all incomes of more than \$10,000 a year. And is not this fair? Should not taxes be based on the ability to pay? And should not money needed for the people as a whole be received from those who have the greatest portion of it?

I also would greatly raise the rates of tax on gifts and inheritances. Statistics and surveys made by the Government departments and by private research indicate that a large enough sum could be raised by these taxes to pay from \$60 to \$100 or more per month to each person over 60 years old who is not now receiving an adequate income to live according to our accepted American standard.

With the adoption of liberal-adequate social-security program I believe many of us will be able to enjoy a more abundant life, have more time for personal spiritual enrichment, more time for reading and travel, more time for recreation and rest; more time for sociability and comradeship; more time for cultural development, all of which our old people, our fathers and mothers, so much deserve.

It is a pity that this House has not more liberal progressive Members who are more sympathetic to the needs of the great group of our people who would benefit by a more liberal and adequate "social-security act." Perhaps in a later Congress such liberal progressive Congressmen will be here to pass legislation which will create a more abundant life for our great Nation.

Mr. SNYDER. Mr. Speaker, ever since the beginning of recorded history nations have strived to obtain social and economic security.

In studying the history of such nations as the Syrian Empire, the Babylonian Empire, the Roman Empire, the Spanish Empire, and others, we find they were ever and

constantly trying to adjust the social and economic fabric so as to have social and economic security.

Of course, everyone knows that they failed. These nations came upon the stage of time and occupied the spotlight for a space of years, played their part, and then collapsed and broke down, and other nations took the stage as time went on, until now, we, the United States, occupy a large space on the stage.

Just how long we will occupy the stage depends entirely on how well we play our part. If we play our part well and wisely, we may be privileged to stay on the stage in the spotlight a long time, as compared with the time that the other nations stayed on the stage and in the spotlight. It is interesting to know that all the nations that appeared on the stage at some time or another and are now entirely off or else playing a minor role, failed for the same reasons. It is also interesting because the reasons were these very, very simple reasons.

I hear you say, "Why did these nations come and go like the winter's snow?"

Mr. Speaker, they came and went because the individuals who ruled, or attempted to rule them, were fused and dominated with one or more of the elements that always bring chaos or destruction, namely, greed, deceit, jealousy, and dishonesty. For instance, Spain, with her Armada, thought she could get social and economic security through certain practices, including robbery of other nations, looting of resources and funds that did not belong to her, lying and intriguing her fellow men, and other material gestures. The Roman Emperor put to practice the same tactics that Spain used, only shrouded with a greater degree of shrewdness, deceit, and a more clever manipulation of affairs. So it was with others that I might mention.

Mr. Speaker, we all know the sad, sad results of the practices of these nations. Spain, with her Armada, was swept aside like a feather in a summer breeze, and the Roman Empire, with her mighty armies, had sprung up within her own borders, institutions that destroyed her.

My fellow citizens, we need not fear any foe from without our borders. If this great Nation of ours, the United States of America, is ever to suffer a set-back, it will be because of the institutions that spring up within our own borders. Already institutions have sprung up within our borders that have in them the elements of destruction, the elements or germs that if they are not killed will bring about a chaotic condition in our Nation that we will hand down to our children and our children's children.

Mr. Speaker, we can have social security and economic security only when we put heart and soul in our institutions, in our home life, in our school life, and in our church life.

We can meet here year after year and appropriate billions and billions of dollars to set into action our industrial wheels of the Nation and satisfy temporarily the hunger of the millions, but to stabilize our social and economic fabric we must create a set-up whereby all men will have an opportunity to go out into the fields, the mills, the factories, and the mines and earn an honest livelihood. We can never accomplish this until we fully realize and put into practice a procedure that will prevent a few from hoarding the billions of dollars so that the millions do not have enough to hold their bodies and souls together. We cannot have this set-up for social and economic security as long as great utilities and great banking interests step in and take that which does not morally and socially belong to them. We cannot have social and economic security until old men and old women, who have spent the producing period of their lives in hard work, are actually cared for with a proper pension and a comfortable place to live.

Mr. Speaker, a nation that has a large percent of its people on the dole is always a nation that is going in the hole. The longer the nation is on the dole, the deeper the nation goes in the hole. The finer things that are in the make-up of men, those finer elements that you find in the very tingling of the blood and in the very heartbeat, are destroyed when men are put on dole and kept there. We as a Nation must put these men and women back to work in useful and constructive avenues.

Mr. Speaker, every dollar that we spend today in putting men and women back to work, will save our children's children \$2 when they take over the reins of Government that will be handed them. People that are constantly idle are people that are constantly decaying, socially, intellectually, morally, physically, and spiritually. I have been supporting this social-security bill and I am going to vote for it, but it is only the beginning. There is not enough backbone in the bill. There is no place in the bill where I find that the man who is found physically fit by at least two doctors must work if he wants help. That is, he would not be on dole relief if he is physically fit and has a place to work.

Mr. Speaker, until we take a definite stand along this line, we will have all kinds of trouble in keeping our social and economic fabric adjusted. What are you going to do with the men between the ages of 55 and 65 years of age? The mills, the factories, the mines, and the farms will not employ them. The insurance companies will not carry them, and the fraternal societies will not carry them. The set-up has been fixed, nobody knows how, but we know that not 1 man out of 10 between the ages of 55 and 65 can get work any place these days. I would like to find something in this bill that would care for these men between the ages of 55 and 65 who show by records that they are worthy of care.

This bill, as I say, is not all I would like to see—in taking care of children, mothers, and honest men who cannot get work. But thank God, it is a start in the right direction, and it will go down to our glory that this Congress had the sand to create such a measure.

Mr. RICHARDSON. Mr. Speaker, in passing the Social Security Act, the House has approved a tremendously significant and progressive piece of pioneer legislation. No more important bill has been acted upon by this Congress. Since my Membership in this body I have never cast an affirmative vote with more personal satisfaction.

This bill should cause every Member, and especially the Democratic membership, to rejoice, because:

First. It writes into Federal law, and, I believe we can say, for the first time, the principle of economic security.

Second. It is consistent and logical, and not a hopeful leap into the dark, as has been much of our emergency legislation since March 1933. It is a logical step under our economic circumstances.

Third. It is founded on definite Jeffersonian principles and philosophy.

This bill is only a beginning. It is a first recognition by law of the big outstanding fact in our present situation—a definite determination by the American people that from now on there shall be more economic security mixed into this competitive profit system of ours.

The bill is logical because, in my opinion, it places where it should be placed the responsibility for economic security. Government, under the American economic system, cannot be responsible for the support of all its citizens. In an enlightened age, such as we now lay claim to, Government should be responsible for the support of its unemployables—people who cannot work. Taxpayers can be justly required to support these people. But Government has no right to demand taxes for the support of employables—people who are able to work. The economic system must be made to support them. That distinction and responsibility is recognized in this legislation.

I believe this bill has very serious faults. It is an omnibus bill. As usual, the "brain trusters" are attempting to "bite off more than they can chew." I think it would have been far better not to include all of the dealt-with subjects in one piece of legislation. I believe the combined titles III and IX to be unconstitutional. Parts of this bill have a strong Fascist flavor. But time will take care of all that.

The big accomplishment, for which we should get down on our knees and give thanks, is that at least a beginning has been made toward national recognition by law of the problem of economic security for all of our citizens. In spite of criticism and lamentation, it would seem that

America is still making progress toward a firmer and broader security for her people.

Mr. BOLTON. Mr. Speaker, the House has given consideration to H. R. 7260, the so-called "social-security bill", for over a week. Much has been said during the discussion of the bill, both as to its merits and demerits. Much has been made of proposals for various phases of the measure which were believed to better accomplish the desired results than those indicated in the bill, and criticism has been directed to certain portions of the bill which were not believed necessary or desirable at this time. Many excellent presentations have been made. Yet after careful consideration of all that has been said there remain grave doubts as to the desirability of enactment of the legislation in its entirety, with all its implications and ramifications at this time. The multiplicity of subjects, dealt with under separate titles, and the vast expense involved makes the measure the more difficult of comprehension and interpretation, not only for the Members of the House but the members of the Ways and Means Committee themselves, who have worked so diligently on the measure since Congress convened and who by no means seemed to be in agreement in all the various phases of social security proposed.

The Democratic chairman of the committee presenting the bill has admitted the measure is far from perfection, and will need changing from time to time. The bill attempts to represent the views of many interested in various phases of our social life. The bill deals with many subjects coming under the general definition of social security. It is to be greatly regretted that a measure of so much importance and one that will so greatly affect our national life combines so many subjects, all admittedly related to social security but all differing greatly in their application and consequence.

The purpose of old-age pensions which is dealt with under title I, few can question. The basic principle that the primary responsibility for this type of assistance to the aged rests with the States as outlined in the bill is correct, and the desirability of Federal assistance in these times is recognized. However, the qualifications for aid are much lower in the proposed measure than those called for in my own State's (Ohio) old-age-pension law, one of the most modern in the country. Ohio's requirement permits only those to qualify for old-age pensions who have resided continuously for 15 years in the State prior to reaching the age of 65 years. Under the proposed measure, 5 years during the 9 years immediately preceding application for old-age assistance is the limit of condition of eligibility, and any State plan which imposes a greater requirement shall not be considered as eligible for Federal assistance. It will, therefore, be necessary for Ohio to materially reduce its resident requirement before it can qualify for Federal assistance and such reduction would mean a distinct lowering of its high standards.

Similarly, there can be no quarrel with the purposes outlined in the bill under titles IV, V, and VI of assistance to States in services related to dependent children, maternity, and child welfare, crippled children, and vocational rehabilitation, as well as the investigatory work of the Public Health Service. The various proposals in the bill are offered as incentives to the States to practice these worthy activities.

Unemployment relief is another but newer phase of social security, but believed desirable, where possible, to meet the fear and despair of unemployment on the part of those to whom, through no fault of their own, opportunity to work is denied in times of economic depression. Again this form of relief is primarily the function of the citizens of the States as is intended in the proposed bill. Here, however, under title III we find no suggestion as to employer and employee sharing the burden of this relief, as is customary in other nations of the world, and as would appear fair on the part of those primarily to be benefited. The entire tax is placed upon the employer.

In the section of the bill, however, dealing with old-age annuities, payable wholly without regard to need, we find a proposal of the Federal Government to enter a field of social

security heretofore dealt with exclusively by private initiative and through voluntary action. Under the proposed measure this form of security is compulsory. It is really compulsory thrift, and while the method proposed is suggested to eventually offset or supersede the burden of old-age pensions, its efficacy at this time and the manner in which it is to be accomplished are gravely questioned.

A study of unemployment insurance in its application in other countries leads to the conclusion that it is impossible to measure on an actuarial basis the net amount of relief afforded, as between taxes levied and benefits granted, in any plan of so broad a nature as that proposed.

The result is, as proposed in the bill, the levying of two new and additional types of Federal taxes, two pay-roll taxes on employers—which, as it relates to unemployment insurance, is referred to in the committee report as a tax imposed on each employer for the privilege of having individuals in his employ—and an income tax on certain classes of employees of low incomes.

These taxes are for the purpose of financing the social security provisions of the bill, particularly those dealing with old-age annuities and unemployment insurance, and must be supplemented by other taxes sufficient to take care of the deficits in the annuity fund under title II from the date these annuities become effective until 1970, when it is estimated the fund will for the first time become self-supporting on the basis of taxes on employers and employees and the contributions of the Government at the outset. They are in addition to the increase in taxes which may be expected to meet our rapidly increasing cost of Government as practiced today.

These taxes are very much akin to sales taxes, or taxes on production, subject to pyramiding. Take, for instance, the many parts of an automobile made of steel, the products of one of our basic industries. Taxes as proposed will be levied on both employer and employee operating ore mines, coal mines, coke plants, stone quarries, vessels used in transportation, blast furnaces, steel plants, rolling mills, machine shops, and the various processes from which the finished parts are the result, and will be applicable to each of these various processes. These various pay-roll taxes must all enter into the cost of the finished products in addition to existing cost of materials and labor and the various elements that go to make up the whole.

The result must inevitably follow of increased prices in all industrial products. The question naturally arises, whether the consumer can accept these higher costs and whether industry in its present uncertain state can meet this additional burden, particularly in competition with foreign trade, both at home and abroad.

The bill permits industry to offset a State tax levied for unemployment insurance against the tax due the Federal Government to the extent of 90 percent. Not so with old-age benefits, where no credit is allowed for contributions into voluntary company-employee benefit funds. The natural result will be the discontinuance of voluntary funds because of the double expense involved, and much confusion and hardship may result from this, particularly where benefits paid under these voluntary agreements are greater than those proposed. These voluntary contributions to benefit funds, conducted under regulations satisfactory to the proposed Security Board should be permitted to be credited against Federal tax, the same as is proposed in the case of compulsory benefits, and permitted to be continued.

Attention has been directed to the fact that although the rural population of our country is estimated at 40 percent, neither benefits nor taxes are imposed upon our agricultural population. Yet it must be conceded that the taxes as proposed will eventually be paid by the consumers of this country through increased prices, and from this we can deduct the fact that our rural population will be paying 40 percent of the taxes without the opportunity of direct benefits.

This brief synopsis of the proposals of the bill will indicate the magnitude of the measure which is suggested in times of economic distress, and when ways and means to meet our unemployment problems are paramount. The question naturally arises whether the proposed benefits to be received

from the enactment of this legislation and the successful operation of this measure in the years to come are not too drastic at this time. The tremendous burden placed upon both employer and employee through the tremendous taxes necessary are estimated, according to the report of the committee, at approximately \$228,000,000, effective January 1, 1936; \$1,059,000,000, effective January 1, 1937; and increasing to \$2,784,000,000 as of January 1, 1950.

The administration has through its advisory committees given time and study to this whole program and, it is understood, has recommended the complete adoption of it, together with the tremendous tax program involved. From this it may be assumed the imposition of this tremendous tax burden levied against industry and those of low incomes, who are today struggling against the depression, is with the sanction of the administration for the purpose of establishing a system from which will come benefits only in years in the future.

Yet there are two features of the bill affecting the very fundamentals of our Government and our Nation's future which seem to transcend the benefits of the proposed legislation, and which should be eliminated at this time or else properly corrected before enactment into law.

The Constitution reserves to the States or the people all powers not specifically delegated to the Federal Government. The Constitution gives Congress power to levy and collect taxes, duties, imposts, and excises to pay the debts and provide for the common defense and general welfare of the United States. The purposes of taxation therefore are general, and the right of the Federal Government to tax a specified group of citizens for the purpose of establishing an old-age-annuity fund for a specified and qualified group, is seriously questioned.

The measure before the House is primarily one dealing with social security and providing for the general welfare by establishing various systems of benefits, but is not revenue-raising legislation. Included in it we find provisions attempting to use revenue for the purpose of old-age-annuity benefits to be conferred upon certain groups of citizens and under a compulsory method.

The power to tax a certain class of wage earners but not all, and the proposal to grant benefits on the basis of this tax for a specified group—the same as the specified class of wage earners to be taxed—and payable wholly regardless of the need of the recipient, does not appear to be in accordance with the powers conferred upon the Federal Government. Surely such a proposal does not seem to be in conformity with the intent of the basic law in this country, and just as surely Congress should not enact a measure or in this case part of a measure, which has been stated to be the very heart of the old-age-assistance portion of the bill, without being very certain of its effectiveness as well as its legality.

The measures proposed are not depression or emergency measures but are to be permanent. They are to be effective in times of economic prosperity as well as in times of depression. The purpose of setting up an old-age-annuity reserve through the taxation method proposed in title VIII of the bill is to prevent that group so taxed from eventually requiring old-age pensions as a national necessity. The courts, however, have drawn the line at helping the afflicted class merely because that class was in danger of becoming public charges. In the case of *St. Paul Trust & Savings Bank v. American Clearing Co.* (291 Fed. 212 (1923)), the Court said:

Always the fundamental principle has been recognized that the power of taxation can only be used in aid of a public object, that is, an object which is within the purpose for which governments are established; and such power cannot be exercised in aid of enterprises strictly private, for the benefit of individuals, though in some remote or incidental or collateral way the local public may be benefited thereby.

Further, the Ohio statute authorizing taxation to pay blind persons a certain sum per year was held invalid because not confined to blind persons in need of assistance and so a private purpose. The Court stated:

If the power of the legislature to confer an annuity upon any class of needy citizens is admitted upon the ground that its tendency will be to prevent them from becoming a public charge,

then innumerable classes may clamor for similar bounties, and, if not upon equally meritorious ground, still on ground that is valid in point of law; and it is doubted that any line could be drawn short of an equal distribution of property.

*Auditor of Lucas County v. State of Ohio* (75 O. S. 114 (1906)).

State governments whose powers are unlimited except for the specific limitations in their constitutions have always taken upon themselves the care of their own poor and indigent peoples. Under our theory of constitutional government it is conceivable that this duty should be exclusively that of the State governments. Unless we are to become a nationalized government rather than a union of States, it must always be within the province of the States primarily to take care of individuals. If we are to remain a union of independent sovereignties we must follow the constitutional theory of taxation set up by John Marshall, Chief Justice of the United States Supreme Court, when he said in *Gibbons v. Ogden* (9 Wheat. R. 1, 199):

This—

The power to tax—

does not interfere with the power of the States to tax for the support of their own governments; nor is the exercise of that power by the States an exercise of any portion of the power that is granted to the United States. In imposing taxes for State purposes, they are not doing what Congress is empowered to do. Congress is not empowered to tax for those purposes which are within the exclusive province of the States.

Another serious objection to the proposed measure is the stamp of approval given to continuing a Federal debt of at least \$33,000,000,000 to meet the amount estimated as necessary in the compulsory annuity reserve fund, as called for under title II. The bill provides that this fund must be invested in Government-guaranteed obligations, yielding at least 3 percent, which places a burden of about \$1,000,000,000 per annum on the Federal Treasury in interest charges. Such a requirement has a definite harmful effect on the credit of our Nation.

This proposal would bring about a new method of financing future Government obligations—not through the citizens of the country as heretofore but through a constantly increasing fund which the Government holds as trustee for a certain group of its citizens. To have the Government, in its capacity as trustee of funds belonging to a specified group of its citizens, invest those funds in its own obligations is a practice contrary to sound fiduciaryship, a practice detrimental to the credit of the country, and manifestly improper from the standpoint of those citizens who contribute to the fund.

Today our immediate and greatest problem is to reestablish opportunity for employment whereby the many millions out of work may have a chance of gainful occupation. Corollary to that is the need of caring for those unfortunate who have neither the means of support nor the physical requirement of employment.

Would it not be wiser to accept so much of the proposed program as will help meet our present problem and adopt the balance from time to time as the economic improvement throughout the country permits and as it can be developed upon a sound basis, the result of more than comparatively hasty consideration? Through such a policy, confidence in our future and in our Government, among employee and employer alike, might be restored and the solution of our unemployment problems hastened.

Although much in sympathy with many portions of the bill providing assistance for the aged and the unemployed, as well as aid for dependent children, maternal and child-health services, and general public-health activities, the bill as at present proposed has defects which appear more than sufficient to offset the benefits desired. It is to be hoped the questionable features of the measure will be corrected or eliminated in its consideration in the Senate. It is believed most unwise to have the measure as now proposed enacted into law, since in a subject of such serious import it is highly desirable that such defects as are possible be cor-

rected before adoption rather than subsequent attempts to remedy a measure of such magnitude.

Some social-insurance plan national in scope is desirable for our country. The bill under consideration attempts a start. But in its enactment full thought must be given to all its implications; every effort should be made to make it workable; the experience of past practices, both at home and abroad, should be carefully weighed; and the weak points of the present proposal strengthened and corrected as revealed. Criticism should be welcomed as an effort to strengthen rather than an attempt to destroy.

In my judgment, we cannot afford to forget the future in legislating on the problems of the day. That would only bring a recurrence of our present ills in a greater degree. If this country is to survive and prosper, in working out the solution of our problems we must build on solid ground for the future.

Mr. LUNDEEN. Mr. Speaker, we have presented to this House the first complete program for social insurance ever introduced in the House of Representatives. H. R. 7598, in the Seventy-third Congress, introduced February 2, 1934, and H. R. 2827, introduced January 3, 1935, are based on fundamental principles which will endure. These principles must be incorporated into our statute books if we are to have permanent, adequate, successful social security.

In this crisis it is of supreme importance to take care of our millions of unemployed now—today; not in the dim, distant future. In this crisis we must take care of our aged at once, now, and not some day in the future, when most of them are dead and gone.

The Lundeen workers' bill, H. R. 2827, provides immediate unemployment insurance and old-age compensation, whereas the administration bill does absolutely nothing for the 15,000,000 now unemployed, and proposes in vague terms to do something, sometime, perhaps, for those now employed when they become unemployed, if and when certain rules and regulations are passed by other political subdivisions, such as the States, and everyone in this House knows that most of the State legislatures have already adjourned and will remain adjourned for 2 years unless called in special session.

ADMINISTRATION BILL MAY BE DECLARED UNCONSTITUTIONAL

We know that there can be no question of constitutionality involved in the Lundeen bill, H. R. 2827, because funds are derived from the National Treasury and expended for the general welfare, and such expenditure cannot be successfully attacked in the courts.

The administration bill will be attacked in courts because it provides for a levy upon pay rolls and interferes in individual, corporate, and State affairs. The compulsion and pressure involved make the constitutionality of the bill difficult to uphold. This bill reminds me of the old party political platforms drawn up merely for election purposes, and to be forgotten as soon as the party is in power—full of glittering generalities and rainbow promises, never to be fulfilled.

THE POWER OF LABOR

I am not here to say that a national labor party would be a perfect party, and I do not contend that their leaders would be perfect leaders, but I do maintain that the parties in power have grown old and corrupt and that we need a new political alignment in this country based upon labor organizations and upon farm organizations, and organizations affiliated with them, and furnishing a refuge for the little bankrupt business man and professional man, shop and desk worker. These elements have common interests with the great farm element and the great labor element, and their combined voting power constitutes more than 90 percent of all of the people in these United States. Some day, and in the not distant future, this mighty power that we call "labor" will arise and take power at the polls in a legal, orderly fashion and elect its Congress, House and Senate, and place in the White House a man loyal to the labor program, backed by labor, farm, and affiliated organizations, so powerful that no Congress or President will dare to side-

step or evade the platform once they are elected. That has been the history of other nations, and that will be the history of our Nation. It is only a matter of time.

#### FALSE LEADERS

The same false leaders who forced America, through propaganda and ill-considered action, into this terrible crisis and panic are now arising here and there to cure the ills they caused. These self-constituted prophets will never cure our ills. These European-minded individuals, these propaganda-controlled, so-called "statesmen", are unequal to the task that confronts America today.

#### PROBLEMS WILL BE SOLVED BY UNITED FARMER-LABOR ACTION

No great social problem was ever solved except in the home, at the fireside, on the farm, and in the factory by the workers, the farmers, the toilers themselves. They have solved every great problem in this country and sent forth from their own ranks men who put into performance the ideas that emanated from their hearts and minds. And so it will be today. The collective thoughts of labor and farmers, thoroughly revised and unified and agreed upon in conference and convention, must be written into the statute books of this country in order that this may be truly a Government of, by, and for the people.

We are told that this is a democracy. What is a democracy? It is a government by the majority, and the majority of the people are farmers and workingmen—the workers, the toilers. When they have suffered long enough and have endured to the breaking point, they will set up their own party, and great labor organizations will be glad to join in this movement. Great farm organizations will step into line with the desires of these millions who no longer can endure the misery heaped upon them by old parties—the terror, privations, and poverty of panics and war miseries.

#### RECORD OF BROKEN PROMISES

Time and time again the old parties promised us farm relief, promised us various farm measures. Year after year, in convention, they solemnly wrote in these various planks with a smug smile, and after election, when victory was theirs, they pretended not to know anything about these promises. They were astonished if anyone mentioned these promises, and seemed somewhat put out if we troubled them in recollection of pledges made.

Plank after plank was carefully drawn, revised, revamped, rewritten to meet the united demand of farmers and labor voiced upon the platforms of great convention halls, blared from the radio, and headlined in the press, and that was the last we ever heard of them. That Tuesday in November was the burial of all these promises and golden hopes.

Now, then, how can we have platforms written and planks written that will be enacted into law that will keep faith with the people? This can only be done by backing up these planks and platforms and candidates elected by powerful organizations with millions of members, powerful and invincible, to watch over the Congress of the United States. Not an invisible government such as we have seen through so much of our history, with an invisible hand at the helm of the Ship of State; but a strong, powerful, visible government from the mass of the people and the rank and file of the people. From now on we must have government from the grass roots up, and not from the gilded turrets downward. We are neglecting the foundations of the structure of government and gilding our turrets, while our foundation stones crumble.

#### A NATIONAL LABOR PARTY IN 1936

We must become thoroughly committed to a labor government in these United States. We must build a great labor party in America. We must write a platform agreed upon after fair debate by representatives of the majority of the people. We must carry out those party pledges and promises; 1936 is not too soon to put a national ticket in the field; and I hope that labor will put a ticket in the field in every State in the Union in 1936, local, State, and national. I hope that labor will see the futility of flirting with the old parties and gain sincere cooperation with all affiliated elements to the end that we may shake off the terrors of this crisis and

liberate our people from the pall of misery, poverty, and destitution. Then we can survey and plan intelligently—national planning—to bring about production for use of the great resources of this country which are abundant enough to bring happiness to every home and fireside in this great land of ours.

#### NO HOPE IN OLD PARTIES

The performance I have seen here on this floor renews my conviction that there is no hope in the old parties. We see men who debate in two-fisted fashion against these frauds upon our people, now being passed by this House, finally succumb to the wiles of the opposition. They join the chariots of the emperors in control. They march off with the Caesars of today, enthralled and enslaved and hopeful for reelection.

We need, above all things, today courageous, red-blooded fighting men who are unafraid to take a forward step. There must be a united front of all farm and labor elements, irrespective of parties, and a joining of all parties who have similar views upon a common platform upon which all can agree, and there must be an end to all the wrangling and jealousy and quarrels between numerous new organizations which have sprung up in America in the last decade or two.

Common sense must rule this labor party. It must have its feet on earth and not float off into the clouds of unrealities and impossible theories. It must be sound to the core. It must be an American party. It must place American interests first. It must write its platform thoroughly and convincingly, and it must be written in terms that are understood by the man who walks behind the plow and toils in industry.

#### MILLIONS OF VETERANS OF ALL WARS ARE WITH US

In this new party, I vision the marching columns of millions of veterans of all wars who are being thrust aside and betrayed in our legislative halls. First it is this bill and then it is that, compromises and trades are made, and bills are shuffled back and forth from House to Senate and Senate to House, and awaiting possible vetoes; and meanwhile the legislative mill grinds on to its adjournment without beneficial action taken for the veterans of our country.

#### SPANISH-AMERICAN WAR VETERANS

Vision these Spanish-American War veterans thrown out of hospitals, cut off from their pensions, left in old age to contend with poverty and misery and the poorhouse, and yet they gained for these United States more than \$10,000,000,000 in land values which have earned more than \$20,000,000,000 since their acquisition, and the Spanish-American War cost the Government but a trifle over \$1,000,000,000. Through their efforts, Uncle Sam now has \$30 to \$1 on his investment, but the valiant men of '98—the finest volunteer army that ever marched—are left to starve on the streets and on the roadways of this abundant land.

I have introduced a bill, H. R. 1404, to place the Spanish War men on an equal basis with the men of the Civil War. That valiant army has almost disappeared over the horizon, and the men of the Spanish-American War are rapidly disappearing into the same distant land.

#### MEN OF THE WORLD WAR

Then the Economy Act slashed into the men of the World War who were told that they saved not only America, not only the land of Washington and Lincoln, but were told that they saved the world, and yet these men who saved the world are denied jobs, denied their pensions and compensations, cut off the rolls, and told that they deserve no more consideration than the men who remained at home safe and sound at the fireside drawing huge salaries during the war.

Vision these men of all wars joining with a great labor party, uniting their power and strength in political action with the ranks of labor and the lengthening columns of farmers in this great national labor party whose united front would include all elements who think along labor lines.

#### ADMINISTRATION BILL A CAMOUFLAGE

There is nothing in the administration security bill but an empty shell, a vision, hope, a mirage and camouflage, and that is all. I ask you what benefit will you get in 1935 and what benefit will you receive in 1936 from this bill? You have no guaranty that in 1937-38 the meager, pitifully and



utterly inadequate provisions of this bill will be carried out since a new Congress will be in power, and many leaders of another political party announce that they are against any such program and are opposed to any provisions, so that even the pitifully and utterly inadequate provisions may be stricken in 1937-38.

#### REMEDY IS A NATIONAL LABOR PARTY

What is the remedy then? The remedy is a national labor party which will write upon the statute books of this country genuine and adequate social insurance, unemployment, old-age, maternity, and other social insurance, and put that insurance into effect now and not later on, in the dim, distant future; a labor party which has the courage to levy upon the great fortunes, individual and corporate, gifts and inheritances, the rates levied upon the great fortunes of the British Empire. Many of our so-called "leading citizens" have urged us to follow the British Empire in the years gone by, but now that the British Empire takes a forward step in taxation, they are horrified when gentlemen from the ranks of labor suggest that we follow Britain's lead in income- and inheritance-tax rates.

#### COMES THE MOMENT TO DECIDE

Ladies and gentlemen of this House, you will have to make your decision, and in the not distant future, whether you will stand with labor or stand against labor; whether you will stand with the farmer or whether you will fight his interests; whether you will fight to protect the bankrupt little business, professional, shop and store worker, or whether you will side with and further heap up profits for great banking institutions and international bankers. You will have to make that decision, and in the not distant future; and those who cannot and will not decide, may soon find that a day has come upon us when it is too late to make decision, for the columns have swept by, and the army has marched on to fields of victory in government and social security for all its people.

Mr. GUYER. Mr. Speaker, the rapid advance and use of labor-saving machinery, the depression, and the onward march of humanitarianism have rendered old-age pensions not only inevitable but immediately mandatory.

In the past century there has been more material progress than in all the preceding centuries of the annals of mankind. Along with this unexampled progress has come the almost miraculous development of labor-saving machinery. A century ago one man might make 400 brick in a day. Today one man with a machine can make 400,000 brick in a day. A century ago men reaped their wheat with what was known as a "cradle." If all the wheat raised in the United States last year had been harvested in this manner, it would have required 6,000,000 men to do the job. Four thousand men with combines could have reaped and threshed all our production of wheat in any crop year in 10 days.

The energy of our machines is paralyzing. Four huge turbines possess the energy to do the task of 36,000,000 workers in the United States. A half pound of soft coal can do the work that it takes one man 8 hours to accomplish. One man and a machine can produce or rather process 30,000 barrels of flour in a day. A century ago he could grind out 1 barrel in a day. If we were in 1929 at the peak of production, with present machines, there would still be 5,000,000 idle. Out of this startling situation has been born the imperative necessity of old-age pensions and security against unemployment.

While there are very many things in this bill that do not please me nor meet my idea of an adequate law, I, like a large minority of the House, feel that, weak and inadequate as it is, it at least serves as a start in the right direction and that it may be amended from time to time as experience must surely vindicate those of us who sought to increase the allowance for old-age pensions. It is entirely too much like a pauper's dole. But experiences may teach us wisdom so that this paltry and uncertain allowance can be rendered both certain and adequate.

There was, I believe, a mistake made in trying to combine in one bill too many different objectives. All were very worthy aspirations but in combining such a multitude of subjects all were weakened and probably none will be a success. We have tried to build Rome in a day, and the result is apt to be disappointment to the real friends of old-age pensions as well as to the adherents of the other worthy undertakings embraced in this bill.

I wish that I might give this measure my whole-hearted approval for I have always favored such pensions since the menace of unemployment and age prevented many who had spent a lifetime at hard work from gaining a decent competence. I voted for the increases provided in amendments to that effect but they were defeated by the policy of the administration to limit the amount to be provided by the United States Government to \$15 per month, which is pitifully inadequate at this time particularly. But since it was a futile effort I give it my vote rather than to deny the aged some hope at least.

It is my idea that just at this time when the country is submerged in the depths of the depression, with the unemployed continuously increasing in spite of all the prodigality of spending, we should in this unprecedented spending use some of it for the aged who are the most acute sufferers in this tragedy of poverty in which the aged and indigent now find themselves.

But since the ruling majority has beaten down all amendments which would make this a real measure of relief at this most critical time, I am willing to let them take the responsibility for its inadequacy, and accept even this pitiful make-shift rather than deny all assistance to the aged.

## SOCIAL SECURITY ACT

Mr. DITTER. Mr. Speaker, I ask unanimous consent to extend my own remarks.

The SPEAKER. Without objection it is so ordered.  
There was no objection.

Mr. DITTER. Mr. Speaker, the problem of social and economic insecurity is one of the most difficult with which the Nation is faced today. We have experienced as a result of the depression wide-spread distress with attendant griefs and heartaches. Unfortunately the efforts of the present administration have not as yet provided any improvement of a permanent character. Experiments and extravagance have been disappointing and discomfoting. Inconsistency, uncertainties, and contradiction, characteristics of many of the policies, have tended to intensify rather than diminish the fears of future insecurity. On all sides we hear expressions of doubt, anxiety, misgiving, trepidation, and apprehension as to the outcome of the voyage on which we have embarked in the last few years. From all parts of the country there comes a plea for the relief of present suffering, a demand for some assurance of certainty of action and stability of policy, as well as a cry for protection against recurrence of disasters in the future.

Political opportunists have used the occasion to advance their own fortunes by advocating all manner of remedies, opiates, and balms as cure-alls for our ills. Demagogues have denounced our institutions, our methods, our systems, and our leaders, in their efforts to excite passion and arouse prejudice. Unsound and unworkable schemes as well as strange and ridiculous nostrums have been held out as the only remedy for society. Guaranteed incomes, distributed wealth, assured employment have provided the texts of the economic gospel messages expounded by artful preachers as the hope for an early utopian salvation. The platform, the radio, the press have been utilized to advance the cause of these pseudo benefactors of mankind. Propagandists, promoters, and proclaimers have painted pictures of the alleged ease, contentment, and security possible for their followers.

These conditions naturally have accelerated the demand for some type of new social legislation. Placing the "security of the men, women, and children of the Nation" as a first objective is a commendable program. It is as old as the institutions of our country. It has always been an objective of our Government. It is the soul of our democracy. It has always been the objective of those who have insisted upon the worth of spiritual values. It encouraged our colonial ancestors to declare their independence. It inspired our forefathers to give to the world the finest example of constitutional representative democracy. It developed the determination of our pioneers in their conquest of a continent. It consecrated the endeavors of an emancipator in the breaking of the shackles of human slavery. It challenged the ingenuity of our investors in the harnessing of the forces of nature. It enlisted the services of our patriots in the defense of our rights as a Nation. The security of the men, women, and children of the Nation has been the altar at which every patriotic sacrifice has been offered, the altar at which every patriotic dedication has been made, the altar at which every ennobling patriotic inspiration has been received. We may therefore conclude that a program for security does not involve a radical departure from time-honored principles, even though in the course to be pursued we may introduce some modifications adaptable to changed conditions of our national life.

I believe that we should accept a reasonable responsibility for the aged and that we should advocate a system to bring all possible economic security to the worker, but that in so doing we should adhere to the limitations of constitutional authority and power; and may I add, Mr. Chairman, it is my conviction that the desired benefits of assistance to the aged and to the worker can be secured within the framework of our Constitution, that we need not transgress its provisions nor seek to evade its requirements. And still further, may I emphatically declare my conviction that we need not become a socialistic state in order to recognize a larger degree of social responsibility to the unfortunate. Rather am I persuaded that the recognition of this responsibility by the civic and industrial leaders will help to protect our traditional American institutions of freedom and personal liberty by the correlation of the needed economic security. I believe, Mr. Speaker, that it is our duty to transmit as heritages to our children the blessings of liberty and the glory of national achievements, as well as to provide the requisite aid to the aged and to give security to the worker. Let us be mindful of the fact that security for the individual, whether worker or aged, will be a mockery and a sham if in the attainment thereof we barter away our constitutional rights or evade our constitutional duties and allot to our people the role of puppets of a socialistic state. The protection of private enterprise with the necessary adjunct of a reasonable profit and the preservation of personal liberties circumscribed only by the rights and welfare of others is a solemn obligation laid upon us by a constitutional oath. Private enterprise, I believe, is willing to do its part. It should be given an opportunity to assume its share of the burden without the visitation upon it of punitive and destructive requirements at a time when it is exerting every effort to maintain itself.

The bill, presently before the House, known as the "Social Security Act" is meritorious in many respects. It is regrettable that the sponsors of the measure insist upon a composite piece of legislation embracing several distinct features rather than separating it into at least two major bills. In this respect it resembles much of the legislation urged by the present administration. Of course, the purpose of this course is apparent. Proposals which might otherwise be rejected even by the members of the majority must be reluctantly accepted in order to secure the benefits of the desirable features of a proposed enactment.

The bill is divided into nine titles, all of which, however, must be voted upon as a whole. It is fair to assume that the same influence which has wielded such tremendous power on the members of the majority party will again assert itself, making separation impossible. The bill, as a whole, is based on the theory of "grants-in-aid to the States", by which is meant that funds are to be disbursed for the States upon the fulfillment of certain conditions by such recipients. Titles I, IV, V, and VI provide for grants to the States for old-age assistance, for the care of dependent children, for maternal and child welfare, and for public health. Agencies for these purposes are already operative in a number of States.

Titles III and IX relate to unemployment insurance and for the contribution of taxes to create a fund for this purpose. Aid is extended to States to encourage them to establish approved systems of unemployment.

Titles II and VIII are the objectionable features of the bill and have no place whatever in this measure. They provide for a distinct departure from established policies and should be stricken from the bill. They provide for compulsory old-age annuities and prescribe the method by which the money is to be raised to pay these annuities. It is doubtful whether they will stand the test of constitutionality. Certainly they are of such a character as to invite serious question. It is difficult to find any constitutional provision by which the Federal Government is authorized to impose a system of compulsory old-age benefits upon private industry. Aside from the question of constitutionality, the contributions required of both employer and employee by this provision places a burden difficult or impossible under present conditions for either to stand. We are all anxious

for recovery. Everything possible should be done to accelerate a return to normal conditions. Private business enterprises should be encouraged to launch out. Reemployment of wage earners in private fields of endeavor is essential to recovery. Those employed today are required in most instances to help shoulder the economic burden of a less fortunate relative. There is no justification for insisting that this feature of the bill be retained. It is retardation which means further insecurity. Recovery is a prerequisite for security. Again, Mr. Speaker, I protest against the practice of forcing upon the House composite bills carrying subjects which should be considered and acted upon separately.

The subject of old-age assistance has long been disputed and remains today to some extent controversial. I prefer to cast my lot with those who believe that a larger degree of responsibility rests upon society today for the dependent aged people in our communities than existed in the past. Medicine, hygiene, and improved living conditions have contributed to prolonging life. The development of machinery and its extended and ever-widening field of operation tend to place upon the discard list at an earlier age the skilled as well as the unskilled workman. The insecurity of those past middle age engaged in industry is alarming. Naturally these conditions are intensified as a result of our present unemployment problem. The obligation of the State to provide assistance to the dependent aged has long been recognized, dating back to the days of Queen Elizabeth. The harmful effects of pauperizing the individual should not be overlooked, and while institutional care will always be needed for the aged who may by reason of infirmity or illness be helpless or require care, nevertheless, in many instances a sense of self-respect and dignity can be maintained under old-age assistance funds which would not be possible when an almshouse invitation was extended.

The provision for the establishment of a system of unemployment insurance is desirable and no doubt will be generally supported. It is unfortunate that a plan of this kind was not established years ago. In some industries and in some States unemployment-insurance funds are in existence. Whether it should be forced upon industry and labor at this time is doubtful. The distress incident to unemployment is felt most intensely by the unemployed and their immediate dependents. But it must be recognized that a large part of the burden of wide-spread unemployment rests also on the general public. Taxes are levied for unemployment relief, contributions are made to agencies ministering to those in distress, and in many other ways the disastrous effects of a major business collapse and the resultant failure of the wage earners to secure a livelihood is felt by the citizens as a whole. Sound measures which give promise of aiding society in solving, at least to some extent, this difficult problem should commend themselves to all thinking people. Such measures aid not only the individual directly affected, but their benefits reach out into all walks of life and into all avenues of industry and business. They are individualistic and also cooperative in their results. They provide a means for cooperation between employer and employee for the benefit of all society and for the advancement of the general welfare.

There can be no present benefit expected from this legislation insofar as unemployment is concerned. In this respect, Mr. Speaker, I fear it will be a distinct disappointment. We should not hold out to the unfortunate and those in distress that this legislation will alleviate their present ills. It will not. To this extent it is a sham, a mockery. As has been well said, "They ask for bread and we give them a stone." The present difficulties should challenge the best efforts of the administration to adopt a sound, workable, and economical national program and discard the theories, experiments, and fallacies which have proved so costly and futile.

I am compelled, Mr. Speaker, to repeat the warning which I have heretofore expressed. This problem of economic insecurity and social instability will not be solved simply by the enactment of legislation creating unemployment-insurance schemes or providing old-age-assistance

funds. We cannot hope to give the people a sense of security by glib legislative phrases or by idealistic executive pronouncements, or by the compilation of actuarial statistics. We cannot provide a sense of security by programs for the destruction of wealth and artificially creating scarcity. We cannot assure to the people a sense of security by measures threatening their investments of life savings. We will fail to give a sense of security to our people if a policy of foreign trade is pursued which tends to destroy the operation of the fields of raw material and threatens the closing of mills and factories. These are all vital elements for security.

Finally, Mr. Speaker, I contend that we should translate idealism into realism, that we should be practical and not visionary, that a policy should be pursued of consistency embracing all features of our complex modern life in our endeavor to conquer insecurity.

## SOCIAL SECURITY AND PUERTO RICO

Mr. IGLESIAS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and incorporate therein several letters from the President of the United States, President Green, of the American Federation of Labor, and Secretary Ickes, in regard to the industrial and social security of Puerto Rico.

The SPEAKER. Is there objection to the request of the gentleman from Puerto Rico?

There was no objection.

Mr. IGLESIAS. Mr. Speaker, under leave granted me to extend my remarks in the RECORD, I wish to appeal to the Members of Congress once again in behalf of Puerto Rico, which is an organized Territory of the United States, considered as an integral part of this Nation by reason of the citizenship its people enjoy.

I especially make this appeal in view of the introduction in Congress of bills affecting the economic and social security of the country as a whole, and, in particular, do I wish to emphasize that the definition of the United States in all these bills should include Puerto Rico. It has been held by the United States Supreme Court that Puerto Rico is a complete, organized Territory. There also must be taken into consideration the organic act of March 2, 1917, known as the "Jones Act", in which appears this provision:

The statutory laws of the United States not locally inapplicable shall have the same force and effect in Puerto Rico as in the United States.

A social and economic measure of so great an importance as H. R. 7260, a bill to provide for the general welfare by establishing old-age benefits, and by enabling the States to make more adequate provision for aged persons, should be extended to Puerto Rico, as was originally done in a previous bill of this nature, H. R. 4120, and in similar bills introduced by Senator WAGNER and Congressmen MEAD and LEWIS, in which the definition of "State" included Alaska, Hawaii, Puerto Rico, and the District of Columbia. And in this regard I should like to insert in the RECORD as part of my remarks correspondence explaining the thoughts of the President and others concerning the extension of such legislation to Puerto Rico, as follows:

APRIL 10, 1935.

His Excellency the PRESIDENT OF THE UNITED STATES,  
The White House, Washington, D. C.

MY DEAR MR. PRESIDENT: I feel it my duty to call to your attention a matter of great importance to the masses of Puerto Rican workers. My appeal at this time is in connection with the social-security legislation recommended by you, which the House already has begun to consider.

I refer to the provisions of House bill No. 7260, reported by Chairman DOUGHTON, which contains a definition of the United States, embracing Alaska, Hawaii, and the District of Columbia, but it does not include Puerto Rico. Chairman DOUGHTON's original bill and similar bills introduced by Senator WAGNER and Congressmen MEAD and LEWIS do include Puerto Rico.

Now, I feel, Mr. President, that it is not wise to exclude the people of the island from participating in the obligations, responsibilities, and benefits of so far-reaching a national measure of a social and economic character, not only from the standpoint of fairness but also to instill the principles of progress, humanity, and social education.

I request, Mr. President, and I trust that your recognized sense of fairness and justice will lead Your Excellency to find the best

way of recommending the incorporation of Puerto Rico in the definition of the United States into this humanitarian measure.

Very respectfully and sincerely yours,

SANTIAGO IGLESIAS.

APRIL 10, 1935.

Mr. WILLIAM GREEN,

President American Federation of Labor, Washington, D. C.

DEAR SIR AND BROTHER: I have to appeal to you at this moment with reference to House bill No. 7260, introduced by Chairman DOUGHTON, which deals with the social security legislation. This bill, as reported out of the committee by Chairman DOUGHTON, does not include the Territory of Puerto Rico in its definition of the United States, although its provisions are extended to Alaska, Hawaii, and the District of Columbia.

A previous bill H. R. 4120, of this character, also introduced by Chairman DOUGHTON, at which hearings you testified, and similar bills introduced by Senator WAGNER and Congressman MEAD, all included Puerto Rico in this way: "As used in this title, the term 'State' shall include Alaska, Hawaii, Puerto Rico, and the District of Columbia."

Certainly Puerto Rico, an organized Territory, whose people are citizens of the United States, is an integral part of the United States, and in all fairness and justice the people of Puerto Rico should be permitted to participate in the benefits as well as in the obligations and responsibilities of so far-reaching a social program.

In this connection may I prevail to the extent of asking you to write to the chairman of the committee who is in charge of the above-stated bill and the labor Members of the House who will consider and vote for the foregoing measure, requesting them to favor the inclusion of Puerto Rico in this legislation?

I assure you that the working people of the island and I should be very much obliged to you and the American Federation of Labor, as ever in the past, for granting the above request.

With renewed assurances of my high esteem and with kind personal regard, I am,

Fraternally yours,

SANTIAGO IGLESIAS.

THE WHITE HOUSE,  
Washington, April 25, 1935.

Hon. SANTIAGO IGLESIAS,

Resident Commissioner from Puerto Rico,  
House Office Building.

MY DEAR Mr. IGLESIAS: I have your letter of April 10, in which you call my attention to the omission of Puerto Rico from the provisions of H. R. 7260, although Alaska, Hawaii, and the District of Columbia are included.

I very much regret this omission. However, you will be interested to know that as soon as the original draft of the bill was prepared, the Division of Territories and Island Possessions of the Department of the Interior took up this matter with solicitors of the Department, and is submitting an amendment which, if adopted, will rectify this situation insofar as Puerto Rico is concerned.

Sincerely yours,

FRANKLIN D. ROOSEVELT.

WASHINGTON, D. C., April 13, 1935.

Hon. SANTIAGO IGLESIAS,

House of Representatives, Washington, D. C.

DEAR SIR AND BROTHER: As a reply to your letter dated April 10, I am enclosing a copy of a communication which I sent to Chairman DOUGHTON, of the House Ways and Means Committee, and copy of a letter which I addressed to Hon. WILLIAM P. CONNERY, Jr., Chairman of the House Committee on Labor.

In addition, I am asking our legislative representatives to call upon our friends in Congress to join in the movement to secure the inclusion of Puerto Rico within the provisions of the social-security legislation to which you have called my attention.

Very sincerely yours,

WILLIAM GREEN,  
President American Federation of Labor.

WASHINGTON, D. C., April 13, 1935.

Hon. ROBERT L. DOUGHTON,

Chairman Ways and Means Committee,  
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: I wish very much that the provisions of the social-security legislation recommended by the Ways and Means Committee would be extended to the people of Puerto Rico.

H. R. 4120 as originally introduced provided that, "As used in this title the term 'State' shall include Alaska, Hawaii, Puerto Rico, and the District of Columbia." I understand that the social-security measure as recommended by your committee does not include the Territory of Puerto Rico in its definition of the United States, notwithstanding that its provisions are extended to Alaska, Hawaii, and the District of Columbia.

There does not seem to be any good reason why the people of Puerto Rico should be excluded from the benefits of the social-justice provisions of this legislation herein referred to. May I ask, in the name of labor and of the organization of labor in Puerto Rico, that you favor the inclusion of Puerto Rico in the provisions of the social-security legislation recommended for enactment by the House Ways and Means Committee.

Very sincerely yours,

WILLIAM GREEN,  
President American Federation of Labor.

WASHINGTON, D. C., April 13, 1935.

Hon. WILLIAM P. CONNERY, Jr.,  
Chairman Committee on Labor,

House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: I enclose a copy of a letter which I addressed to Hon. ROBERT L. DOUGHTON, Chairman of the House Ways and Means Committee, which is self-explanatory.

I just cannot understand why Puerto Rico should be excluded from the benefits of the social-security legislation recommended by the House Ways and Means Committee. If the people of Alaska, Hawaii, and the District of Columbia are to be beneficiaries of this legislation, what good reason could be offered the people of Puerto Rico and their friends in the United States as to why the Territory of Puerto Rico is excluded from the benefits and provisions of this legislation and its provisions?

I ask you and the friends of labor of the House of Representatives to unite in making a vigorous fight for the inclusion of Puerto Rico in the benefits and provisions of the social security legislation now pending in Congress.

Thanking you in advance, I beg to remain,

Very sincerely yours,

WILLIAM GREEN,  
President American Federation of Labor.

[Radiogram received Apr. 23, 1935]

No. 159.

GRUENING,

SAN JUAN, April 23.

Division of Territories and Island Possessions:

Please transmit following message to Gov. Blanton Winship: Wagner social-security bill already passed the House pending action of Senate. Puerto Rico not included in benefits of bill. Health department has insular funds to match appropriations for maternity and public-health work. Urgent that bill be amended in Senate to include Puerto Rico. United States Public Health Service now contributes \$25,000 toward support of public-health units in 12 municipalities. If Puerto Rico is not included in this bill, this money will not be available after June 30, 1935.

HORTON, Acting Governor.

THE SECRETARY OF THE INTERIOR,

Washington, April 24, 1935.

Hon. MILLARD E. TYDINGS,

Chairman Committee on Territories and Insular Affairs,  
United States Senate.

MY DEAR SENATOR TYDINGS: Enclosed is a draft of a proposed amendment to H. R. 7260, the social-security bill.

The amendment relates to titles I, IV, V, and VI, dealing with grants for old-age assistance, aid to dependent children, maternal and child welfare, and public health work. The bill in its present form provides for grants for these purposes to the States, the District of Columbia, Alaska, and Hawaii, but not to the insular possessions. The proposed amendment would extend the definition of the term "State", where used in these titles, to include Puerto Rico and the Virgin Islands.

The need for aid of this sort in those possessions is at least as great as in the States and Territories. It is demonstrable by figures that in the case of Puerto Rico the actual need per capita is very much greater than in any State of the Union. Puerto Rico has suffered particularly from legislation designed to benefit the American people as a whole, to the cost of which Puerto Rico has contributed, but the benefits of which were not applicable to its citizens. There seems to be no just reason for discriminating against these possessions. Indeed, because of their lack of representation in Congress, it seems to me that we should be particularly solicitous that they do not suffer economically through their lesser political status.

In the original economic-security bill, H. R. 4120, Puerto Rico was included among the "States" entitled to grants under the titles corresponding to titles I, IV, and V. In the present bill, H. R. 7260, Puerto Rico has been excluded and the amounts authorized to be appropriated have been somewhat reduced. The proposed amendment would restore the amounts authorized to be appropriated in those titles in the original bill, in order to make some provision for the needs of the island possessions.

I am advised by Mr. A. J. Altmyer, Second Assistant Secretary of Labor, on behalf of Miss Perkins, the Chairman of the President's Committee on Economic Security, that "the Committee on Economic Security has never given specific consideration to the question of whether the security legislation should cover the Territories and possessions of the United States", and that he believes, therefore, that I am free to make such recommendations on this subject as I deem proper.

In view of the urgent need for aid of this sort, so essential to social security in these possessions, I strongly recommend that this amendment be given favorable consideration.

I have transmitted to Senator HARRISON, as Chairman of the Committee on Finance, a similar letter advising him of the facts and recommending that this amendment be adopted. For your convenience, I am enclosing a copy of my letter to Senator HARRISON.

Sincerely yours,

HAROLD L. ICKER,  
Secretary of the Interior.

Amendments intended to be proposed by Mr. TYDINGS (by request) to House bill no. 7260, the social-security bill:

On page 2, line 5, to strike out "\$49,750,000" and insert in lieu thereof "\$50,000,000."

On page 19, line 23, to strike out "\$24,750,000" and insert in lieu thereof "\$25,000,000."

On page 25, line 6, to strike out "\$3,800,000" and insert in lieu thereof "\$4,000,000."

On page 30, line 13, strike out "\$2,850,000" and insert in lieu thereof "\$3,000,000."

On page 59, line 13, after "Columbia", insert a semicolon and the following: "and when used in titles I, IV, V (except section 531) and VI, the term 'State' includes, in addition, Puerto Rico and the Virgin Islands."

Mr. IGLESIAS. Mr. Speaker, the importance to the continental United States for having the social-security bill extended to Puerto Rico may readily be seen through the channels of our commercial intercourse.

The per capita purchases of Puerto Rico from the United States are higher than the combined per capita purchases of all Central and South American countries plus Mexico. In 1931 Puerto Rico ranked ninth in the world in value purchases from the United States and sixth in the world in total volume of trade with this Nation. The latest statistics just issued places Puerto Rico as the best customer of the United States in all Spanish-speaking countries. It ranks eighth in the world in total purchases from the United States.

Two-thirds of the profits derived from the 1,600,000 Puerto Rico consumers flow back and remain in the hands of continental business men. This, coupled with the great difference in prices of commodities between the island and the mainland, is a back-breaking burden, indeed, to the people of Puerto Rico. This difference is a consequence of the rise in the prices of commodities in the United States, a result of the operation of the major recovery acts. It represents an indirect taxation which we have estimated to approximate \$18,000,000 a year, exclusive of the usual revenues to the mainland.

I have been requested by representatives of the Puerto Rican Legislature to submit to the Congress and to the administrative authorities in Washington for their attention and consideration that when the legislation for the rehabilitation and social-security program become effective it be extended to Puerto Rico.

We feel and believe that Puerto Rico has the right to respectfully demand that its people be included in any social-security or rehabilitation plan contemplated for the several States of the Union.

The majority of people of Puerto Rico, as represented by the legislature, have the greatest confidence in the manifest fairness of the President and the Congress. The legislature and the people in general are extremely anxious to do their part in the prosecution of these projects, which are of so far-reaching a social and economic consequence, in order to assure the highest integration and coordination between the legislative and administrative authorities of the insular government and those of the Federal Government.

AMERICAN FEDERATION OF LABOR,  
Washington, D. C., April 22, 1935.

HON. SANTIAGO IGLESIAS,  
Delegate from Puerto Rico,  
House Office Building, Washington, D. C.

DEAR DELEGATE IGLESIAS: Enclosed you will find copy of a letter I have received from Mr. ROBERT L. DOUGHTON, Chairman of the Ways and Means Committee of the House of Representatives, in answer to mine calling attention to the omission of Puerto Rico from the social security bill.

Mr. DOUGHTON'S answer is self-explanatory.  
Very truly yours,

WM. GREEN,  
President American Federation of Labor.

COMMITTEE ON WAYS AND MEANS,  
HOUSE OF REPRESENTATIVES,  
Washington, D. C., April 19, 1935.

Mr. WILLIAM GREEN,  
President American Federation of Labor,  
Washington, D. C.

DEAR MR. GREEN: Your letter of recent date was duly received, and I note what you say regarding the omission of Puerto Rico from the provisions of H. R. 7260, the social-security bill.

It is true that the original bill included Puerto Rico in some of the titles and was excluded in others, among which was the title dealing with unemployment insurance.

During the consideration of the bill in executive session the change was made so that the definition and treatment of Puerto

Rico would be the same as under our revenue laws, inasmuch as the bill contains provisions providing for income and excise taxes. This was done because Puerto Rico has its own tax law and does not pay any taxes into the Treasury of the United States.

The committee felt that this change should be made in view of the fact that many of the benefits provided in the bill were dependent in a great measure upon the tax features. It was felt that questions involved in this matter might be ironed out later.

I regret my delay in acknowledging receipt of your letter. Such delay has been due to the fact that my time has been almost completely taken up for the past few days in connection with the consideration of the bill in the House.

Yours very truly,

R. L. DOUGHTON, Chairman.

I want to quote from the address of the President some of the thoughts that are applicable to Puerto Rico as well as to the mainland, as follows:

We find our population suffering from old inequalities, little changed by past sporadic remedies. In spite of our efforts and in spite of our talk, we have not weeded out the overprivileged and we have not effectively lifted up the underprivileged. Both of these manifestations of injustice have retarded happiness. No wise man has any intention of destroying what is known as the "profit motive"; because by the profit motive we mean the right by work to earn a decent livelihood for ourselves and for our families.

In defining immediate factors which enter into our quest, I have spoken to the Congress and the people of three great divisions:

1. The security of livelihood through the better use of the national resources of the land in which we live.
2. The security against the major hazards and vicissitudes of life.
3. The security of decent homes.

Closely related to the broad problem of livelihood is that of security against the major hazards of life. Here also a comprehensive survey of what has been attempted or accomplished in many nations and in many States proves to me that the time has come for action by the National Government. I shall send to you, in a few days, definite recommendations based on these studies. These recommendations will cover the broad subjects of unemployment insurance and old-age insurance, of benefits for children, for mothers, for the handicapped, for maternity care, and for other aspects of dependency and illness where a beginning can now be made.

74TH CONGRESS  
1ST SESSION

# H. R. 7260

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IN THE SENATE OF THE UNITED STATES

APRIL 15 (calendar day, APRIL 22), 1935

Read twice and referred to the Committee on Finance

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## AN ACT

To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

1           *Be it enacted by the Senate and House of Representa-*  
2           *tives of the United States of America in Congress assembled,*

3           **TITLE I—GRANTS TO STATES FOR OLD-AGE**

4                           **ASSISTANCE**

5                           **APPROPRIATION**

6           **SECTION 1.** For the purpose of enabling each State

7           to furnish financial assistance assuring, as far as practicable



1 under the conditions in such State, a reasonable subsistence  
2 compatible with decency and health to aged individuals with-  
3 out such subsistence, there is hereby authorized to be appro-  
4 priated for the fiscal year ending June 30, 1936, the sum  
5 of \$49,750,000, and there is hereby authorized to be appro-  
6 priated for each fiscal year thereafter a sum sufficient to  
7 carry out the purposes of this title. The sums made avail-  
8 able under this section shall be used for making payments to  
9 States which have submitted, and had approved by the Social  
10 Security Board established by Title VII (hereinafter  
11 referred to as the "Board"), State plans for old-age  
12 assistance.

13 STATE OLD-AGE ASSISTANCE PLANS

14 SEC. 2. (a) A State plan for old-age assistance must  
15 (1) provide that it shall be in effect in all political subdivi-  
16 sions of the State, and, if administered by them, be manda-  
17 tory upon them; (2) provide for financial participation  
18 by the State; (3) either provide for the establishment or  
19 designation of a single State agency to administer the plan,  
20 or provide for the establishment or designation of a single  
21 State agency to supervise the administration of the plan;  
22 (4) provide for granting to any individual, whose claim for  
23 old-age assistance is denied, an opportunity for a fair hear-  
24 ing before such State agency; (5) provide such methods  
25 of administration (other than those relating to selection,

1 tenure of office, and compensation of personnel) as are  
2 found by the Board to be necessary for the efficient oper-  
3 ation of the plan; (6) provide that the State agency will  
4 make such reports, in such form and containing such informa-  
5 tion, as the Board may from time to time require, and  
6 comply with such provisions as the Board may from time  
7 to time find necessary to assure the correctness and verifica-  
8 tion of such reports; and (7) provide that, if the State or  
9 any of its political subdivisions collects from the estate of  
10 any recipient of old-age assistance any amount with respect  
11 to old-age assistance furnished him under the plan, one-half  
12 of the net amount so collected shall be promptly paid to the  
13 United States. Any payment so made shall be deposited  
14 in the Treasury to the credit of the appropriation for the  
15 purposes of this title.

16 (b) The Board shall approve any plan which fulfills  
17 the conditions specified in subsection (a), except that it shall  
18 not approve any plan which imposes, as a condition of  
19 eligibility for old-age assistance under the plan—

20 (1) An age requirement of more than sixty-five  
21 years, except that the plan may impose, effective until  
22 January 1, 1940, an age requirement of as much as  
23 seventy years; or

24 (2) Any residence requirement which excludes  
25 any resident of the State who has resided therein five

1       years during the nine years immediately preceding the  
 2       application for old-age assistance and has resided therein  
 3       continuously for one year immediately preceding the  
 4       application; or

5               (3) Any citizenship requirement which excludes  
 6       any citizen of the United States.

7                               PAYMENT TO STATES

8       SEC. 3. (a) From the sums appropriated therefor, the  
 9       Secretary of the Treasury shall pay to each State which  
 10      has an approved plan for old-age assistance, for each quarter,  
 11      beginning with the quarter commencing July 1, 1935, (1)  
 12      an amount, which shall be used exclusively as old-age as-  
 13      sistance, equal to one-half of the total of the sums expended  
 14      during such quarter as old-age assistance under the State  
 15      plan with respect to each individual who at the time of such  
 16      expenditure is sixty-five years of age or older and is not  
 17      an inmate of a public institution, not counting so much  
 18      of such expenditure with respect to any individual for any  
 19      month as exceeds \$30, and (2) 5 per centum of such  
 20      amount, which shall be used for paying the costs of ad-  
 21      ministering the State plan or for old-age assistance, or both,  
 22      and for no other purpose.

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

1           (1) The Board shall, prior to the beginning of  
2 each quarter, estimate the amount to be paid to the  
3 State for such quarter under the provisions of clause  
4 (1) of subsection (a), such estimate to be based  
5 on (A) a report filed by the State containing its  
6 estimate of the total sum to be expended in such  
7 quarter in accordance with the provisions of such  
8 clause, and stating the amount appropriated or made  
9 available by the State and its political subdivisions  
10 for such expenditures in such quarter, and if such  
11 amount is less than one-half of the total sum of such  
12 estimated expenditures, the source or sources from which  
13 the difference is expected to be derived, (B) records  
14 showing the number of aged individuals in the State,  
15 and (C) such other investigation as the Board may find  
16 necessary.

17           (2) The Board shall then certify to the Secretary  
18 of the Treasury the amount so estimated by the Board,  
19 reduced or increased, as the case may be, by any sum  
20 by which it finds that its estimate for any prior quarter  
21 was greater or less than the amount which should have  
22 been paid to the State under clause (1) of sub-  
23 section (a) for such quarter, except to the extent that  
24 such sum has been applied to make the amount certified

1 for any prior quarter greater or less than the amount  
2 estimated by the Board for such prior quarter.

3 (3) The Secretary of the Treasury shall there-  
4 upon, through the Division of Disbursement of the  
5 Treasury Department and prior to audit or settlement  
6 by the General Accounting Office, pay to the State,  
7 at the time or times fixed by the Board, the amount  
8 so certified, increased by 5 per centum.

9 OPERATION OF STATE PLANS

10 SEC. 4. In the case of any State plan for old-age  
11 assistance which has been approved by the Board, if the  
12 Board, after notice and opportunity for hearing to the State  
13 agency administering or supervising the administration of  
14 such plan, finds—

15 (1) that the plan has been so changed as to im-  
16 pose any age, residence, or citizenship requirement  
17 prohibited by section 2 (b), or that in the administra-  
18 tion of the plan any such prohibited requirement is  
19 imposed, with the knowledge of such State agency, in  
20 a substantial number of cases; or

21 (2) that in the administration of the plan there  
22 is a failure to comply substantially with any provision  
23 required by section 2 (a) to be included in the plan;  
24 the Board shall notify such State agency that further pay-  
25 ments will not be made to the State until the Board is satis-

1 fied that such prohibited requirement is no longer so imposed,  
 2 and that there is no longer any such failure to comply.  
 3 Until it is so satisfied it shall make no further certification  
 4 to the Secretary of the Treasury with respect to such State.

#### 5 ADMINISTRATION

6 SEC. 5. There is hereby authorized to be appropri-  
 7 ated for the fiscal year ending June 30, 1936, the sum  
 8 of \$250,000, for all necessary expenses of the Board in  
 9 administering the provisions of this title.

#### 10 DEFINITION

11 SEC. 6. When used in this title the term "old-age  
 12 assistance" means money payments to aged individuals.

### 13 TITLE II—FEDERAL OLD-AGE BENEFITS

#### 14 OLD-AGE RESEERVE ACCOUNT

15 SECTION 201. (a) There is hereby created an account  
 16 in the Treasury of the United States to be known as the  
 17 "Old-Age Reserve Account" hereinafter in this title called  
 18 the "Account". There is hereby authorized to be appro-  
 19 priated to the Account for each fiscal year, beginning with  
 20 the fiscal year ending June 30, 1937, an amount sufficient as  
 21 an annual premium to provide for the payments required  
 22 under this title, such amount to be determined on a reserve  
 23 basis in accordance with accepted actuarial principles, and  
 24 based upon such tables of mortality as the Secretary of the  
 25 Treasury shall from time to time adopt, and upon an interest

1 rate of 3 per centum per annum compounded annually. The  
2 Secretary of the Treasury shall submit annually to the  
3 Bureau of the Budget an estimate of the appropriations to  
4 be made to the Account.

5 (b) It shall be the duty of the Secretary of the Treas-  
6 ury to invest such portion of the amounts credited to the  
7 Account as is not, in his judgment, required to meet current  
8 withdrawals. Such investment may be made only in  
9 interest-bearing obligations of the United States or in obliga-  
10 tions guaranteed as to both principal and interest by the  
11 United States. For such purpose such obligations may be  
12 acquired (1) on original issue at par, or (2) by purchase  
13 of outstanding obligations at the market price. The pur-  
14 poses for which obligations of the United States may be  
15 issued under the Second Liberty Bond Act, as amended, are  
16 hereby extended to authorize the issuance at par of special  
17 obligations exclusively to the Account. Such special obliga-  
18 tions shall bear interest at the rate of 3 per centum per  
19 annum. Obligations other than such special obligations  
20 may be acquired for the Account only on such terms as to  
21 provide an investment yield of not less than 3 per centum  
22 per annum.

23 (c) Any obligations acquired by the Account (except  
24 special obligations issued exclusively to the Account) may be

1 sold at the market price, and such special obligations may be  
2 redeemed at par plus accrued interest.

3 (d) The interest on, and the proceeds from the sale or  
4 redemption of, any obligations held in the Account shall be  
5 credited to and form a part of the Account.

6 (e) All amounts credited to the Account shall be avail-  
7 able for making payments required under this title.

8 (f) The Secretary of the Treasury shall include in  
9 his annual report the actuarial status of the Account.

10 **OLD-AGE BENEFIT PAYMENTS**

11 **SEC. 202. (a) Every qualified individual (as defined in**  
12 **section 210) shall be entitled to receive, with respect to the**  
13 **period beginning on the date he attains the age of sixty-five,**  
14 **or on January 1, 1942, whichever is the later, and ending**  
15 **on the date of his death, an old-age benefit (payable as**  
16 **nearly as practicable in equal monthly installments) as**  
17 **follows:**

18 (1) If the total wages (as defined in section  
19 210) determined by the Board to have been paid to  
20 him, with respect to employment (as defined in section  
21 210) after December 31, 1936, and before he attained  
22 the age of sixty-five, were not more than \$3,000, the  
23 old-age benefit shall be at a monthly rate of one-half  
24 of 1 per centum of such total wages;



1           (2) If such total wages were more than \$3,000,  
2           the old-age benefit shall be at a monthly rate equal to  
3           the sum of the following:

4                   (A) One-half of 1 per centum of \$3,000;  
5                   plus

6                   (B) One-twelfth of 1 per centum of the  
7                   amount by which such total wages exceeded  
8                   \$3,000 and did not exceed \$45,000; plus

9                   (C) One-twenty-fourth of 1 per centum of  
10                  the amount by which such total wages exceeded  
11                  \$45,000.

12           (b) In no case shall the monthly rate computed under  
13           subsection (a) exceed \$85.

14           (c) If the Board finds at any time that more or less  
15           than the correct amount has theretofore been paid to any  
16           individual under this section, then, under regulations made  
17           by the Board, proper adjustments shall be made in con-  
18           nection with subsequent payments under this section to the  
19           same individual.

#### 20                                   PAYMENTS UPON DEATH

21           SEC. 203. (a) If any individual dies before attaining  
22           the age of sixty-five, there shall be paid to his estate an  
23           amount equal to  $3\frac{1}{2}$  per centum of the total wages deter-  
24           mined by the Board to have been paid to him, with respect  
25           to employment after December 31, 1936.

1           (b) If the Board finds that the correct amount of the  
2 old-age benefit payable to a qualified individual during his  
3 life under section 202 was less than  $3\frac{1}{2}$  per centum of the  
4 total wages by which such old-age benefit was measurable,  
5 then there shall be paid to his estate a sum equal to the  
6 amount, if any, by which such  $3\frac{1}{2}$  per centum exceeds the  
7 amount (whether more or less than the correct amount)  
8 paid to him during his life as old-age benefit.

9           (c) If the Board finds that the total amount paid  
10 to a qualified individual under an old-age benefit during  
11 his life was less than the correct amount to which he was  
12 entitled under section 202, and that the correct amount of  
13 such old-age benefit was  $3\frac{1}{2}$  per centum or more of the  
14 total wages by which such old-age benefit was measurable,  
15 then there shall be paid to his estate a sum equal to the  
16 amount, if any, by which the correct amount of the old-age  
17 benefit exceeds the amount which was so paid to him  
18 during his life.

19 PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR  
20 BENEFITS

21           SEC. 204. (a) There shall be paid in a lump sum to any  
22 individual who, upon attaining the age of sixty-five, is not a  
23 qualified individual, an amount equal to  $3\frac{1}{2}$  per centum of the  
24 total wages determined by the Board to have been paid to

1 him, with respect to employment after December 31, 1936,  
2 and before he attained the age of sixty-five.

3 (b) After any individual becomes entitled to any pay-  
4 ment under subsection (a), no other payment shall be made  
5 under this title in any manner measured by wages paid  
6 to him, except that any part of any payment under subsection  
7 (a) which is not paid to him before his death shall be paid to  
8 his estate.

9 AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATES

10 SEC. 205. If any amount payable to an estate under  
11 section 203 or 204 is \$500 or less, such amount may, under  
12 regulations prescribed by the Board, be paid to the persons  
13 found by the Board to be entitled thereto under the law of  
14 the State in which the deceased was domiciled, without the  
15 necessity of compliance with the requirements of law with  
16 respect to the administration of such estate.

17 OVERPAYMENTS DURING LIFE

18 SEC. 206. If the Board finds that the total amount paid  
19 to a qualified individual under an old-age benefit during his  
20 life was more than the correct amount to which he was  
21 entitled under section 202, and was  $3\frac{1}{2}$  per centum or more  
22 of the total wages by which such old-age benefit was meas-  
23 urable, then upon his death there shall be repaid to the  
24 United States by his estate the amount, if any, by which  
25 such total amount paid to him during his life exceeds which-

1 ever of the following is the greater: (1) Such  $3\frac{1}{2}$  per  
2 centum, or (2) the correct amount to which he was entitled  
3 under section 202.

4 **METHOD OF MAKING PAYMENTS**

5 **SEC. 207.** The Board shall from time to time certify  
6 to the Secretary of the Treasury the name and address of  
7 each person entitled to receive a payment under this title,  
8 the amount of such payment, and the time at which it  
9 should be made, and the Secretary of the Treasury through  
10 the Division of Disbursement of the Treasury Department,  
11 and prior to audit or settlement by the General Account-  
12 ing Office, shall make payment in accordance with the  
13 certification by the Board.

14 **ASSIGNMENT**

15 **SEC. 208.** The right of any person to any future pay-  
16 ment under this title shall not be transferable or assignable,  
17 at law or in equity, and none of the moneys paid or payable  
18 or rights existing under this title shall be subject to execu-  
19 tion, levy, attachment, garnishment, or other legal process,  
20 or to the operation of any bankruptcy or insolvency law.

21 **PENALTIES**

22 **SEC. 209.** Whoever in any application for any pay-  
23 ment under this title makes any false statement as to any  
24 material fact, knowing such statement to be false, shall

1 be fined not more than \$1,000 or imprisoned for not more  
2 than one year, or both.

3 **DEFINITIONS**

4 **SEC. 210.** When used in this title—

5 (a) The term “wages” means all remuneration for  
6 employment, including the cash value of all remuneration  
7 paid in any medium other than cash; except that such term  
8 shall not include that part of the remuneration which, after  
9 remuneration equal to \$3,000 has been paid to an indi-  
10 vidual by an employer with respect to employment during  
11 any calendar year, is paid to such individual by such  
12 employer with respect to employment during such calendar  
13 year.

14 (b) The term “employment” means any service,  
15 of whatever nature, performed within the United States by  
16 an employee for his employer, except—

17 (1) Agricultural labor;

18 (2) Domestic service in a private home;

19 (3) Casual labor not in the course of the em-  
20 ployer’s trade or business;

21 (4) Service performed as an officer or member  
22 of the crew of a vessel documented under the laws of  
23 the United States or of any foreign country;

1           (5) Service performed in the employ of the  
2           United States Government or of an instrumentality of  
3           the United States;

4           (6) Service performed in the employ of a State,  
5           a political subdivision thereof, or an instrumentality  
6           of one or more States or political subdivisions;

7           (7) Service performed in the employ of a cor-  
8           poration, community chest, fund, or foundation, organ-  
9           ized and operated exclusively for religious, charitable,  
10          scientific, literary, or educational purposes, no part of  
11          the net earnings of which inures to the benefit of any  
12          private shareholder or individual.

13          (c) The term "qualified individual" means any indi-  
14          vidual with respect to whom it appears to the satisfaction of  
15          the Board that—

16               (1) He is at least sixty-five years of age; and

17               (2) The total amount of wages paid to him, with  
18               respect to employment after December 31, 1936, and  
19               before he attained the age of sixty-five, was not less  
20               than \$2,000; and

21               (3) Wages were paid to him, with respect to  
22               employment on some five days after December 31,  
23               1936, and before he attained the age of sixty-five,  
24               each day being in a different calendar year.

1 TITLE III—GRANTS TO STATES FOR UNEMPLOY-  
2 MENT COMPENSATION ADMINISTRATION

3 APPROPRIATION

4 SECTION 301. For the purpose of assisting the States  
5 in the administration of their unemployment compensation  
6 laws, there is hereby authorized to be appropriated, for the  
7 fiscal year ending June 30, 1936, the sum of \$4,000,000,  
8 and for each fiscal year thereafter the sum of \$49,000,000,  
9 to be used as hereinafter provided.

10 PAYMENTS TO STATES

11 SEC. 302. (a) The Board shall from time to time cer-  
12 tify to the Secretary of the Treasury for payment to each  
13 State which has an unemployment compensation law ap-  
14 proved by the Board under Title IX, such amounts as the  
15 Board determines to be necessary for the proper adminis-  
16 tration of such law during the fiscal year in which such  
17 payment is to be made. The Board's determination shall  
18 be based on (1) the population of the State; (2) an esti-  
19 mate of the number of persons covered by the State law and  
20 of the cost of proper administration of such law; and (3)  
21 such other factors as the Board finds relevant. The Board  
22 shall not certify for payment under this section in any fiscal  
23 year a total amount in excess of the amount appropriated  
24 therefor for such fiscal year.

1 (b) Out of the sums appropriated therefor, the Secre-  
2 tary of the Treasury shall, upon receiving a certification  
3 under subsection (a), pay, through the Division of Dis-  
4 bursement of the Treasury Department and prior to audit or  
5 settlement by the General Accounting Office, to the State  
6 agency charged with the administration of such law the  
7 amount so certified.

8 PROVISIONS OF STATE LAWS

9 SEC. 303. (a) The Board shall make no certification  
10 for payment to any State unless it finds that the law of such  
11 State, approved by the Board under Title IX, includes  
12 provisions for—

13 (1) Such methods of administration (other than  
14 those relating to selection, tenure of office, and com-  
15 pensation of personnel) as are found by the Board to  
16 be reasonably calculated to insure full payment of  
17 unemployment compensation when due; and

18 (2) Payment of unemployment compensation  
19 solely through public employment offices in the State;  
20 and

21 (3) Opportunity for a fair hearing, before an  
22 impartial tribunal, for all individuals whose claims for  
23 unemployment compensation are denied; and



1           (4) The payment of all money received in the  
2 unemployment fund of such State, immediately upon  
3 such receipt, to the Secretary of the Treasury to the  
4 credit of the Unemployment Trust Fund established by  
5 section 904; and

6           (5) Expenditure of all money requisitioned by  
7 the State agency from the Unemployment Trust Fund,  
8 in the payment of unemployment compensation, exclu-  
9 sive of expenses of administration; and

10          (6) The making of such reports, in such form  
11 and containing such information, as the Board may  
12 from time to time require, and compliance with such  
13 provisions as the Board may from time to time find  
14 necessary to assure the correctness and verification of  
15 such reports; and

16          (7) Making available upon request to any agency  
17 of the United States charged with the administration  
18 of public works or assistance through public employ-  
19 ment, the name, address, ordinary occupation and em-  
20 ployment status of each recipient of unemployment com-  
21 pensation, and a statement of such recipient's rights to  
22 further compensation under such law.

23          (b) Whenever the Board, after notice and opportunity  
24 for hearing to the State agency charged with the administra-

1 tion of the State law, finds that in the administration of the  
2 law there is—

3 (1) a denial, in a substantial number of cases, of  
4 unemployment compensation to individuals entitled  
5 thereto under such law; or

6 (2) a failure to comply substantially with any  
7 provision specified in subsection (a);

8 the Board shall notify such State agency that further pay-  
9 ments will not be made to the State until the Board is sat-  
10 isfied that there is no longer any such denial or failure to  
11 comply. Until it is so satisfied it shall make no further  
12 certification to the Secretary of the Treasury with respect  
13 to such State.

14 TITLE IV—GRANTS TO STATES FOR AID TO  
15 DEPENDENT CHILDREN

16 APPROPRIATION

17 SECTION 401. For the purpose of enabling each State  
18 to furnish financial assistance assuring, as far as practicable  
19 under the conditions in such State, a reasonable subsistence  
20 compatible with decency and health to dependent children  
21 without such subsistence, there is hereby authorized to be ap-  
22 propriated for the fiscal year ending June 30, 1936, the sum  
23 of \$24,750,000, and there is hereby authorized to be appro-  
24 priated for each fiscal year thereafter a sum sufficient to

1 carry out the purposes of this title. The sums made avail-  
2 able under this section shall be used for making payments to  
3 States which have submitted, and had approved by the  
4 Board, State plans for aid to dependent children.

5 STATE PLANS FOR AID TO DEPENDENT CHILDREN

6 SEC. 402. (a) A State plan for aid to dependent chil-  
7 dren must (1) provide that it shall be in effect in all political  
8 subdivisions of the State, and, if administered by them, be  
9 mandatory upon them; (2) provide for financial partici-  
10 pation by the State; (3) either provide for the establish-  
11 ment or designation of a single State agency to administer  
12 the plan, or provide for the establishment or designation of  
13 a single State agency to supervise the administration of the  
14 plan; (4) provide for granting to any individual, whose claim  
15 with respect to aid to a dependent child is denied, an oppor-  
16 tunity for a fair hearing before such State agency; (5) pro-  
17 vide such methods of administration (other than those relat-  
18 ing to selection, tenure of office, and compensation of per-  
19 sonnel) as are found by the Board to be necessary for the  
20 efficient operation of the plan; and (6) provide that the  
21 State agency will make such reports, in such form and con-  
22 taining such information, as the Board may from time to time  
23 require, and comply with such provisions as the Board may  
24 from time to time find necessary to assure the correctness and  
25 verification of such reports.

1 (b) The Board shall approve any plan which fulfills  
2 the conditions specified in subsection (a), except that it  
3 shall not approve any plan which imposes as a condition of  
4 eligibility for aid to dependent children, a residence require-  
5 ment which denies aid with respect to any child residing in  
6 the State (1) who has resided in the State for one year  
7 immediately preceding the application for such aid, or (2)  
8 who was born within the State within one year immediately  
9 preceding the application.

10 PAYMENT TO STATES

11 SEC. 403. (a) From the sums appropriated therefor,  
12 the Secretary of the Treasury shall pay to each State which  
13 has an approved plan for aid to dependent children, for each  
14 quarter, beginning with the quarter commencing July 1,  
15 1935, an amount, which shall be used exclusively for carry-  
16 ing out the State plan, equal to one-third of the total of the  
17 sums expended during such quarter under such plan, not  
18 counting so much of such expenditure with respect to any  
19 dependent child for any month as exceeds \$18, or if there  
20 is more than one dependent child in the same home, as  
21 exceeds \$18 for any month with respect to one such depend-  
22 ent child and \$12 for such month with respect to each of  
23 the other dependent children.

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

1           (1) The Board shall, prior to the beginning of  
2 each quarter, estimate the amount to be paid to the  
3 State for such quarter under the provisions of subsection  
4 (a), such estimate to be based on (A) a report  
5 filed by the State containing its estimate of the total  
6 sum to be expended in such quarter in accordance with  
7 the provisions of such subsection and stating the  
8 amount appropriated or made available by the  
9 State and its political subdivisions for such expenditures  
10 in such quarter, and if such amount is less than two-  
11 thirds of the total sum of such estimated expenditures,  
12 the source or sources from which the difference is  
13 expected to be derived, (B) records showing the number  
14 of dependent children in the State, and (C) such  
15 other investigation as the Board may find necessary.

16           (2) The Board shall then certify to the Secretary  
17 of the Treasury the amount so estimated by the  
18 Board, reduced or increased, as the case may be, by  
19 any sum by which it finds that its estimate for any  
20 prior quarter was greater or less than the amount which  
21 should have been paid to the State for such quarter,  
22 except to the extent that such sum has been applied  
23 to make the amount certified for any prior quarter  
24 greater or less than the amount estimated by the Board  
25 for such prior quarter.

1           (3) The Secretary of the Treasury shall there-  
2 upon, through the Division of Disbursement of the  
3 Treasury Department and prior to audit or settlement  
4 by the General Accounting Office, pay to the State,  
5 at the time or times fixed by the Board, the amount so  
6 certified.

7   OPERATION OF STATE PLANS

8           SEC. 404. In the case of any State plan for aid to  
9 dependent children which has been approved by the Board,  
10 if the Board, after notice and opportunity for hearing to the  
11 State agency administering or supervising the administra-  
12 tion of such plan, finds—

13                   (1) that the plan has been so changed as to im-  
14 pose any residence requirement prohibited by section  
15 402 (b), or that in the administration of the plan any  
16 such prohibited requirement is imposed, with the knowl-  
17 edge of such State agency, in a substantial number of  
18 cases; or

19                   (2) that in the administration of the plan there is  
20 a failure to comply substantially with any provision  
21 required by section 402 (a) to be included in the plan;  
22 the Board shall notify such State agency that further pay-  
23 ments will not be made to the State until the Board is  
24 satisfied that such prohibited requirement is no longer so  
25 imposed, and that there is no longer any such failure to

1 comply. Until it is so satisfied it shall make no further  
2 certification to the Secretary of the Treasury with respect  
3 to such State.

#### 4 ADMINISTRATION

5 SEC. 405. There is hereby authorized to be appro-  
6 priated for the fiscal year ending June 30, 1936, the sum of  
7 \$250,000 for all necessary expenses of the Board in admin-  
8 istering the provisions of this title.

#### 9 DEFINITIONS

10 SEC. 406. When used in this title—

11 (a) The term “dependent child” means a child under  
12 the age of sixteen who is living with his father, mother,  
13 grandfather, grandmother, brother, sister, stepfather, step-  
14 mother, stepbrother, stepsister, uncle, or aunt, in a residence  
15 maintained by one or more of such relatives as his or their  
16 own home;

17 (b) The term “aid to dependent children” means  
18 money payments with respect to a dependent child or  
19 dependent children.

### 20 TITLE V—GRANTS TO STATES FOR MATERNAL 21 AND CHILD WELFARE

#### 22 PART 1—MATERNAL AND CHILD HEALTH SERVICES

#### 23 APPROPRIATION

24 SECTION 501. For the purpose of enabling each State  
25 to extend and improve, as far as practicable under the condi-

1 tions in such State, services for promoting the health of  
2 mothers and children, especially in rural areas and in areas  
3 suffering from severe economic distress, there is hereby  
4 authorized to be appropriated for each fiscal year, beginning  
5 with the fiscal year ending June 30, 1936, the sum of  
6 \$3,800,000. The sums made available under this section  
7 shall be used for making payments to States which have  
8 submitted, and had approved by the Chief of the Children's  
9 Bureau, State plans for such services.

10 ALLOTMENTS TO STATES

11 SEC. 502. (a) Out of the sums appropriated pursuant to  
12 section 501 for each fiscal year the Secretary of Labor shall  
13 allot to each State \$20,000, and such part of \$1,800,000  
14 as he finds that the number of live births in such State bears  
15 to the total number of live births in the United States.

16 (b) Out of the sums appropriated pursuant to section  
17 501 for each fiscal year the Secretary of Labor shall allot  
18 to the States \$980,000 (in addition to the allotments made  
19 under subsection (a) ), according to the financial need of  
20 each State for assistance in carrying out its State plan, as  
21 determined by him after taking into consideration the num-  
22 ber of live births in such State.

23 (c) The amount of any allotment to a State under  
24 subsection (a) for any fiscal year remaining unpaid to  
25 such State at the end of such fiscal year shall be available



1 for payment to such State under section 504 until the end  
2 of the second succeeding fiscal year. No payment to a  
3 State under section 504 shall be made out of its allotment  
4 for any fiscal year until its allotment for the preceding  
5 fiscal year has been exhausted or has ceased to be available.

6 APPROVAL OF STATE PLANS

7 SEC. 503. (a) A State plan for maternal and child-  
8 health services must (1) provide for financial participa-  
9 tion by the State; (2) provide for the administration of the  
10 plan or the supervision of the administration of the plan by  
11 the State health agency; (3) provide such methods of ad-  
12 ministration (other than those relating to selection, tenure  
13 of office, and compensation of personnel) as are found by  
14 the Chief of the Children's Bureau to be necessary for the  
15 efficient operation of the plan; (4) provide that the State  
16 health agency will make such reports, in such form and con-  
17 taining such information, as the Secretary of Labor may  
18 from time to time require, and comply with such provisions  
19 as he may from time to time find necessary to assure the  
20 correctness and verification of such reports; (5) provide  
21 for the extension and improvement of local maternal and  
22 child-health services administered by local child-health units;  
23 (6) provide for cooperation with medical, nursing, and wel-  
24 fare groups and organizations; and (7) provide for the

1 development of demonstration services in needy areas and  
2 among groups in special need.

3 (b) The Chief of the Children's Bureau shall approve  
4 any plan which fulfills the conditions specified in subsection  
5 (a) and shall thereupon notify the Secretary of Labor and  
6 the State health agency of his approval.

7 PAYMENT TO STATES

8 SEC. 504. (a) From the sums appropriated therefor  
9 and the allotments available under section 502 (a), the Secre-  
10 tary of the Treasury shall pay to each State which has an  
11 approved plan for maternal and child-health services, for  
12 each quarter, beginning July 1, 1935, an amount, which  
13 shall be used exclusively for carrying out the State plan,  
14 equal to one-half of the total sum expended during such  
15 quarter for carrying out such plan.

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

18 (1) The Secretary of Labor shall, prior to the  
19 beginning of each quarter, estimate the amount to be  
20 paid to the State for such quarter under the provisions  
21 of subsection (a), such estimate to be based on (A)  
22 a report filed by the State containing its estimate of  
23 the total sum to be expended in such quarter in ac-  
24 cordance with the provisions of such subsection and stat-

1       ing the amount appropriated or made available  
2       by the State for such expenditures in such quarter,  
3       and if such amount is less than one-half of the total  
4       sum of such estimated expenditures, the source or  
5       sources from which the difference is expected to be  
6       derived, and (B) such investigation as he may find  
7       necessary.

8               (2) The Secretary of Labor shall then certify the  
9       amount so estimated by him to the Secretary of the  
10       Treasury, reduced or increased, as the case may be,  
11       by any sum by which the Secretary of Labor finds  
12       that his estimate for any prior quarter was greater  
13       or less than the amount which should have been paid  
14       to the State for such quarter, except to the extent  
15       that such sum has been applied to make the amount  
16       certified for any prior quarter greater or less than the  
17       amount estimated by the Secretary of Labor for such  
18       prior quarter.

19               (3) The Secretary of the Treasury shall there-  
20       upon, through the Division of Disbursement of the  
21       Treasury Department and prior to audit or settlement  
22       by the General Accounting Office, pay to the State, at  
23       the time or times fixed by the Secretary of Labor, the  
24       amount so certified.

1           (c) The Secretary of Labor shall from time to time  
2 certify to the Secretary of the Treasury the amounts to be  
3 paid to the States from the allotments available under sec-  
4 tion 502 (b), and the Secretary of the Treasury shall,  
5 through the Division of Disbursement of the Treasury De-  
6 partment and prior to audit or settlement by the General  
7 Accounting Office, make payments of such amounts from  
8 such allotments at the time or times specified by the  
9 Secretary of Labor.

10                                   OPERATION OF STATE PLANS

11           SEC. 505. In the case of any State plan for maternal  
12 and child-health services which has been approved by the  
13 Chief of the Children's Bureau, if the Secretary of Labor,  
14 after notice and opportunity for hearing to the State agency  
15 administering or supervising the administration of such plan,  
16 finds that in the administration of the plan there is a failure  
17 to comply substantially with any provision required by sec-  
18 tion 503 to be included in the plan, he shall notify such  
19 State agency that further payments will not be made to the  
20 State until he is satisfied that there is no longer any such  
21 failure to comply. Until he is so satisfied he shall make no  
22 further certification to the Secretary of the Treasury with  
23 respect to such State.

## 1           PART 2—SERVICES FOR CRIPPLED CHILDREN

## 2                           APPROPRIATION

3           SEC. 511. For the purpose of enabling each State to  
4 extend and improve (especially in rural areas and in areas  
5 suffering from severe economic distress), as far as prac-  
6 ticable under the conditions in such State, services for locating  
7 crippled children, and for providing medical, surgical, cor-  
8 rective, and other services and care, and facilities for  
9 diagnosis, hospitalization, and aftercare, for children who are  
10 crippled or who are suffering from conditions which lead  
11 to crippling, there is hereby authorized to be appropriated  
12 for each fiscal year, beginning with the fiscal year ending  
13 June 30, 1936, the sum of \$2,850,000. The sums made  
14 available under this section shall be used for making pay-  
15 ments to States which have submitted, and had approved  
16 by the Chief of the Children's Bureau, State plans for such  
17 services.

## 18                           ALLOTMENTS TO STATES

19           SEC. 512. (a) Out of the sums appropriated pursuant  
20 to section 511 for each fiscal year the Secretary of Labor  
21 shall allot to each State \$20,000, and the remainder to the  
22 States according to the need of each State as determined  
23 by him after taking into consideration the number of  
24 crippled children in such State in need of the services

1 referred to in section 511 and the cost of furnishing such  
2 services to them.

3 (b) The amount of any allotment to a State under  
4 subsection (a) for any fiscal year remaining unpaid to  
5 such State at the end of such fiscal year shall be available  
6 for payment to such State under section 514 until the end  
7 of the second succeeding fiscal year. No payment to a  
8 State under section 514 shall be made out of its allotment  
9 for any fiscal year until its allotment for the preceding fiscal  
10 year has been exhausted or has ceased to be available.

#### 11 APPROVAL OF STATE PLANS

12 SEC. 513. (a) A State plan for services for crippled  
13 children must (1) provide for financial participation by  
14 the State; (2) provide for the administration of the plan or  
15 the supervision of the administration of the plan by a State  
16 agency; (3) provide such methods of administration (other  
17 than those relating to selection, tenure of office, and compen-  
18 sation of personnel) as are found by the Chief of the Chil-  
19 dren's Bureau to be necessary for the efficient operation of  
20 the plan; (4) provide that the State agency will make such  
21 reports, in such form and containing such information, as  
22 the Secretary of Labor may from time to time require, and  
23 comply with such provisions as he may from time to time  
24 find necessary to assure the correctness and verification of

1 such reports; (5) provide for carrying out the purposes  
2 specified in section 511; and (6) provide for cooperation  
3 with medical, health, nursing, and welfare groups and organ-  
4 izations and with any agency in such State charged with  
5 administering State laws providing for vocational rehabili-  
6 tation of physically handicapped children.

7 (b) The Chief of the Children's Bureau shall approve  
8 any plan which fulfills the conditions specified in subsection  
9 (a) and shall thereupon notify the Secretary of Labor and  
10 the State agency of his approval.

11 PAYMENT TO STATES

12 SEC. 514. (a) From the sums appropriated therefor  
13 and the allotments available under section 512, the Secre-  
14 tary of the Treasury shall pay to each State which has an  
15 approved plan for services for crippled children, for each  
16 quarter, beginning July 1, 1935, an amount, which shall  
17 be used exclusively for carrying out the State plan, equal  
18 to one-half of the total sum expended during such quarter  
19 for carrying out such plan.

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

22 (1) The Secretary of Labor shall, prior to the  
23 beginning of each quarter, estimate the amount to be  
24 paid to the State for such quarter under the provisions  
25 of subsection (a), such estimate to be based on (A)

1 a report filed by the State containing its estimate of the  
2 total sum to be expended in such quarter in accordance  
3 with the provisions of such subsection and stating the  
4 amount appropriated or made available by the State  
5 for such expenditures in such quarter, and if such  
6 amount is less than one-half of the total sum of such  
7 estimated expenditures, the source or sources from  
8 which the difference is expected to be derived, and (B)  
9 such investigation as he may find necessary.

10 (2) The Secretary of Labor shall then certify the  
11 amount so estimated by him to the Secretary of the  
12 Treasury, reduced or increased, as the case may be, by  
13 any sum by which the Secretary of Labor finds that  
14 his estimate for any prior quarter was greater or less  
15 than the amount which should have been paid to the  
16 State for such quarter, except to the extent that such  
17 sum has been applied to make the amount certified  
18 for any prior quarter greater or less than the amount  
19 estimated by the Secretary of Labor for such prior  
20 quarter.

21 (3) The Secretary of the Treasury shall there-  
22 upon, through the Division of Disbursement of the  
23 Treasury Department and prior to audit or settlement  
24 by the General Accounting Office, pay to the State, at



1       the time or times fixed by the Secretary of Labor, the  
2       amount so certified.

3                                   OPERATION OF STATE PLANS

4       SEC. 515. In the case of any State plan for services  
5       for crippled children which has been approved by the Chief  
6       of the Children's Bureau, if the Secretary of Labor, after  
7       notice and opportunity for hearing to the State agency ad-  
8       ministering or supervising the administration of such plan,  
9       finds that in the administration of the plan there is a failure  
10      to comply substantially with any provision required by sec-  
11      tion 513 to be included in the plan, he shall notify such  
12      State agency that further payments will not be made to the  
13      State until he is satisfied that there is no longer any such  
14      failure to comply. Until he is so satisfied he shall make  
15      no further certification to the Secretary of the Treasury with  
16      respect to such State.

17                                   PART 3—CHILD-WELFARE SERVICES

18      SEC. 521. For the purpose of enabling the United  
19      States, through the Children's Bureau, to cooperate with  
20      State public-welfare agencies in establishing, extending,  
21      and strengthening, in rural areas, public-welfare services for  
22      the protection and care of homeless, dependent, and neglected  
23      children, and children in danger of becoming delinquent,  
24      there is hereby authorized to be appropriated for each fiscal  
25      year, beginning with the fiscal year ending June 30, 1936,

1 the sum of \$1,500,000. Such amount shall be allotted for  
2 use by cooperating State public-welfare agencies, to each  
3 State, \$10,000, and such part of the balance as the rural  
4 population of such State bears to the total rural population  
5 of the United States. The amount so allotted shall be ex-  
6 pended for payment of part of the costs of county and local  
7 child-welfare services in rural areas. The amount of any  
8 allotment to a State under this section for any fiscal year  
9 remaining unpaid to such State at the end of such fiscal  
10 year shall be available for payment to such State under this  
11 section until the end of the second succeeding fiscal year.  
12 No payment to a State under this section shall be made out  
13 of its allotment for any fiscal year until its allotment for  
14 the preceding fiscal year has been exhausted or has ceased  
15 to be available.

16 PART 4—VOCATIONAL REHABILITATION

17 SEC. 531. (a) In order to enable the United States  
18 to cooperate with the States and Hawaii in extending and  
19 strengthening their programs of vocational rehabilitation of  
20 the physically disabled, and to continue to carry out the  
21 provisions and purposes of the Act entitled "An Act to  
22 provide for the promotion of vocational rehabilitation of  
23 persons disabled in industry or otherwise and their return  
24 to civil employment", approved June 2, 1920, as amended  
25 (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29,

1 secs. 31, 32, 34, 35, 37, 39, and 40), there is hereby  
2 authorized to be appropriated for the fiscal years end-  
3 ing June 30, 1936, and June 30, 1937, the sum of  
4 \$841,000 for each such fiscal year in addition to the  
5 amount of the existing authorization, and for each fiscal year  
6 thereafter the sum of \$1,938,000. Of the sums appropriated  
7 pursuant to such authorization for each fiscal year, \$5,000  
8 shall be apportioned to the Territory of Hawaii and the re-  
9 mainder shall be apportioned among the several States in the  
10 manner provided in such Act of June 2, 1920, as amended.

11 (b) For the administration of such Act of June 2,  
12 1920, as amended, by the Federal agency authorized to  
13 administer it, there is hereby authorized to be appropriated  
14 for the fiscal years ending June 30, 1936, and June 30,  
15 1937, the sum of \$22,000 for each such fiscal year in  
16 addition to the amount of the existing authorization, and for  
17 each fiscal year thereafter the sum of \$102,000.

18 PART 5—ADMINISTRATION

19 SEC. 541. (a) There is hereby authorized to be appro-  
20 priated for the fiscal year ending June 30, 1936, the sum  
21 of \$425,000, for all necessary expenses of the Children's  
22 Bureau in administering the provisions of this title.

23 (b) The Children's Bureau shall make such studies  
24 and investigations as will promote the efficient administration  
25 of this title.

1           (c) The Secretary of Labor shall include in his  
2 annual report to Congress a full account of the administra-  
3 tion of this title, except section 531.

#### 4                   TITLE VI—PUBLIC HEALTH WORK

##### 5                                   APPROPRIATION

6           SECTION 601. For the purpose of assisting States,  
7 counties, health districts, and other political subdivisions of  
8 the States in establishing and maintaining adequate public-  
9 health services, including the training of personnel for State  
10 and local health work, there is hereby authorized to be  
11 appropriated for each fiscal year, beginning with the fiscal  
12 year ending June 30, 1936, the sum of \$8,000,000 to be  
13 used as hereinafter provided.

##### 14                                   STATE AND LOCAL PUBLIC HEALTH SERVICES

15           SEC. 602. (a) The Surgeon General of the Public  
16 Health Service, with the approval of the Secretary of the  
17 Treasury, shall, at the beginning of each fiscal year, allot  
18 to the States the total of (1) the amount appropriated for  
19 such year pursuant to section 601; and (2) the amounts of  
20 the allotments under this section for the preceding fiscal year  
21 remaining unpaid to the States at the end of such fiscal year.  
22 The amounts of such allotments shall be determined on the  
23 basis of (1) the population; (2) the special health problems;  
24 and (3) the financial needs; of the respective States. Upon  
25 making such allotments the Surgeon General of the Public

1 Health Service shall certify the amounts thereof to the Secre-  
2 tary of the Treasury.

3 (b) The amount of an allotment to any State under  
4 subsection (a) for any fiscal year, remaining unpaid at the  
5 end of such fiscal year, shall be available for allotment to  
6 States under subsection (a) for the succeeding fiscal year, in  
7 addition to the amount appropriated for such year.

8 (c) Prior to the beginning of each quarter of the fiscal  
9 year, the Surgeon General of the Public Health Service  
10 shall, with the approval of the Secretary of the Treasury,  
11 determine in accordance with rules and regulations pre-  
12 scribed by such Surgeon General after consultation with a  
13 conference of the State and Territorial health authorities,  
14 the amount to be paid to each State for such quarter from  
15 the allotment to such State, and shall certify the amount  
16 so determined to the Secretary of the Treasury. Upon  
17 receipt of such certification, the Secretary of the Treasury  
18 shall, through the Division of Disbursement of the Treasury  
19 Department and prior to audit or settlement by the General  
20 Accounting Office, pay in accordance with such certification.

21 (d) The moneys so paid to any State shall be expended  
22 solely in carrying out the purposes specified in section 601,  
23 and in accordance with plans presented by the health author-  
24 ity of such State and approved by the Surgeon General of  
25 the Public Health Service.

## 1 INVESTIGATIONS

2 SEC. 603. (a) There is hereby authorized to be  
3 appropriated for each fiscal year, beginning with the fiscal  
4 year ending June 30, 1936, the sum of \$2,000,000 for  
5 expenditure by the Public Health Service for investigation  
6 of disease and problems of sanitation (including the printing  
7 and binding of the findings of such investigations), and for  
8 the pay and allowances and traveling expenses of personnel  
9 of the Public Health Service, including commissioned officers,  
10 engaged in such investigations or detailed to cooperate with  
11 the health authorities of any State in carrying out the pur-  
12 poses specified in section 601: *Provided*, That no personnel  
13 of the Public Health Service shall be detailed to cooperate  
14 with the health authorities of any State except at the request  
15 of the proper authorities of such State.

16 (b) The personnel of the Public Health Service paid  
17 from any appropriation not made pursuant to subsection  
18 (a) may be detailed to assist in carrying out the purposes of  
19 this title. The appropriation from which they are paid  
20 shall be reimbursed from the appropriation made pursuant  
21 to subsection (a) to the extent of their salaries and allow-  
22 ances for services performed while so detailed.

23 (c) The Secretary of the Treasury shall include in his  
24 annual report to Congress a full account of the administration  
25 of this title.

## 1 TITLE VII—SOCIAL SECURITY BOARD

## 2 ESTABLISHMENT

3 SECTION 701. There is hereby established a Social  
4 Security Board (in this Act referred to as the "Board")  
5 to be composed of three members to be appointed by the  
6 President, by and with the advice and consent of the Sen-  
7 ate. Each member shall receive a salary at the rate of  
8 \$10,000 a year and shall hold office for a term of six years,  
9 except that (1) any member appointed to fill a vacancy oc-  
10 ccurring prior to the expiration of the term for which his  
11 predecessor was appointed, shall be appointed for the re-  
12 mainder of such term; and (2) the terms of office of the  
13 members first taking office after the date of the enactment of  
14 this Act shall expire, as designated by the President at the  
15 time of appointment, one at the end of two years, one at  
16 the end of four years, and one at the end of six years, after  
17 the date of the enactment of this Act. The President shall  
18 designate one of the members as the chairman of the Board.

## 19 DUTIES OF SOCIAL SECURITY BOARD

20 SEC. 702. The Board shall perform the duties imposed  
21 upon it by this Act and shall also have the duty of studying  
22 and making recommendations as to the most effective  
23 methods of providing economic security through social  
24 insurance, and as to legislation and matters of administra-

1 tive policy concerning old-age pensions, unemployment  
2 compensation, accident compensation, and related subjects.

3 **EXPENSES OF THE BOARD**

4 **SEC. 703.** The Board is authorized to appoint and fix  
5 the compensation of such officers and employees, and to  
6 make such expenditures, as may be necessary for carrying  
7 out its functions under this Act.

8 **REPORTS**

9 **SEC. 704.** The Board shall make a full report to Con-  
10 gress, at the beginning of each regular session, of the admin-  
11 istration of the functions with which it is charged.

12 **TITLE VIII—TAXES WITH RESPECT TO**  
13 **EMPLOYMENT**

14 **INCOME TAX ON EMPLOYEES**

15 **SECTION 801.** In addition to other taxes, there shall be  
16 levied, collected, and paid upon the income of every indi-  
17 vidual a tax equal to the following percentages of the wages  
18 (as defined in section 811) received by him after December  
19 31, 1936, with respect to employment (as defined in section  
20 811) after such date:

21 (1) With respect to employment during the calendar  
22 years 1937, 1938, and 1939, the rate shall be 1 per centum.

23 (2) With respect to employment during the calendar  
24 years 1940, 1941, and 1942, the rate shall be 1½ per centum.



1           (3) With respect to employment during the calendar  
2 years 1943, 1944, and 1945, the rate shall be 2 per centum.

3           (4) With respect to employment during the calendar  
4 years 1946, 1947, and 1948, the rate shall be  $2\frac{1}{2}$  per  
5 centum.

6           (5) With respect to employment after December 31,  
7 1948, the rate shall be 3 per centum.

8                                 DEDUCTION OF TAX FROM WAGES

9           SEC. 802. (a) The tax imposed by section 801 shall  
10 be collected by the employer of the taxpayer, by deduct-  
11 ing the amount of the tax from the wages as and when  
12 paid. Every employer required so to deduct the tax is  
13 hereby made liable for the payment of such tax, and is  
14 hereby indemnified against the claims and demands of any  
15 person for the amount of any such payment made by such  
16 employer.

17           (b) If more or less than the correct amount of tax  
18 imposed by section 801 is paid with respect to any wage pay-  
19 ment, then, under regulations made under this title, proper  
20 adjustments, with respect both to the tax and the amount  
21 to be deducted, shall be made in connection with subsequent  
22 wage payments to the same individual by the same  
23 employer.

24                                 DEDUCTIBILITY FROM INCOME TAX

25           SEC. 803. For the purposes of the income tax imposed  
26 by Title I of the Revenue Act of 1934 or by any Act of

1 Congress in substitution therefor, the tax imposed by sec-  
2 tion 801 shall not be allowed as a deduction to the taxpayer  
3 in computing his net income for the year in which such  
4 tax is deducted from his wages.

5 **EXCISE TAX ON EMPLOYERS**

6 **SEC. 804.** In addition to other taxes, every employer  
7 shall pay an excise tax, with respect to having individuals  
8 in his employ, equal to the following percentages of the  
9 wages (as defined in section 811) paid by him after Decem-  
10 ber 31, 1936, with respect to employment (as defined in  
11 section 811) after such date:

12 (1) With respect to employment during the calendar  
13 years 1937, 1938, and 1939, the rate shall be 1 per centum.

14 (2) With respect to employment during the calendar  
15 years 1940, 1941, and 1942, the rate shall be  $1\frac{1}{2}$  per  
16 centum.

17 (3) With respect to employment during the calendar  
18 years 1943, 1944, and 1945, the rate shall be 2 per centum.

19 (4) With respect to employment during the calendar  
20 years 1946, 1947, and 1948, the rate shall be  $2\frac{1}{2}$  per  
21 centum.

22 (5) With respect to employment after December 31,  
23 1948, the rate shall be 3 per centum.

24 **ADJUSTMENT OF EMPLOYERS' TAX**

25 **SEC. 805.** If more or less than the correct amount of  
26 tax imposed by section 804 is paid with respect to any wage

1 payment, then, under regulations made under this title,  
2 proper adjustments with respect to the tax shall be made  
3 in connection with subsequent wage payments to the same  
4 individual by the same employer.

5 **REFUNDS AND DEFICIENCIES**

6 **SEC. 806.** If more or less than the correct amount  
7 of tax imposed by section 801 or 804 is paid or deducted  
8 with respect to any wage payment and the overpayment or  
9 underpayment of tax cannot be adjusted under section 802 (b)  
10 or 805 the amount of the overpayment shall be refunded  
11 and the amount of the underpayment shall be collected,  
12 in such manner and at such times (subject to the statutes  
13 of limitations properly applicable thereto) as may be pre-  
14 scribed by regulations made under this title.

15 **COLLECTION AND PAYMENT OF TAXES**

16 **SEC. 807. (a)** The taxes imposed by this title shall  
17 be collected by the Bureau of Internal Revenue under the  
18 direction of the Secretary of the Treasury and shall be  
19 paid into the Treasury of the United States as internal-  
20 revenue collections.

21 (b) Such taxes shall be collected and paid in such  
22 manner, at such times, and under such conditions, not incon-  
23 sistent with this title (either by making and filing returns,  
24 or by stamps, coupons, tickets, books, or other reasonable  
25 devices or methods necessary or helpful in securing a com-

1 plete and proper collection and payment of the tax or in  
2 securing proper identification of the taxpayer), as may be  
3 prescribed by the Commissioner of Internal Revenue, with  
4 the approval of the Secretary of the Treasury.

5 (c) All provisions of law, including penalties, appli-  
6 cable with respect to any tax imposed by section 600 or  
7 section 800 of the Revenue Act of 1926, and the provisions  
8 of section 607 of the Revenue Act of 1934, shall, insofar  
9 as applicable and not inconsistent with the provisions of this  
10 title, be applicable with respect to the taxes imposed by this  
11 title.

12 (d) In the payment of any tax under this title a frac-  
13 tional part of a cent shall be disregarded unless it amounts  
14 to one-half cent or more, in which case it shall be increased  
15 to 1 cent.

#### 16 RULES AND REGULATIONS

17 SEC. 808. The Commissioner of Internal Revenue,  
18 with the approval of the Secretary of the Treasury, shall  
19 make and publish rules and regulations for the enforcement  
20 of this title.

#### 21 SALE OF STAMPS BY POSTMASTERS

22 SEC. 809. The Commissioner of Internal Revenue  
23 shall furnish to the Postmaster General without prepayment  
24 a suitable quantity of stamps, coupons, tickets, books, or  
25 other devices prescribed by the Commissioner under section

1 807 for the collection or payment of any tax imposed by this  
2 title, to be distributed to, and kept on sale by, all post offices  
3 of the first and second classes, and such post offices of the  
4 third and fourth classes as (1) are located in county seats,  
5 or (2) are certified by the Secretary of the Treasury to  
6 the Postmaster General as necessary to the proper adminis-  
7 tration of this title. The Postmaster General may require  
8 each such postmaster to furnish bond in such increased  
9 amount as he may from time to time determine, and  
10 each such postmaster shall deposit the receipts from the  
11 sale of such stamps, coupons, tickets, books, or other  
12 devices, to the credit of, and render accounts to, the Post-  
13 master General at such times and in such form as the  
14 Postmaster General may by regulations prescribe. The  
15 Postmaster General shall at least once a month transfer to  
16 the Treasury as internal-revenue collections all receipts so  
17 deposited.

#### 18 PENALTIES

19 SEC. 810. (a) Whoever buys, sells, offers for sale,  
20 uses, transfers, takes or gives in exchange, or pledges or  
21 gives in pledge, except as authorized in this title or in  
22 regulations made pursuant thereto, any stamp, coupon, ticket,  
23 book, or other device, prescribed by the Commissioner of  
24 Internal Revenue under section 807 for the collection or

1 payment of any tax imposed by this title, shall be fined not  
2 more than \$1,000 or imprisoned for not more than six  
3 months, or both.

4 (b) Whoever, with intent to defraud, alters, forges,  
5 makes, or counterfeits any stamp, coupon, ticket, book, or  
6 other device prescribed by the Commissioner of Internal  
7 Revenue under section 807 for the collection or payment of  
8 any tax imposed by this title, or uses, sells, lends, or has in  
9 his possession any such altered, forged, or counterfeited  
10 stamp, coupon, ticket, book, or other device, or makes, uses,  
11 sells, or has in his possession any material in imitation of the  
12 material used in the manufacture of such stamp, coupon,  
13 ticket, book, or other device, shall be fined not more than  
14 \$5,000 or imprisoned not more than five years, or both.

15 **DEFINITIONS**

16 .SEC. 811. When used in this title—

17 (a) The term “wages” means all remuneration for  
18 employment, including the cash value of all remuneration  
19 paid in any medium other than cash; except that such term  
20 shall not include that part of the remuneration which, after  
21 remuneration equal to \$3,000 has been paid to an individual  
22 by an employer with respect to employment during any  
23 calendar year, is paid to such individual by such employer  
24 with respect to employment during such calendar year.

1           (b) The term "employment" means any service, of  
2 whatever nature, performed within the United States by an  
3 employee for his employer, except—

4           (1) Agricultural labor;

5           (2) Domestic service in a private home;

6           (3) Casual labor not in the course of the em-  
7 ployer's trade or business;

8           (4) Service performed by an individual who has  
9 attained the age of sixty-five;

10           (5) Service performed as an officer or member  
11 of the crew of a vessel documented under the laws of  
12 the United States or of any foreign country;

13           (6) Service performed in the employ of the  
14 United States Government or of an instrumentality of  
15 the United States;

16           (7) Service performed in the employ of a State,  
17 a political subdivision thereof, or an instrumentality of  
18 one or more States or political subdivisions;

19           (8) Service performed in the employ of a corpo-  
20 ration, community chest, fund, or foundation, organized  
21 and operated exclusively for religious, charitable, scien-  
22 tific, literary, or educational purposes, no part of the  
23 net earnings of which inures to the benefit of any  
24 private shareholder or individual.

1 TITLE IX—TAX ON EMPLOYERS OF TEN OR MORE  
2 IMPOSITION OF TAX

3 SECTION 901. On and after January 1, 1936, every  
4 employer (as defined in section 907) shall pay for each  
5 calendar year an excise tax, with respect to having indi-  
6 viduals in his employ, equal to the following percentages of  
7 the total wages (as defined in section 907) payable by  
8 him (regardless of the time of payment) with respect to  
9 employment (as defined in section 907) during such  
10 calendar year:

11 (1) With respect to employment during the calendar  
12 year 1936 the rate shall be 1 per centum;

13 (2) With respect to employment during the calendar  
14 year 1937 the rate shall be 2 per centum;

15 (3) With respect to employment after December 31,  
16 1937, the rate shall be 3 per centum.

17 CREDIT AGAINST TAX

18 SEC. 902. The taxpayer may credit against the tax  
19 imposed by section 901 the amount of contributions, with  
20 respect to employment during the taxable year, paid by  
21 him (before the date of filing his return for the taxable  
22 year) into an unemployment fund under a State law. The  
23 total credit allowed to a taxpayer under this section for all  
24 contributions paid into unemployment funds with respect



1 to employment during such taxable year shall not exceed  
2 90 per centum of the tax against which it is credited, and  
3 credit shall be allowed only for contributions made under  
4 the laws of States certified for the taxable year as provided  
5 in section 903.

6 CERTIFICATION OF STATE LAWS

7 SEC. 903. (a) The Social Security Board shall  
8 approve any State law submitted to it, within thirty days of  
9 such submission, which it finds provides that—

10 (1) All compensation is to be paid through  
11 public employment offices in the State;

12 (2) No compensation shall be payable with  
13 respect to any day of unemployment occurring within  
14 two years after the first day of the first period with  
15 respect to which contributions are required;

16 (3) All money received in the unemployment  
17 fund shall immediately upon such receipt be paid over  
18 to the Secretary of the Treasury to the credit of the  
19 Unemployment Trust Fund established by section  
20 904;

21 (4) All money withdrawn from the Unemploy-  
22 ment Trust Fund by the State agency shall be used  
23 solely in the payment of compensation, exclusive of  
24 expenses of administration;

1           (5) Compensation shall not be denied in such  
2 State to any otherwise eligible individual for refusing to  
3 accept new work under any of the following condi-  
4 tions: (A) If the position offered is vacant due directly  
5 to a strike, lockout, or other labor dispute; (B) if the  
6 wages, hours, or other conditions of the work offered  
7 are substantially less favorable to the individual than  
8 those prevailing for similar work in the locality; (C)  
9 if as a condition of being employed the individual  
10 would be required to join a company union or to resign  
11 from or refrain from joining any bona fide labor  
12 organization;

13           (6) All the rights, privileges, or immunities con-  
14 ferred by such law or by acts done pursuant thereto  
15 shall exist subject to the power of the legislature to  
16 amend or repeal such law at any time.

17 The Board shall, upon approving such law, notify the Gov-  
18 ernor of the State of its approval.

19           (b) On December 31 in each taxable year the Board  
20 shall certify to the Secretary of the Treasury each State  
21 whose law it has previously approved, except that it shall  
22 not certify any State which, after notice and opportunity  
23 for hearing to the State agency, the Board finds has changed  
24 its law so that it no longer contains the provisions specified

1 in subsection (a) or has with respect to such taxable year  
2 failed to comply substantially with any such provision.

3 (c) If, at any time during the taxable year, the Board  
4 has reason to believe that a State whose law it has pre-  
5 viously approved, may not be certified under subsection (b),  
6 it shall promptly so notify the Governor of such State.

7 UNEMPLOYMENT TRUST FUND

8 SEC. 904. (a) There is hereby established in the  
9 Treasury of the United States a trust fund to be known as  
10 the "Unemployment Trust Fund", hereinafter in this title  
11 called the "Fund". The Secretary of the Treasury is  
12 authorized and directed to receive and hold in the Fund  
13 all moneys deposited therein by a State agency from a State  
14 unemployment fund. Such deposit may be made directly  
15 with the Secretary of the Treasury or with any Federal  
16 reserve bank or member bank of the Federal Reserve Sys-  
17 tem designated by him for such purpose.

18 (b) It shall be the duty of the Secretary of the  
19 Treasury to invest such portion of the Fund as is not, in  
20 his judgment, required to meet current withdrawals. Such  
21 investment may be made only in interest bearing obligations  
22 of the United States or in obligations guaranteed as to both  
23 principal and interest by the United States. For such  
24 purpose such obligations may be acquired (1) on original  
25 issue at par, or (2) by purchase of outstanding obligations

1 at the market price. The purposes for which obligations  
2 of the United States may be issued under the Second Lib-  
3 erty Bond Act, as amended, are hereby extended to authorize  
4 the issuance at par of special obligations exclusively to the  
5 Fund. Such special obligations shall bear interest at a  
6 rate equal to the average rate of interest, computed as of  
7 the end of the calendar month next preceding the date of  
8 such issue, borne by all interest-bearing obligations of the  
9 United States then forming part of the public debt; except  
10 that where such average rate is not a multiple of one-eighth  
11 of 1 per centum, the rate of interest of such special obliga-  
12 tions shall be the multiple of one-eighth of 1 per centum  
13 next lower than such average rate. Obligations other than  
14 such special obligations may be acquired for the Fund only  
15 on such terms as to provide an investment yield not less  
16 than the yield which would be required in the case of  
17 special obligations if issued to the Fund upon the date of  
18 such acquisition.

19 (c) Any obligations acquired by the Fund (except  
20 special obligations issued exclusively to the Fund) may be  
21 sold at the market price, and such special obligations may be  
22 redeemed at par plus accrued interest.

23 (d) The interest on, and the proceeds from the sale or  
24 redemption of, any obligations held in the Fund shall be  
25 credited to and form a part of the Fund.

1           (e) The Fund shall be invested as a single fund, but  
2 the Secretary of the Treasury shall maintain a separate book  
3 account for each State agency and shall credit quarterly on  
4 March 31, June 30, September 30, and December 31, of  
5 each year, to each account, on the basis of the average  
6 daily balance of such account, a proportionate part of the  
7 earnings of the Fund for the quarter ending on such date.

8           (f) The Secretary of the Treasury is authorized and  
9 directed to pay out of the Fund to any State agency such  
10 amount as it may duly requisition, not exceeding the amount  
11 standing to the account of such State agency at the time  
12 of such payment.

13                   ADMINISTRATION, REFUNDS, AND PENALTIES

14           SEC. 905. (a) The tax imposed by this title shall be  
15 collected by the Bureau of Internal Revenue under the direc-  
16 tion of the Secretary of the Treasury and shall be paid into  
17 the Treasury of the United States as internal-revenue  
18 collections.

19           (b) Not later than January 31, next following the  
20 close of the taxable year, each employer shall make a  
21 return of the tax under this title for such taxable year.  
22 Each such return shall be made under oath, shall be filed  
23 with the collector of internal revenue for the district in which  
24 is located the principal place of business of the employer,  
25 or, if he has no principal place of business in the United  
26 States, then with the collector at Baltimore, Maryland,

1 and shall contain such information and be made in such  
2 manner as the Commissioner of Internal Revenue, with the  
3 approval of the Secretary of the Treasury, may by regula-  
4 tions prescribe. All provisions of law (including penalties)  
5 applicable in respect of the taxes imposed by section 600 of  
6 the Revenue Act of 1926, shall, insofar as not inconsistent  
7 with this title, be applicable in respect of the tax imposed  
8 by this title. The Commissioner may extend the time for  
9 filing the return of the tax imposed by this title, under such  
10 rules and regulations as he may prescribe with the approval  
11 of the Secretary of the Treasury, but no such extension shall  
12 be for more than sixty days.

13 (c) Returns filed under this title shall be open to in-  
14 spection in the same manner, to the same extent, and sub-  
15 ject to the same provisions of law, including penalties, as  
16 returns made under Title II of the Revenue Act of 1926.

17 (d) The taxpayer may elect to pay the tax in four  
18 equal installments instead of in a single payment, in which  
19 case the first installment shall be paid not later than the  
20 last day prescribed for the filing of returns, the second in-  
21 stallment shall be paid on or before the last day of the  
22 third month, the third installment on or before the last day  
23 of the sixth month, and the fourth installment on or before  
24 the last day of the ninth month, after such last day. If the  
25 tax or any installment thereof is not paid on or before the

1 last day of the period fixed for its payment, the whole  
2 amount of the tax unpaid shall be paid upon notice and  
3 demand from the collector.

4 (e) At the request of the taxpayer the time for pay-  
5 ment of the tax or any installment thereof may be ex-  
6 tended under regulations prescribed by the Commissioner  
7 with the approval of the Secretary of the Treasury, for a  
8 period not to exceed six months from the last day of the  
9 period prescribed for the payment of the tax or any install-  
10 ment thereof. The amount of the tax in respect of which  
11 any extension is granted shall be paid (with interest at  
12 the rate of one-half of 1 per centum per month) on or before  
13 the date of the expiration of the period of the extension.

14 (f) In the payment of any tax under this title a frac-  
15 tional part of a cent shall be disregarded unless it amounts  
16 to one-half cent or more, in which case it shall be increased  
17 to 1 cent.

18 INTERSTATE COMMERCE

19 SEC. 906. No person required under a State law to  
20 make payments to an unemployment fund shall be relieved  
21 from compliance therewith on the ground that he is engaged  
22 in interstate commerce, or that the State law does not  
23 distinguish between employces engaged in interstate com-  
24 merce and those engaged in intrastate commerce.

## DEFINITIONS

1

2       SEC. 907. When used in this title—

3       (a) The term “ employer ” does not include any person  
4 unless on each of some twenty days during the taxable year,  
5 each day being in a different calendar week, the total num-  
6 ber of individuals who were in his employ for some portion  
7 of the day (whether or not at the same moment of time)  
8 was ten or more.

9       (b) The term “ wages ” means all remuneration for  
10 employment, including the cash value of all remuneration  
11 paid in any medium other than cash.

12       (c) The term “ employment ” means any service, of  
13 whatever nature, performed within the United States by an  
14 employee for his employer, except—

15               (1) Agricultural labor;

16               (2) Domestic service in a private home;

17               (3) Service performed as an officer or member  
18 of the crew of a vessel on the navigable waters of the  
19 United States;

20               (4) Service performed by an individual in the  
21 employ of his son, daughter, or spouse, and service  
22 performed by a child under the age of twenty-one in  
23 the employ of his father or mother;



1           (5) Service performed in the employ of the  
2           United States Government or of an instrumentality of  
3           the United States;

4           (6) Service performed in the employ of a State,  
5           a political subdivision thereof, or an instrumentality of  
6           one or more States or political subdivisions;

7           (7) Service performed in the employ of a corpo-  
8           ration, community chest, fund, or foundation, organ-  
9           ized and operated exclusively for religious, charitable,  
10          scientific, literary, or educational purposes, no part of  
11          the net earnings of which inures to the benefit of any  
12          private shareholder or individual.

13          (d) The term "State agency" means any State officer,  
14          board, or other authority, designated under a State law to  
15          administer the unemployment fund in such State.

16          (e) The term "unemployment fund" means a special  
17          fund, established under a State law and administered by a  
18          State agency, for the payment of compensation, all the  
19          assets of which are mingled and undivided, and in which  
20          no separate account is maintained with respect to any  
21          person.

22          (f) The term "contributions" means payments re-  
23          quired by a State law to be made by an employer into an  
24          unemployment fund, to the extent that such payments are  
25          made by him without any part thereof being deducted or  
26          deductible from the wages of individuals in his employ.

1 (g) The term "compensation" means cash benefits  
 2 payable to individuals with respect to their unemployment.

3 RULES AND REGULATIONS

4 SEC. 908. The Commissioner of Internal Revenue,  
 5 with the approval of the Secretary of the Treasury, shall  
 6 make and publish rules and regulations for the enforcement  
 7 of this title, except sections 903 and 904.

8 TITLE X—GENERAL PROVISIONS

9 DEFINITIONS

10 SECTION 1001. (a) When used in this Act—

11 (1) The term "State" (except when used in  
 12 section 531) includes Alaska, Hawaii, and the District  
 13 of Columbia.

14 (2) The term "United States" when used in a  
 15 geographical sense means the States, Alaska, Hawaii,  
 16 and the District of Columbia.

17 (3) The term "person" means an individual, a  
 18 trust or estate, a partnership, or a corporation.

19 (4) The term "corporation" includes associa-  
 20 tions, joint-stock companies, and insurance companies.

21 (5) The term "shareholder" includes a member  
 22 in an association, joint-stock company, or insurance  
 23 company.

24 (6) The term "employee" includes an officer of  
 25 a corporation.

1 (b) The terms "includes" and "including" when  
2 used in a definition contained in this Act shall not be deemed  
3 to exclude other things otherwise within the meaning of the  
4 term defined.

5 (c) Whenever under this Act or any Act of Congress,  
6 or under the law of any State, an employer is required or  
7 permitted to deduct any amount from the remuneration of  
8 an employee and to pay the amount deducted to the United  
9 States, a State, or any political subdivision thereof, then  
10 for the purposes of this Act the amount so deducted shall  
11 be considered to have been paid to the employee at the  
12 time of such deduction.

13 (d) Nothing in this Act shall be construed as author-  
14 izing any Federal official, agent, or representative, in carry-  
15 ing out any of the provisions of this Act, to take charge  
16 of any child over the objection of either of the parents of  
17 such child, or of the person standing in loco parentis to  
18 such child, in violation of the law of a State.

19 **RULES AND REGULATIONS**

20 **SEC. 1002.** The Secretary of the Treasury, the Secre-  
21 tary of Labor, and the Social Security Board, respectively,  
22 shall make and publish such rules and regulations, not incon-  
23 sistent with this Act, as may be necessary to the efficient  
24 administration of the functions with which each is charged  
25 under this Act.

1

SEPARABILITY

2       SEC. 1003. If any provision of this Act, or the  
3 application thereof to any person or circumstance, is held  
4 invalid, the remainder of the Act, and the application of  
5 such provision to other persons or circumstances shall not  
6 be affected thereby.

7

RESERVATION OF POWER

8       SEC. 1004. The right to alter, amend, or repeal any  
9 provision of this Act is hereby reserved to the Congress.

10

SHORT TITLE

11       SEC. 1005. This Act may be cited as the "Social  
12 Security Act".

Passed the House of Representatives April 19, 1935.

Attest:

SOUTH TRIMBLE,

*Clerk.*

74<sup>TH</sup> CONGRESS }  
1<sup>ST</sup> SESSION }

H. R. 7260

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## AN ACT

To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

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APRIL 15 (calendar day, APRIL 22), 1935

Read twice and referred to the Committee on Finance

Calendar No. 661

74<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 7260

[Report No. 628]

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IN THE SENATE OF THE UNITED STATES

APRIL 15 (calendar day, APRIL 22), 1935

Read twice and referred to the Committee on Finance

MAY 13 (calendar day, MAY 20), 1935

Reported by Mr. HARRISON, with amendments

[Omit the part struck through and insert the part printed in italic]

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## AN ACT

To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 TITLE I—GRANTS TO STATES FOR OLD-AGE

4 ASSISTANCE

5 APPROPRIATION

6 SECTION 1. For the purpose of enabling each State  
7 to furnish financial assistance ~~ensuring, as far as practicable~~

1 under the conditions in such State, a reasonable subsistence  
2 compatible with decency and health to aged individuals  
3 without such subsistence assistance, as far as practicable  
4 under the conditions in such State, to aged needy  
5 individuals, there is hereby authorized to be appropri-  
6 ated for the fiscal year ending June 30, 1936, the sum  
7 of \$49,750,000, and there is hereby authorized to be appro-  
8 priated for each fiscal year thereafter a sum sufficient to  
9 carry out the purposes of this title. The sums made avail-  
10 able under this section shall be used for making payments to  
11 States which have submitted, and had approved by the Social  
12 Security Board established by Title VII (hereinafter  
13 referred to as the "Board"), State plans for old-age  
14 assistance.

#### 15 STATE OLD-AGE ASSISTANCE PLANS

16 SEC. 2. (a) A State plan for old-age assistance must  
17 (1) provide that it shall be in effect in all political subdivi-  
18 sions of the State, and, if administered by them, be manda-  
19 tory upon them; (2) provide for financial participation  
20 by the State; (3) either provide for the establishment or  
21 designation of a single State agency to administer the plan,  
22 or provide for the establishment or designation of a single  
23 State agency to supervise the administration of the plan;  
24 (4) provide for granting to any individual, whose claim for  
25 old-age assistance is denied, an opportunity for a fair hear-

1 ing before such State agency; (5) provide such methods  
2 of administration (other than those relating to selection,  
3 tenure of office, and compensation of personnel) as are  
4 found by the Board to be necessary for the efficient oper-  
5 ation of the plan; (6) provide that the State agency will  
6 make such reports, in such form and containing such informa-  
7 tion, as the Board may from time to time require, and  
8 comply with such provisions as the Board may from time  
9 to time find necessary to assure the correctness and verifica-  
10 tion of such reports; and (7) provide that, if the State or  
11 any of its political subdivisions collects from the estate of  
12 any recipient of old-age assistance any amount with respect  
13 to old-age assistance furnished him under the plan, one-half  
14 of the net amount so collected shall be promptly paid to the  
15 United States. Any payment so made shall be deposited  
16 in the Treasury to the credit of the appropriation for the  
17 purposes of this title.

18 (b) The Board shall approve any plan which fulfills  
19 the conditions specified in subsection (a), except that it shall  
20 not approve any plan which imposes, as a condition of  
21 eligibility for old-age assistance under the plan—

22 (1) An age requirement of more than sixty-five  
23 years, except that the plan may impose, effective until  
24 January 1, 1940, an age requirement of as much as  
25 seventy years; or



1           (2) Any residence requirement which excludes  
2 any resident of the State who has resided therein five  
3 years during the nine years immediately preceding the  
4 application for old-age assistance and has resided therein  
5 continuously for one year immediately preceding the  
6 application; or

7           (3) Any citizenship requirement which excludes  
8 any citizen of the United States.

9                                   PAYMENT TO STATES

10       SEC. 3. (a) From the sums appropriated therefor, the  
11 Secretary of the Treasury shall pay to each State which  
12 has an approved plan for old-age assistance, for each quarter,  
13 beginning with the quarter commencing July 1, 1935, (1)  
14 an amount, which shall be used exclusively as old-age as-  
15 sistance, equal to one-half of the total of the sums expended  
16 during such quarter as old-age assistance under the State  
17 plan with respect to each individual who at the time of such  
18 expenditure is sixty-five years of age or older and is not  
19 an inmate of a public institution, not counting so much  
20 of such expenditure with respect to any individual for any  
21 month as exceeds \$30, and (2) 5 per centum of such  
22 amount, which shall be used for paying the costs of ad-  
23 ministering the State plan or for old-age assistance, or both,  
24 and for no other purpose.

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

3           (1) The Board shall, prior to the beginning of  
4 each quarter, estimate the amount to be paid to the  
5 State for such quarter under the provisions of clause  
6 (1) of subsection (a), such estimate to be based  
7 on (A) a report filed by the State containing its  
8 estimate of the total sum to be expended in such  
9 quarter in accordance with the provisions of such  
10 clause, and stating the amount appropriated or made  
11 available by the State and its political subdivisions  
12 for such expenditures in such quarter, and if such  
13 amount is less than one-half of the total sum of such  
14 estimated expenditures, the source or sources from which  
15 the difference is expected to be derived, (B) records  
16 showing the number of aged individuals in the State,  
17 and (C) such other investigation as the Board may find  
18 necessary.

19           (2) The Board shall then certify to the Secretary  
20 of the Treasury the amount so estimated by the Board,  
21 reduced or increased, as the case may be, by any sum  
22 by which it finds that its estimate for any prior quarter  
23 was greater or less than the amount which should have  
24 been paid to the State under clause (1) of sub-

1 section (a) for such quarter, except to the extent that  
2 such sum has been applied to make the amount certified  
3 for any prior quarter greater or less than the amount  
4 estimated by the Board for such prior quarter.

5 (3) The Secretary of the Treasury shall there-  
6 upon, through the Division of Disbursement of the  
7 Treasury Department and prior to audit or settlement  
8 by the General Accounting Office, pay to the State,  
9 at the time or times fixed by the Board, the amount  
10 so certified, increased by 5 per centum.

11 OPERATION OF STATE PLANS

12 SEC. 4. In the case of any State plan for old-age  
13 assistance which has been approved by the Board, if the  
14 Board, after *reasonable* notice and opportunity for hearing to  
15 the State agency administering or supervising the adminis-  
16 tration of such plan, finds—

17 (1) that the plan has been so changed as to im-  
18 pose any age, residence, or citizenship requirement  
19 prohibited by section 2 (b), or that in the administra-  
20 tion of the plan any such prohibited requirement is  
21 imposed, with the knowledge of such State agency, in  
22 a substantial number of cases; or

23 (2) that in the administration of the plan there  
24 is a failure to comply substantially with any provision  
25 required by section 2 (a) to be included in the plan;

1 the Board shall notify such State agency that further pay-  
2 ments will not be made to the State until the Board is satis-  
3 fied that such prohibited requirement is no longer so imposed,  
4 and that there is no longer any such failure to comply.  
5 Until it is so satisfied it shall make no further certification  
6 to the Secretary of the Treasury with respect to such State.

#### 7 ADMINISTRATION

8 SEC. 5. There is hereby authorized to be appropri-  
9 ated for the fiscal year ending June 30, 1936, the sum  
10 of \$250,000, for all necessary expenses of the Board in  
11 administering the provisions of this title.

#### 12 DEFINITION

13 SEC. 6. When used in this title the term "old-age  
14 assistance" means money payments to aged individuals.

### 15 TITLE II—FEDERAL OLD-AGE BENEFITS

#### 16 OLD-AGE RESERVE ACCOUNT

17 SECTION 201. (a) There is hereby created an account  
18 in the Treasury of the United States to be known as the  
19 "Old-Age Reserve Account" hereinafter in this title called  
20 the "Account". There is hereby authorized to be appro-  
21 priated to the Account for each fiscal year, beginning with  
22 the fiscal year ending June 30, 1937, an amount sufficient as  
23 an annual premium to provide for the payments required  
24 under this title, such amount to be determined on a reserve  
25 basis in accordance with accepted actuarial principles, and

1 based upon such tables of mortality as the Secretary of the  
2 Treasury shall from time to time adopt, and upon an interest  
3 rate of 3 per centum per annum compounded annually. The  
4 Secretary of the Treasury shall submit annually to the  
5 Bureau of the Budget an estimate of the appropriations to  
6 be made to the Account.

7 (b) It shall be the duty of the Secretary of the Treas-  
8 ury to invest such portion of the amounts credited to the  
9 Account as is not, in his judgment, required to meet current  
10 withdrawals. Such investment may be made only in  
11 interest-bearing obligations of the United States or in obliga-  
12 tions guaranteed as to both principal and interest by the  
13 United States. For such purpose such obligations may be  
14 acquired (1) on original issue at par, or (2) by purchase  
15 of outstanding obligations at the market price. The pur-  
16 poses for which obligations of the United States may be  
17 issued under the Second Liberty Bond Act, as amended, are  
18 hereby extended to authorize the issuance at par of special  
19 obligations exclusively to the Account. Such special obliga-  
20 tions shall bear interest at the rate of 3 per centum per  
21 annum. Obligations other than such special obligations  
22 may be acquired for the Account only on such terms as to  
23 provide an investment yield of not less than 3 per centum  
24 per annum.

1           (c) Any obligations acquired by the Account (except  
2 special obligations issued exclusively to the Account) may be  
3 sold at the market price, and such special obligations may be  
4 redeemed at par plus accrued interest.

5           (d) The interest on, and the proceeds from the sale or  
6 redemption of, any obligations held in the Account shall be  
7 credited to and form a part of the Account.

8           (e) All amounts credited to the Account shall be avail-  
9 able for making payments required under this title.

10          (f) The Secretary of the Treasury shall include in  
11 his annual report the actuarial status of the Account.

12                                   OLD-AGE BENEFIT PAYMENTS

13          SEC. 202. (a) Every qualified individual (as defined in  
14 section 210) shall be entitled to receive, with respect to the  
15 period beginning on the date he attains the age of sixty-five,  
16 or on January 1, 1942, whichever is the later, and ending  
17 on the date of his death, an old-age benefit (payable as  
18 nearly as practicable in equal monthly installments) as  
19 follows:

20                   (1) If the total wages (as defined in section  
21 210) determined by the Board to have been paid to  
22 him, with respect to employment (as defined in section  
23 210) after December 31, 1936, and before he attained  
24 the age of sixty-five, were not more than \$3,000, the

1 old-age benefit shall be at a monthly rate of one-half  
2 of 1 per centum of such total wages;

3 (2) If such total wages were more than \$3,000,  
4 the old-age benefit shall be at a monthly rate equal to  
5 the sum of the following:

6 (A) One-half of 1 per centum of \$3,000;  
7 plus

8 (B) One-twelfth of 1 per centum of the  
9 amount by which such total wages exceeded  
10 \$3,000 and did not exceed \$45,000; plus

11 (C) One-twenty-fourth of 1 per centum of  
12 the amount by which such total wages exceeded  
13 \$45,000.

14 (b) In no case shall the monthly rate computed under  
15 subsection (a) exceed \$85.

16 (c) If the Board finds at any time that more or less  
17 than the correct amount has theretofore been paid to any  
18 individual under this section, then, under regulations made  
19 by the Board, proper adjustments shall be made in con-  
20 nection with subsequent payments under this section to the  
21 same individual.

22 (d) *Whenever the Board finds that any qualified*  
23 *individual has received wages with respect to regular employ-*  
24 *ment after he attained the age of sixty-five, the old-age benefit*  
25 *payable to such individual shall be reduced, for each calendar*

1 *month in any part of which such regular employment oc-*  
2 *curred, by an amount equal to one month's benefit. Such*  
3 *reduction shall be made, under regulations prescribed by*  
4 *the Board, by deductions from one or more payments of*  
5 *old-age benefit to such individual.*

6 **PAYMENTS UPON DEATH**

7 **SEC. 203. (a)** If any individual dies before attaining  
8 the age of sixty-five, there shall be paid to his estate an  
9 amount equal to  $3\frac{1}{2}$  per centum of the total wages deter-  
10 mined by the Board to have been paid to him, with respect  
11 to employment after December 31, 1936.

12 (b) If the Board finds that the correct amount of the  
13 old-age benefit payable to a qualified individual during his  
14 life under section 202 was less than  $3\frac{1}{2}$  per centum of the  
15 total wages by which such old-age benefit was measurable,  
16 then there shall be paid to his estate a sum equal to the  
17 amount, if any, by which such  $3\frac{1}{2}$  per centum exceeds the  
18 amount (whether more or less than the correct amount)  
19 paid to him during his life as old-age benefit.

20 (c) If the Board finds that the total amount paid  
21 to a qualified individual under an old-age benefit during  
22 his life was less than the correct amount to which he was  
23 entitled under section 202, and that the correct amount of  
24 such old-age benefit was  $3\frac{1}{2}$  per centum or more of the  
25 total wages by which such old-age benefit was measurable,



1 then there shall be paid to his estate a sum equal to the  
2 amount, if any, by which the correct amount of the old-age  
3 benefit exceeds the amount which was so paid to him  
4 during his life.

5 PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR  
6 BENEFITS

7 SEC. 204. (a) There shall be paid in a lump sum to any  
8 individual who, upon attaining the age of sixty-five, is not a  
9 qualified individual, an amount equal to  $3\frac{1}{2}$  per centum of the  
10 total wages determined by the Board to have been paid to  
11 him, with respect to employment after December 31, 1936,  
12 and before he attained the age of sixty-five.

13 (b) After any individual becomes entitled to any pay-  
14 ment under subsection (a), no other payment shall be made  
15 under this title in any manner measured by wages paid  
16 to him, except that any part of any payment under subsection  
17 (a) which is not paid to him before his death shall be paid to  
18 his estate.

19 AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATES

20 SEC. 205. If any amount payable to an estate under  
21 section 203 or 204 is \$500 or less, such amount may, under  
22 regulations prescribed by the Board, be paid to the persons  
23 found by the Board to be entitled thereto under the law of  
24 the State in which the deceased was domiciled, without the

1 necessity of compliance with the requirements of law with  
2 respect to the administration of such estate.

3 OVERPAYMENTS DURING LIFE

4 SEC. 206. If the Board finds that the total amount paid  
5 to a qualified individual under an old-age benefit during his  
6 life was more than the correct amount to which he was  
7 entitled under section 202, and was  $3\frac{1}{2}$  per centum or more  
8 of the total wages by which such old-age benefit was meas-  
9 urable, then upon his death there shall be repaid to the  
10 United States by his estate the amount, if any, by which  
11 such total amount paid to him during his life exceeds which-  
12 ever of the following is the greater: (1) Such  $3\frac{1}{2}$  per  
13 centum, or (2) the correct amount to which he was entitled  
14 under section 202.

15 METHOD OF MAKING PAYMENTS

16 SEC. 207. The Board shall from time to time certify  
17 to the Secretary of the Treasury the name and address of  
18 each person entitled to receive a payment under this title,  
19 the amount of such payment, and the time at which it  
20 should be made, and the Secretary of the Treasury through  
21 the Division of Disbursement of the Treasury Department,  
22 and prior to audit or settlement by the General Account-  
23 ing Office, shall make payment in accordance with the  
24 certification by the Board.

## ASSIGNMENT

1  
2       SEC. 208. The right of any person to any future pay-  
3 ment under this title shall not be transferable or assignable,  
4 at law or in equity, and none of the moneys paid or payable  
5 or rights existing under this title shall be subject to execu-  
6 tion, levy, attachment, garnishment, or other legal process,  
7 or to the operation of any bankruptcy or insolvency law.

## PENALTIES

8  
9       SEC. 209. Whoever in any application for any pay-  
10 ment under this title makes any false statement as to any  
11 material fact, knowing such statement to be false, shall  
12 be fined not more than \$1,000 or imprisoned for not more  
13 than one year, or both.

## DEFINITIONS

14  
15       SEC. 210. When used in this title—

16       (a) The term “wages” means all remuneration for  
17 employment, including the cash value of all remuneration  
18 paid in any medium other than cash; except that such term  
19 shall not include that part of the remuneration which, after  
20 remuneration equal to \$3,000 has been paid to an indi-  
21 vidual by an employer with respect to employment during  
22 any calendar year, is paid to such individual by such  
23 employer with respect to employment during such calendar  
24 year.

1           (b) The term “employment” means any service,  
2 of whatever nature, performed within the United States by  
3 *States, or as an officer or member of the crew of a vessel*  
4 *documented under the laws of the United States, by an em-*  
5 *ployee for his employer, except—*

6           (1) Agricultural labor;

7           (2) Domestic service in a private home;

8           (3) Casual labor not in the course of the em-  
9 ployer’s trade or business;

10          ~~(4) Service performed as an officer or member~~  
11 ~~of the crew of a vessel documented under the laws of~~  
12 ~~the United States or of any foreign country;~~

13          ~~(5) (4) Service performed in the employ of the~~  
14 ~~United States Government or of an instrumentality of~~  
15 ~~the United States;~~

16          ~~(6) (5) Service performed in the employ of a~~  
17 ~~State, a political subdivision thereof, or an instrumen-~~  
18 ~~tality of one or more States or political subdivisions;~~

19          ~~(7) (6) Service performed in the employ of a cor-~~  
20 ~~poration, community chest, fund, or foundation, organ-~~  
21 ~~ized and operated exclusively for religious, charitable,~~  
22 ~~scientific, literary, or educational purposes, or for the~~  
23 ~~prevention of cruelty to children or animals, no part of~~  
24 ~~the net earnings of which inures to the benefit of any~~  
25 ~~private shareholder or individual.~~

1           (c) The term "qualified individual" means any indi-  
2     vidual with respect to whom it appears to the satisfaction of  
3     the Board that—

4           (1) He is at least sixty-five years of age; and

5           (2) The total amount of wages paid to him, with  
6     respect to employment after December 31, 1936, and  
7     before he attained the age of sixty-five, was not less  
8     than \$2,000; and

9           (3) Wages were paid to him, with respect to  
10    employment on some five days after December 31,  
11    1936, and before he attained the age of sixty-five,  
12    each day being in a different calendar year.

13    TITLE III—GRANTS TO STATES FOR UNEMPLOY-  
14    MENT COMPENSATION ADMINISTRATION

15                                    APPROPRIATION

16           SECTION 301. For the purpose of assisting the States  
17    in the administration of their unemployment compensation  
18    laws, there is hereby authorized to be appropriated, for the  
19    fiscal year ending June 30, 1936, the sum of \$4,000,000,  
20    and for each fiscal year thereafter the sum of \$49,000,000,  
21    to be used as hereinafter provided.

22                                    PAYMENTS TO STATES

23           SEC. 302. (a) The Board shall from time to time cer-  
24    tify to the Secretary of the Treasury for payment to each

1 State which has an unemployment compensation law ap-  
2 proved by the Board under Title IX, such amounts as the  
3 Board determines to be necessary for the proper adminis-  
4 tration of such law during the fiscal year in which such  
5 payment is to be made. The Board's determination shall  
6 be based on (1) the population of the State; (2) an esti-  
7 mate of the number of persons covered by the State law and  
8 of the cost of proper administration of such law; and (3)  
9 such other factors as the Board finds relevant. The Board  
10 shall not certify for payment under this section in any fiscal  
11 year a total amount in excess of the amount appropriated  
12 therefor for such fiscal year.

13 (b) Out of the sums appropriated therefor, the Secre-  
14 tary of the Treasury shall, upon receiving a certification  
15 under subsection (a), pay, through the Division of Dis-  
16 bursement of the Treasury Department and prior to audit or  
17 settlement by the General Accounting Office, to the State  
18 agency charged with the administration of such law the  
19 amount so certified.

20

## PROVISIONS OF STATE LAWS

21 SEC. 303. (a) The Board shall make no certification  
22 for payment to any State unless it finds that the law of such  
23 State, approved by the Board under Title IX, includes  
24 provisions for—

1           (1) Such methods of administration (other than  
2 those relating to selection, tenure of office, and com-  
3 pensation of personnel) as are found by the Board to  
4 be reasonably calculated to insure full payment of  
5 unemployment compensation when due; and

6           (2) Payment of unemployment compensation  
7 ~~solely~~ through public employment offices in the State,  
8 *to the extent that such offices exist and are designated*  
9 *by the State for the purpose*; and

10          (3) Opportunity for a fair hearing, before an  
11 impartial tribunal, for all individuals whose claims for  
12 unemployment compensation are denied; and

13          (4) The payment of all money received in the  
14 unemployment fund of such State, immediately upon  
15 such receipt, to the Secretary of the Treasury to the  
16 credit of the Unemployment Trust Fund established by  
17 section 904; and

18          (5) Expenditure of all money requisitioned by  
19 the State agency from the Unemployment Trust Fund,  
20 in the payment of unemployment compensation, exclu-  
21 sive of expenses of administration; and

22          (6) The making of such reports, in such form  
23 and containing such information, as the Board may  
24 from time to time require, and compliance with such  
25 provisions as the Board may from time to time find

1        necessary to assure the correctness and verification of  
2        such reports; and

3                (7) Making available upon request to any agency  
4        of the United States charged with the administration  
5        of public works or assistance through public employ-  
6        ment, the name, address, ordinary occupation and em-  
7        ployment status of each recipient of unemployment com-  
8        pensation; and a statement of such recipient's rights to  
9        further compensation under such law.

10              (b) Whenever the Board, after *reasonable* notice and  
11        opportunity for hearing to the State agency charged with  
12        the administration of the State law, finds that in the admin-  
13        istration of the law there is—

14              (1) a denial, in a substantial number of cases, of  
15        unemployment compensation to individuals entitled  
16        thereto under such law; or

17              (2) a failure to comply substantially with any  
18        provision specified in subsection (a);

19        the Board shall notify such State agency that further pay-  
20        ments will not be made to the State until the Board is sat-  
21        isfied that there is no longer any such denial or failure to  
22        comply. Until it is so satisfied it shall make no further  
23        certification to the Secretary of the Treasury with respect  
24        to such State.



1 TITLE IV—GRANTS TO STATES FOR AID TO  
2 DEPENDENT CHILDREN

3 APPROPRIATION

4 SECTION 401. For the purpose of enabling each State  
5 to furnish financial assistance ~~assuring, as far as practicable~~  
6 ~~under the conditions in such State, a reasonable subsistence~~  
7 ~~compatible with decency and health to dependent children~~  
8 ~~without such subsistence assistance, as far as practicable~~  
9 *under the conditions in such State, to needy dependent chil-*  
10 *dren, there is hereby authorized to be appropriated for the*  
11 *fiscal year ending June 30, 1936, the sum of \$24,750,000,*  
12 *and there is hereby authorized to be appropriated for each*  
13 *fiscal year thereafter a sum sufficient to carry out the pur-*  
14 *poses of this title. The sums made available under this*  
15 *section shall be used for making payments to States which*  
16 *have submitted, and had approved by the Board Chief of*  
17 *the Children's Bureau, State plans for aid to dependent*  
18 *children.*

19 STATE PLANS FOR AID TO DEPENDENT CHILDREN

20 SEC. 402. (a) A State plan for aid to dependent chil-  
21 dren must (1) provide that it shall be in effect in all political  
22 subdivisions of the State, and, if administered by them, be  
23 mandatory upon them; (2) provide for financial partici-  
24 pation by the State; (3) either provide for the establish-

1 ment or designation of a single State agency to administer  
2 the plan, or provide for the establishment or designation of  
3 a single State agency to supervise the administration of the  
4 plan; (4) provide for granting to any individual, whose claim  
5 with respect to aid to a dependent child is denied, an oppor-  
6 tunity for a fair hearing before such State agency; (5) pro-  
7 vide such methods of administration (other than those relat-  
8 ing to selection, tenure of office, and compensation of per-  
9 sonnel) as are found by the ~~Board~~ *Chief of the Children's*  
10 *Bureau* to be necessary for the efficient operation of the  
11 plan; and (6) provide that the State agency will make  
12 such reports, in such form and containing such information,  
13 as the ~~Board~~ *Secretary of Labor* may from time to time  
14 require, and comply with such provisions as ~~the Board~~ *he*  
15 may from time to time find necessary to assure the correct-  
16 ness and verification of such reports.

17 (b) The ~~Board~~ *Chief of the Children's Bureau* shall  
18 approve any plan which fulfills the conditions specified  
19 in subsection (a), except that ~~it~~ *he* shall not approve any  
20 plan which imposes as a condition of eligibility for aid to  
21 dependent children, a residence requirement which denies  
22 aid with respect to any child residing in the State (1)  
23 who has resided in the State for one year immediately pre-  
24 ceding the application for such aid, or (2) who was born

1 within the State within one year immediately preceding  
2 the application, *if its mother has resided in the State for*  
3 *one year immediately preceding the birth.*

4 PAYMENT TO STATES

5 SEC. 403. (a) From the sums appropriated therefor  
6 the Secretary of the Treasury shall pay to each State which  
7 has an approved plan for aid to dependent children, for each  
8 quarter, beginning with the quarter commencing July 1,  
9 1935, an amount, which shall be used exclusively for carry-  
10 ing out the State plan, equal to one-third of the total of the  
11 sums expended during such quarter under such plan, not  
12 counting so much of such expenditure with respect to any  
13 dependent child for any month as exceeds \$18, or if there  
14 is more than one dependent child in the same home, as  
15 exceeds \$18 for any month with respect to one such depend-  
16 ent child and \$12 for such month with respect to each of  
17 the other dependent children.

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

20 (1) The ~~Board~~ *Secretary of Labor* shall, prior  
21 to the beginning of each quarter, estimate the amount  
22 to be paid to the State for such quarter under the pro-  
23 visions of subsection (a), such estimate to be based on  
24 (A) a report filed by the State containing its estimate  
25 of the total sum to be expended in such quarter in

1 accordance with the provisions of such subsection and  
2 stating the amount appropriated or made available by  
3 the State and its political subdivisions for such expendi-  
4 tures in such quarter, and if such amount is less than  
5 two-thirds of the total sum of such estimated expendi-  
6 tures, the source or sources from which the difference is  
7 expected to be derived, (B) records showing the num-  
8 ber of dependent children in the State, and (C) such  
9 other investigation as the ~~Board~~ *Secretary of Labor*  
10 may find necessary.

11 (2) The ~~Board~~ *Secretary of Labor* shall then  
12 certify to the Secretary of the Treasury the amount  
13 so estimated by the ~~Board~~ *Secretary of Labor*, reduced  
14 or increased, as the case may be, by any sum by  
15 which ~~it~~ *he* finds that ~~its~~ *his* estimate for any prior  
16 quarter was greater or less than the amount which  
17 should have been paid to the State for such quarter,  
18 except to the extent that such sum has been applied  
19 to make the amount certified for any prior quarter  
20 greater or less than the amount estimated by the ~~Board~~  
21 *Secretary of Labor* for such prior quarter.

22 (3) The Secretary of the Treasury shall there-  
23 upon, through the Division of Disbursement of the  
24 Treasury Department and prior to audit or settlement  
25 by the General Accounting Office, pay to the State,

1 at the time or times fixed by the ~~Board~~ *Secretary of*  
2 *Labor*, the amount so certified.

3 OPERATION OF STATE PLANS

4 SEC. 404. In the case of any State plan for aid to  
5 dependent children which has been approved by the ~~Board~~

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## ADMINISTRATION

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SEC. 405. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$250,000 for all necessary expenses of the ~~Board~~ *Children's Bureau* in administering the provisions of this title.

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## DEFINITIONS

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SEC. 406. When used in this title—

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(a) The term "dependent child" means a child under the age of sixteen *who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and* who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a *place of* residence maintained by one or more of such relatives as his or their own home;

(b) The term "aid to dependent children" means money payments with respect to a dependent child or dependent children.

TITLE V—GRANTS TO STATES FOR MATERNAL  
AND CHILD WELFARE

PART 1—MATERNAL AND CHILD HEALTH SERVICES

APPROPRIATION

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of

1 mothers and children, especially in rural areas and in areas  
2 suffering from severe economic distress, there is hereby  
3 authorized to be appropriated for each fiscal year, beginning  
4 with the fiscal year ending June 30, 1936, the sum of  
5 \$3,800,000. The sums made available under this section  
6 shall be used for making payments to States which have  
7 submitted, and had approved by the Chief of the Children's  
8 Bureau, State plans for such services.

9 ALLOTMENTS TO STATES

10 SEC. 502. (a) Out of the sums appropriated pursuant to  
11 section 501 for each fiscal year the Secretary of Labor shall  
12 allot to each State \$20,000, and such part of \$1,800,000  
13 as he finds that the number of live births in such State bears  
14 *bore* to the total number of live births in the United States,  
15 *in the latest calendar year for which the Bureau of the Census*  
16 *has available statistics.*

17 (b) Out of the sums appropriated pursuant to section  
18 501 for each fiscal year the Secretary of Labor shall allot  
19 to the States \$980,000 (in addition to the allotments made  
20 under subsection (a) ), according to the financial need of  
21 each State for assistance in carrying out its State plan, as  
22 determined by him after taking into consideration the num-  
23 ber of live births in such State.

24 (c) The amount of any allotment to a State under  
25 subsection (a) for any fiscal year remaining unpaid to

1 such State at the end of such fiscal year shall be available  
2 for payment to such State under section 504 until the end  
3 of the second succeeding fiscal year. No payment to a  
4 State under section 504 shall be made out of its allotment  
5 for any fiscal year until its allotment for the preceding  
6 fiscal year has been exhausted or has ceased to be available.

7 APPROVAL OF STATE PLANS

8 SEC. 503. (a) A State plan for maternal and child-  
9 health services must (1) provide for financial participa-  
10 tion by the State; (2) provide for the administration of the  
11 plan *by the State health agency* or the supervision of the  
12 administration of the plan by the State health agency;  
13 (3) provide such methods of administration (other than  
14 those relating to selection, tenure of office, and compensation  
15 of personnel) as are ~~found by the Chief of the Children's~~  
16 ~~Bureau to be~~ necessary for the efficient operation of the  
17 plan; (4) provide that the State health agency will make  
18 such reports, in such form and containing such information,  
19 as the Secretary of Labor may from time to time require,  
20 and comply with such provisions as he may from time to  
21 time find necessary to assure the correctness and verification  
22 of such reports; (5) provide for the extension and improve-  
23 ment of local maternal and child-health services administered  
24 by local child-health units; (6) provide for cooperation with  
25 medical, nursing, and welfare groups and organizations;



1 and (7) provide for the development of demonstration serv-  
2 ices in needy areas and among groups in special need.

3 (b) The Chief of the Children's Bureau shall approve  
4 any plan which fulfills the conditions specified in subsection  
5 (a) and shall thereupon notify the Secretary of Labor and  
6 the State health agency of his approval.

7 PAYMENT TO STATES

8 SEC. 504. (a) From the sums appropriated therefor  
9 and the allotments available under section 502 (a), the Secre-  
10 tary of the Treasury shall pay to each State which has an  
11 approved plan for maternal and child-health services, for  
12 each quarter, beginning *with the quarter commencing July 1,*  
13 *1935,* an amount, which shall be used exclusively for carry-  
14 ing out the State plan, equal to one-half of the total sum  
15 expended during such quarter for carrying out such plan.

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

18 (1) The Secretary of Labor shall, prior to the  
19 beginning of each quarter, estimate the amount to be  
20 paid to the State for such quarter under the provisions  
21 of subsection (a), such estimate to be based on (A)  
22 a report filed by the State containing its estimate of  
23 the total sum to be expended in such quarter in ac-  
24 cordance with the provisions of such subsection and stat-  
25 ing the amount appropriated or made available

1 by the State for such expenditures in such quarter,  
2 and if such amount is less than one-half of the total  
3 sum of such estimated expenditures, the source or  
4 sources from which the difference is expected to be  
5 derived, and (B) such investigation as he may find  
6 necessary.

7 (2) The Secretary of Labor shall then certify the  
8 amount so estimated by him to the Secretary of the  
9 Treasury, reduced or increased, as the case may be,  
10 by any sum by which the Secretary of Labor finds  
11 that his estimate for any prior quarter was greater  
12 or less than the amount which should have been paid  
13 to the State for such quarter, except to the extent  
14 that such sum has been applied to make the amount  
15 certified for any prior quarter greater or less than the  
16 amount estimated by the Secretary of Labor for such  
17 prior quarter.

18 (3) The Secretary of the Treasury shall there-  
19 upon, through the Division of Disbursement of the  
20 Treasury Department and prior to audit or settlement  
21 by the General Accounting Office, pay to the State, at  
22 the time or times fixed by the Secretary of Labor, the  
23 amount so certified.

24 (c) The Secretary of Labor shall from time to time  
25 certify to the Secretary of the Treasury the amounts to be

1 paid to the States from the allotments available under sec-  
2 tion 502 (b), and the Secretary of the Treasury shall,  
3 through the Division of Disbursement of the Treasury De-  
4 partment and prior to audit or settlement by the General  
5 Accounting Office, make payments of such amounts from  
6 such allotments at the time or times specified by the  
7 Secretary of Labor.

8                                   OPERATION OF STATE PLANS

9           SEC. 505. In the case of any State plan for maternal  
10 and child-health services which has been approved by the  
11 Chief of the Children's Bureau, if the Secretary of Labor,  
12 after *reasonable* notice and opportunity for hearing to the  
13 State agency administering or supervising the administration  
14 of such plan, finds that in the administration of the plan  
15 there is a failure to comply substantially with any provision  
16 required by section 503 to be included in the plan, he shall  
17 notify such State agency that further payments will not be  
18 made to the State until he is satisfied that there is no longer  
19 any such failure to comply. Until he is so satisfied he shall  
20 make no further certification to the Secretary of the  
21 Treasury with respect to such State.

22                                   PART 2—SERVICES FOR CRIPPLED CHILDREN

23   APPROPRIATION

24           SEC. 511. For the purpose of enabling each State to  
25 extend and improve (especially in rural areas and in areas

1 suffering from severe economic distress), as far as prac-  
2 ticable under the conditions in such State, services for locating  
3 crippled children, and for providing medical, surgical, cor-  
4 rective, and other services and care, and facilities for  
5 diagnosis, hospitalization, and aftercare, for children who are  
6 crippled or who are suffering from conditions which lead  
7 to crippling, there is hereby authorized to be appropriated  
8 for each fiscal year, beginning with the fiscal year ending  
9 June 30, 1936, the sum of \$2,850,000. The sums made  
10 available under this section shall be used for making pay-  
11 ments to States which have submitted, and had approved  
12 by the Chief of the Children's Bureau, State plans for such  
13 services.

14 ALLOTMENTS TO STATES

15 SEC. 512. (a) Out of the sums appropriated pursuant  
16 to section 511 for each fiscal year the Secretary of Labor  
17 shall allot to each State \$20,000, and the remainder to the  
18 States according to the need of each State as determined  
19 by him after taking into consideration the number of  
20 crippled children in such State in need of the services  
21 referred to in section 511 and the cost of furnishing such  
22 services to them.

23 (b) The amount of any allotment to a State under  
24 subsection (a) for any fiscal year remaining unpaid to  
25 such State at the end of such fiscal year shall be available

1 for payment to such State under section 514 until the end  
2 of the second succeeding fiscal year. No payment to a  
3 State under section 514 shall be made out of its allotment  
4 for any fiscal year until its allotment for the preceding fiscal  
5 year has been exhausted or has ceased to be available.

6 APPROVAL OF STATE PLANS

7 SEC. 513. (a) A State plan for services for crippled  
8 children must (1) provide for financial participation by  
9 the State; (2) provide for the administration of the plan *by a*  
10 *State agency* or the supervision of the administration of the  
11 plan by a State agency; (3) provide such methods of admin-  
12 istration (other than those relating to selection, tenure of  
13 office, and compensation of personnel) as are ~~found by the~~  
14 ~~Chief of the Children's Bureau~~ to be necessary for the effi-  
15 cient operation of the plan; (4) provide that the State  
16 agency will make such reports, in such form and containing  
17 such information, as the Secretary of Labor may from time  
18 to time require, and comply with such provisions as he may  
19 from time to time find necessary to assure the correctness and  
20 verification of such reports; (5) provide for carrying out the  
21 purposes specified in section 511; and (6) provide for  
22 cooperation with medical, health, nursing, and welfare  
23 groups and organizations and with any agency in such State  
24 charged with administering State laws providing for voca-  
25 tional rehabilitation of physically handicapped children.

1 (b) The Chief of the Children's Bureau shall approve  
 2 any plan which fulfills the conditions specified in subsection  
 3 (a) and shall thereupon notify the Secretary of Labor and  
 4 the State agency of his approval.

5 PAYMENT TO STATES

6 SEC. 514. (a) From the sums appropriated therefor  
 7 and the allotments available under section 512, the Secre-  
 8 tary of the Treasury shall pay to each State which has an  
 9 approved plan for services for crippled children, for each  
 10 quarter, beginning *with the quarter commencing* July 1,  
 11 1935, an amount, which shall be used exclusively for carry-  
 12 ing out the State plan, equal to one-half of the total sum  
 13 expended during such quarter for carrying out such plan.

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

16 (1) The Secretary of Labor shall, prior to the  
 17 beginning of each quarter, estimate the amount to be  
 18 paid to the State for such quarter under the provisions  
 19 of subsection (a), such estimate to be based on (A)  
 20 a report filed by the State containing its estimate of the  
 21 total sum to be expended in such quarter in accordance  
 22 with the provisions of such subsection and stating the  
 23 amount appropriated or made available by the State  
 24 for such expenditures in such quarter, and if such  
 25 amount is less than one-half of the total sum of such

1        estimated expenditures, the source or sources from  
2        which the difference is expected to be derived, and (B)  
3        such investigation as he may find necessary.

4            (2) The Secretary of Labor shall then certify the  
5        amount so estimated by him to the Secretary of the  
6        Treasury, reduced or increased, as the case may be, by  
7        any sum by which the Secretary of Labor finds that  
8        his estimate for any prior quarter was greater or less  
9        than the amount which should have been paid to the  
10       State for such quarter, except to the extent that such  
11       sum has been applied to make the amount certified  
12       for any prior quarter greater or less than the amount  
13       estimated by the Secretary of Labor for such prior  
14       quarter.

15           (3) The Secretary of the Treasury shall there-  
16        upon, through the Division of Disbursement of the  
17        Treasury Department and prior to audit or settlement  
18        by the General Accounting Office, pay to the State, at  
19        the time or times fixed by the Secretary of Labor, the  
20        amount so certified.

21                            OPERATION OF STATE PLANS

22        SEC. 515. In the case of any State plan for services  
23        for crippled children which has been approved by the Chief  
24        of the Children's Bureau, if the Secretary of Labor, after  
25        *reasonable* notice and opportunity for hearing to the State

1 agency administering or supervising the administration of  
2 such plan, finds that in the administration of the plan there  
3 is a failure to comply substantially with any provision  
4 required by section 513 to be included in the plan, he shall  
5 notify such State agency that further payments will not be  
6 made to the State until he is satisfied that there is no longer  
7 any such failure to comply. Until he is so satisfied he shall  
8 make no further certification to the Secretary of the Treas-  
9 ury with respect to such State.

10                   PART 3—CHILD-WELFARE SERVICES

11           SEC. 521. For the purpose of enabling the United  
12 States, through the Children's Bureau, to cooperate with  
13 State public-welfare agencies in establishing, extending,  
14 and strengthening, in rural areas, public-welfare services for  
15 the protection and care of homeless, dependent, and neglected  
16 children, and children in danger of becoming delinquent,  
17 there is hereby authorized to be appropriated for each fiscal  
18 year, beginning with the fiscal year ending June 30, 1936,  
19 the sum of \$1,500,000. Such amount shall be allotted for  
20 use by cooperating State public-welfare agencies, to each  
21 State, \$10,000, and such part of the balance as the rural  
22 population of such State bears to the total rural population  
23 of the United States. The amount so allotted shall be ex-  
24 pended for payment of part of the costs of county and local  
25 child-welfare services in rural areas. The amount of any



1 allotment to a State under this section for any fiscal year  
2 remaining unpaid to such State at the end of such fiscal  
3 year shall be available for payment to such State under this  
4 section until the end of the second succeeding fiscal year.  
5 No payment to a State under this section shall be made out  
6 of its allotment for any fiscal year until its allotment for  
7 the preceding fiscal year has been exhausted or has ceased  
8 to be available.

9       *SEC. 521. (a) For the purpose of enabling the United*  
10 *States, through the Children's Bureau, to cooperate with*  
11 *State public-welfare agencies in establishing, extending, and*  
12 *strengthening, especially in predominantly rural areas, public-*  
13 *welfare services for the care of homeless or neglected children,*  
14 *there is hereby authorized to be appropriated for each fiscal*  
15 *year, beginning with the fiscal year ending June 30, 1936,*  
16 *the sum of \$1,500,000. Such amount shall be allotted by*  
17 *the Secretary of Labor for use by cooperating State public-*  
18 *welfare agencies on the basis of plans developed jointly by the*  
19 *State agency and the Children's Bureau, to each State,*  
20 *\$10,000, and the remainder to each State on the basis of such*  
21 *plans, not to exceed such part of the remainder as the rural*  
22 *population of such State bears to the total rural population of*  
23 *the United States. The amount so allotted shall be expended for*  
24 *payment of part of the cost of district, county or other local*

1 *child-welfare services in areas predominantly rural, and for*  
2 *developing State services for the encouragement and assist-*  
3 *ance of adequate methods of community child-welfare*  
4 *organization in areas predominantly rural and other areas*  
5 *of special need. The amount of any allotment to a State*  
6 *under this section for any fiscal year remaining unpaid to*  
7 *such State at the end of such fiscal year shall be available*  
8 *for payment to such State under this section until the end*  
9 *of the second succeeding fiscal year. No payment to a State*  
10 *under this section shall be made out of its allotment for any*  
11 *fiscal year until its allotment for the preceding fiscal year*  
12 *has been exhausted or has ceased to be available.*

13 *(b) From the sums appropriated therefor and the*  
14 *allotments available under subsection (a) the Secretary of*  
15 *Labor shall from time to time certify to the Secretary of the*  
16 *Treasury the amounts to be paid to the States, and the*  
17 *Secretary of the Treasury shall, through the Division of*  
18 *Disbursement of the Treasury Department and prior to*  
19 *audit or settlement by the General Accounting Office, make*  
20 *payments of such amounts from such allotments at the time*  
21 *or times specified by the Secretary of Labor.*

22 **PART 4—VOCATIONAL REHABILITATION**

23 **SEC. 531. (a)** In order to enable the United States  
24 to cooperate with the States and Hawaii in extending and

1 strengthening their programs of vocational rehabilitation of  
2 the physically disabled, and to continue to carry out the  
3 provisions and purposes of the Act entitled "An Act to  
4 provide for the promotion of vocational rehabilitation of  
5 persons disabled in industry or otherwise and their return  
6 to civil employment", approved June 2, 1920, as amended  
7 (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29,  
8 secs. 31, 32, 34, 35, 37, 39, and 40), there is hereby  
9 authorized to be appropriated for the fiscal years end-  
10 ing June 30, 1936, and June 30, 1937, the sum of  
11 \$841,000 for each such fiscal year in addition to the  
12 amount of the existing authorization, and for each fiscal year  
13 thereafter the sum of \$1,938,000. Of the sums appropriated  
14 pursuant to such authorization for each fiscal year, \$5,000  
15 shall be apportioned to the Territory of Hawaii and the re-  
16 mainder shall be apportioned among the several States in the  
17 manner provided in such Act of June 2, 1920, as amended.

18 (b) For the administration of such Act of June 2,  
19 1920, as amended, by the ~~Federal agency authorized to~~  
20 ~~administer it~~ *Office of Education in the Department of the*  
21 *Interior*, there is hereby authorized to be appropriated  
22 for the fiscal years ending June 30, 1936, and June 30,  
23 1937, the sum of \$22,000 for each such fiscal year in  
24 addition to the amount of the existing authorization, and for  
25 each fiscal year thereafter the sum of \$102,000.

## PART 5—ADMINISTRATION

1  
2           SEC. 541. (a) There is hereby authorized to be appro-  
3 priated for the fiscal year ending June 30, 1936, the sum  
4 of \$425,000, for all necessary expenses of the Children's  
5 Bureau in administering the provisions of this title, *except*  
6 *section 531.*

7           (b) The Children's Bureau shall make such studies  
8 and investigations as will promote the efficient administration  
9 of this title, *except section 531.*

10          (c) The Secretary of Labor shall include in his  
11 annual report to Congress a full account of the administra-  
12 tion of this title, *except section 531.*

## TITLE VI—PUBLIC HEALTH WORK

## APPROPRIATION

14  
15          SECTION 601. For the purpose of assisting States,  
16 counties, health districts, and other political subdivisions of  
17 the States in establishing and maintaining adequate public-  
18 health services, including the training of personnel for State  
19 and local health work, there is hereby authorized to be  
20 appropriated for each fiscal year, beginning with the fiscal  
21 year ending June 30, 1936, the sum of \$8,000,000 to be  
22 used as hereinafter provided.

## STATE AND LOCAL PUBLIC HEALTH SERVICES

23  
24          SEC. 602. (a) The Surgeon General of the Public  
25 Health Service, with the approval of the Secretary of the

1 Treasury, shall, at the beginning of each fiscal year, allot  
2 to the States the total of (1) the amount appropriated for  
3 such year pursuant to section 601; and (2) the amounts of  
4 the allotments under this section for the preceding fiscal year  
5 remaining unpaid to the States at the end of such fiscal year.  
6 The amounts of such allotments shall be determined on the  
7 basis of (1) the population; (2) the special health problems;  
8 and (3) the financial needs; of the respective States. Upon  
9 making such allotments the Surgeon General of the Public  
10 Health Service shall certify the amounts thereof to the Secre-  
11 tary of the Treasury.

12 (b) The amount of an allotment to any State under  
13 subsection (a) for any fiscal year, remaining unpaid at the  
14 end of such fiscal year, shall be available for allotment to  
15 States under subsection (a) for the succeeding fiscal year, in  
16 addition to the amount appropriated for such year.

17 (c) Prior to the beginning of each quarter of the fiscal  
18 year, the Surgeon General of the Public Health Service  
19 shall, with the approval of the Secretary of the Treasury,  
20 determine in accordance with rules and regulations *previously*  
21 prescribed by such Surgeon General after consultation with a  
22 conference of the State and Territorial health authorities,  
23 the amount to be paid to each State for such quarter from  
24 the allotment to such State, and shall certify the amount  
25 so determined to the Secretary of the Treasury. Upon

1 receipt of such certification, the Secretary of the Treasury  
2 shall, through the Division of Disbursement of the Treasury  
3 Department and prior to audit or settlement by the General  
4 Accounting Office, pay in accordance with such certification.

5 (d) The moneys so paid to any State shall be expended  
6 solely in carrying out the purposes specified in section 601,  
7 and in accordance with plans presented by the health author-  
8 ity of such State and approved by the Surgeon General of  
9 the Public Health Service.

10 INVESTIGATIONS

11 SEC. 603. (a) There is hereby authorized to be  
12 appropriated for each fiscal year, beginning with the fiscal  
13 year ending June 30, 1936, the sum of \$2,000,000 for  
14 expenditure by the Public Health Service for investigation  
15 of disease and problems of sanitation (including the printing  
16 and binding of the findings of such investigations), and for  
17 the pay and allowances and traveling expenses of personnel  
18 of the Public Health Service, including commissioned officers,  
19 engaged in such investigations or detailed to cooperate with  
20 the health authorities of any State in carrying out the pur-  
21 poses specified in section 601: *Provided*, That no personnel  
22 of the Public Health Service shall be detailed to cooperate  
23 with the health authorities of any State except at the request  
24 of the proper authorities of such State.

1           (b) The personnel of the Public Health Service paid  
2 from any appropriation not made pursuant to subsection  
3 (a) may be detailed to assist in carrying out the purposes of  
4 this title. The appropriation from which they are paid  
5 shall be reimbursed from the appropriation made pursuant  
6 to subsection (a) to the extent of their salaries and allow-  
7 ances for services performed while so detailed.

8           (c) The Secretary of the Treasury shall include in his  
9 annual report to Congress a full account of the administration  
10 of this title.

## 11           TITLE VII—SOCIAL SECURITY BOARD

### 12                           ESTABLISHMENT

13           SECTION 701. There is hereby established *in the*  
14 *Department of Labor* a Social Security Board (in this Act  
15 referred to as the “Board”) to be composed of three  
16 members to be appointed by the President, by and with  
17 the advice and consent of the Senate. *During his term of*  
18 *membership on the Board, no member shall engage in any*  
19 *other business, vocation, or employment. Not more than*  
20 *two of the members of the Board shall be members of the*  
21 *same political party* Each member shall receive a salary  
22 at the rate of \$10,000 a year and shall hold office for a  
23 term of six years, except that (1) any member appointed  
24 to fill a vacancy occurring prior to the expiration of the

1 term for which his predecessor was appointed, shall be  
2 appointed for the remainder of such term; and (2) the  
3 terms of office of the members first taking office after the  
4 date of the enactment of this Act shall expire, as designated  
5 by the President at the time of appointment, one at the  
6 end of two years, one at the end of four years, and one  
7 at the end of six years, after the date of the enactment of  
8 this Act. The President shall designate one of the members  
9 as the chairman of the Board.

10 **DUTIES OF SOCIAL SECURITY BOARD**

11 **SEC. 702.** The Board shall perform the duties imposed  
12 upon it by this Act and shall also have the duty of studying  
13 and making recommendations as to the most effective  
14 methods of providing economic security through social  
15 insurance, and as to legislation and matters of administra-  
16 tive policy concerning old-age pensions, unemployment  
17 compensation, accident compensation, and related subjects.

18 **EXPENSES OF THE BOARD**

19 **SEC. 703.** The Board is authorized to appoint and fix  
20 the compensation of such officers and employees, and to  
21 make such expenditures, as may be necessary for carrying  
22 out its functions under this Act. *Appointments of attorneys*  
23 *and experts may be made without regard to the civil service*  
24 *laws.*



## REPORTS

1

2       SEC. 704. The Board ~~Board~~, *through the Secretary of*  
3 *Labor*, shall make a full report to Congress, at the beginning  
4 of each regular session, of the administration of the functions  
5 with which it is charged.

6

## TITLE VIII—TAXES WITH RESPECT TO

7

## EMPLOYMENT

8

## INCOME TAX ON EMPLOYEES

9

SECTION 801. In addition to other taxes, there shall be  
10 levied, collected, and paid upon the income of every indi-  
11 vidual a tax equal to the following percentages of the wages  
12 (as defined in section 811) received by him after December  
13 31, 1936, with respect to employment (as defined in section  
14 811) after such date:

15       (1) With respect to employment during the calendar  
16 years 1937, 1938, and 1939, the rate shall be 1 per centum.

17       (2) With respect to employment during the calendar  
18 years 1940, 1941, and 1942, the rate shall be  $1\frac{1}{2}$  per centum.

19       (3) With respect to employment during the calendar  
20 years 1943, 1944, and 1945, the rate shall be 2 per centum.

21       (4) With respect to employment during the calendar  
22 years 1946, 1947, and 1948, the rate shall be  $2\frac{1}{2}$  per  
23 centum.

24       (5) With respect to employment after December 31,  
25 1948, the rate shall be 3 per centum.

## 1                                 DEDUCTION OF TAX FROM WAGES

2                 SEC. 802. (a) The tax imposed by section 801 shall  
3 be collected by the employer of the taxpayer, by deduct-  
4 ing the amount of the tax from the wages as and when  
5 paid. Every employer required so to deduct the tax is  
6 hereby made liable for the payment of such tax, and is  
7 hereby indemnified against the claims and demands of any  
8 person for the amount of any such payment made by such  
9 employer.

10                 (b) If more or less than the correct amount of tax  
11 imposed by section 801 is paid with respect to any wage pay-  
12 ment, then, under regulations made under this title, proper  
13 adjustments, with respect both to the tax and the amount  
14 to be deducted, shall be ~~made in~~ *made, without interest, in*  
15 connection with subsequent wage payments to the same  
16 individual by the same employer.

## 17                                 DEDUCTIBILITY FROM INCOME TAX

18                 SEC. 803. For the purposes of the income tax imposed  
19 by Title I of the Revenue Act of 1934 or by any Act of  
20 Congress in substitution therefor, the tax imposed by sec-  
21 tion 801 shall not be allowed as a deduction to the taxpayer  
22 in computing his net income for the year in which such  
23 tax is deducted from his wages.

## EXCISE TAX ON EMPLOYERS

1  
2       SEC. 804. In addition to other taxes, every employer  
3 shall pay an excise tax, with respect to having individuals  
4 in his employ, equal to the following percentages of the  
5 wages (as defined in section 811) paid by him after Decem-  
6 ber 31, 1936, with respect to employment (as defined in  
7 section 811) after such date:

8           (1) With respect to employment during the calendar  
9 years 1937, 1938, and 1939, the rate shall be 1 per centum.

10          (2) With respect to employment during the calendar  
11 years 1940, 1941, and 1942, the rate shall be  $1\frac{1}{2}$  per  
12 centum.

13          (3) With respect to employment during the calendar  
14 years 1943, 1944, and 1945, the rate shall be 2 per centum.

15          (4) With respect to employment during the calendar  
16 years 1946, 1947, and 1948, the rate shall be  $2\frac{1}{2}$  per  
17 centum.

18          (5) With respect to employment after December 31,  
19 1948, the rate shall be 3 per centum.

## ADJUSTMENT OF EMPLOYERS' TAX

20  
21       SEC. 805. If more or less than the correct amount of  
22 tax imposed by section 804 is paid with respect to any wage  
23 payment, then, under regulations made under this title,  
24 proper adjustments with respect to the tax shall be made

1 ~~is~~ made, without interest, in connection with subsequent wage  
2 payments to the same individual by the same employer.

3 REFUNDS AND DEFICIENCIES

4 SEC. 806. If more or less than the correct amount  
5 of tax imposed by section 801 or 804 is paid or deducted  
6 with respect to any wage payment and the overpayment or  
7 underpayment of tax cannot be adjusted under section 802 (b)  
8 or 805 the amount of the overpayment shall be refunded  
9 and the amount of the underpayment shall be collected,  
10 in such manner and at such times (subject to the statutes  
11 of limitations properly applicable thereto) as may be pre-  
12 scribed by regulations made under this title.

13 COLLECTION AND PAYMENT OF TAXES

14 SEC. 807. (a) The taxes imposed by this title shall  
15 be collected by the Bureau of Internal Revenue under the  
16 direction of the Secretary of the Treasury and shall be  
17 paid into the Treasury of the United States as internal-  
18 revenue collections. *If the tax is not paid when due, there*  
19 *shall be added as part of the tax interest (except in the case*  
20 *of adjustments made in accordance with the provisions of*  
21 *sections 802 (b) and 805) at the rate of one-half per centum*  
22 *per month from the date the tax became due until paid.*

23 (b) Such taxes shall be collected and paid in such  
24 manner, at such times, and under such conditions, not incon-

1 sistent with this title (either by making and filing returns,  
2 or by stamps, coupons, tickets, books, or other reasonable  
3 devices or methods necessary or helpful in securing a com-  
4 plete and proper collection and payment of the tax or in  
5 securing proper identification of the taxpayer), as may be  
6 prescribed by the Commissioner of Internal Revenue, with  
7 the approval of the Secretary of the Treasury.

8 (c) All provisions of law, including penalties, appli-  
9 cable with respect to any tax imposed by section 600 or  
10 section 800 of the Revenue Act of 1926, and the provisions  
11 of section 607 of the Revenue Act of 1934, shall, insofar  
12 as applicable and not inconsistent with the provisions of this  
13 title, be applicable with respect to the taxes imposed by this  
14 title.

15 (d) In the payment of any tax under this title a frac-  
16 tional part of a cent shall be disregarded unless it amounts  
17 to one-half cent or more, in which case it shall be increased  
18 to 1 cent.

19 **RULES AND REGULATIONS**

20 **SEC. 808.** The Commissioner of Internal Revenue,  
21 with the approval of the Secretary of the Treasury, shall  
22 make and publish rules and regulations for the enforcement  
23 of this title.

## 1                   SALE OF STAMPS BY POSTMASTERS

2           SEC. 809. The Commissioner of Internal Revenue  
3 shall furnish to the Postmaster General without prepayment  
4 a suitable quantity of stamps, coupons, tickets, books, or  
5 other devices prescribed by the Commissioner under section  
6 807 for the collection or payment of any tax imposed by this  
7 title, to be distributed to, and kept on sale by, all post offices  
8 of the first and second classes, and such post offices of the  
9 third and fourth classes as (1) are located in county seats,  
10 or (2) are certified by the Secretary of the Treasury to  
11 the Postmaster General as necessary to the proper adminis-  
12 tration of this title. The Postmaster General may require  
13 each such postmaster to furnish bond in such increased  
14 amount as he may from time to time determine, and  
15 each such postmaster shall deposit the receipts from the  
16 sale of such stamps, coupons, tickets, books, or other  
17 devices, to the credit of, and render accounts to, the Post-  
18 master General at such times and in such form as the  
19 Postmaster General may by regulations prescribe. The  
20 Postmaster General shall at least once a month transfer to  
21 the Treasury as internal-revenue collections all receipts so  
22 deposited.

## PENALTIES

1

2       SEC. 810. (a) Whoever buys, sells, offers for sale,  
3 uses, transfers, takes or gives in exchange, or pledges or  
4 gives in pledge, except as authorized in this title or in  
5 regulations made pursuant thereto, any stamp, coupon, ticket,  
6 book, or other device, prescribed by the Commissioner of  
7 Internal Revenue under section 807 for the collection or  
8 payment of any tax imposed by this title, shall be fined not  
9 more than \$1,000 or imprisoned for not more than six  
10 months, or both.

11       (b) Whoever, with intent to defraud, alters, forges,  
12 makes, or counterfeits any stamp, coupon, ticket, book, or  
13 other device prescribed by the Commissioner of Internal  
14 Revenue under section 807 for the collection or payment of  
15 any tax imposed by this title, or uses, sells, lends, or has in  
16 his possession any such altered, forged, or counterfeited  
17 stamp, coupon, ticket, book, or other device, or makes, uses,  
18 sells, or has in his possession any material in imitation of the  
19 material used in the manufacture of such stamp, coupon,  
20 ticket, book, or other device, shall be fined not more than  
21 \$5,000 or imprisoned not more than five years, or both.

22

## DEFINITIONS

23       SEC. 811. When used in this title—

24       (a) The term “wages” means all remuneration for  
25 employment, including the cash value of all remuneration  
26 paid in any medium other than cash; except that such term

1 shall not include that part of the remuneration which, after  
2 remuneration equal to \$3,000 has been paid to an individual  
3 by an employer with respect to employment during any  
4 calendar year, is paid to such individual by such employer  
5 with respect to employment during such calendar year.

6 (b) The term "employment" means any service, of  
7 whatever nature, performed within the United States by  
8 *States, or as an officer or member of the crew of a vessel*  
9 *documented under the laws of the United States, by an*  
10 employee for his employer, except—

11 (1) Agricultural labor;

12 (2) Domestic service in a private home;

13 (3) Casual labor not in the course of the em-  
14 ployer's trade or business;

15 ~~(4) Service performed by an individual who has~~  
16 ~~attained the age of sixty five;~~

17 ~~(5) Service performed as an officer or member~~  
18 ~~of the crew of a vessel documented under the laws of~~  
19 ~~the United States or of any foreign country;~~

20 ~~(6) (4) Service performed in the employ of the~~  
21 ~~United States Government or of an instrumentality of~~  
22 ~~the United States;~~

23 ~~(7) (5) Service performed in the employ of a~~  
24 ~~State, a political subdivision thereof, or an instrumen-~~  
25 ~~talilty of one or more States or political subdivisions;~~



1           ~~(8)~~ (6) Service performed in the employ of a  
2 corporation, community chest, fund, or foundation,  
3 organized and operated exclusively for religious, char-  
4 itable, scientific, literary, or educational purposes, *or*  
5 *for the prevention of cruelty to children or animals*,  
6 no part of the net earnings of which inures to the  
7 benefit of any private shareholder or individual.

8 TITLE IX—TAX ON EMPLOYERS OF ~~TEN~~ FOUR  
9 OR MORE

10 IMPOSITION OF TAX

11 SECTION 901. On and after January 1, 1936, every  
12 employer (as defined in section 907) shall pay for each  
13 calendar year an excise tax, with respect to having indi-  
14 viduals in his employ, equal to the following percentages of  
15 the total wages (as defined in section 907) payable by  
16 him (regardless of the time of payment) with respect to  
17 employment (as defined in section 907) during such  
18 calendar year:

19           (1) With respect to employment during the calendar  
20 year 1936 the rate shall be 1 per centum;

21           (2) With respect to employment during the calendar  
22 year 1937 the rate shall be 2 per centum;

23           (3) With respect to employment after December 31,  
24 1937, the rate shall be 3 per centum.

## 1 CREDIT AGAINST TAX

2 SEC. 902. The taxpayer may credit against the tax  
3 imposed by section 901 the amount of contributions, with  
4 respect to employment during the taxable year, paid by  
5 him (before the date of filing his return for the taxable  
6 year) into an unemployment fund under a State law. The  
7 total credit allowed to a taxpayer under this section for all  
8 contributions paid into unemployment funds with respect  
9 to employment during such taxable year shall not exceed  
10 90 per centum of the tax against which it is credited, and  
11 credit shall be allowed only for contributions made under  
12 the laws of States certified for the taxable year as provided  
13 in section 903.

## 14 CERTIFICATION OF STATE LAWS

15 SEC. 903. (a) The Social Security Board shall  
16 approve any State law submitted to it, within thirty days of  
17 such submission, which it finds provides that—

18 (1) ~~All compensation~~ *Compensation* is to be paid  
19 through public employment offices in the State, *to the*  
20 *extent that such offices exist and are designated by the*  
21 *State for the purpose;*

22 (2) No compensation shall be payable with  
23 respect to any day of unemployment occurring within  
24 two years after the first day of the first period with  
25 respect to which contributions are required;

1           (3) All money received in the unemployment  
2 fund shall immediately upon such receipt be paid over  
3 to the Secretary of the Treasury to the credit of the  
4 Unemployment Trust Fund established by section  
5 904;

6           (4) All money withdrawn from the Unemploy-  
7 ment Trust Fund by the State agency shall be used  
8 solely in the payment of compensation, exclusive of  
9 expenses of administration;

10           (5) Compensation shall not be denied in such  
11 State to any otherwise eligible individual for refusing to  
12 accept new work under any of the following condi-  
13 tions: (A) If the position offered is vacant due directly  
14 to a strike, lockout, or other labor dispute; (B) if the  
15 wages, hours, or other conditions of the work offered  
16 are substantially less favorable to the individual than  
17 those prevailing for similar work in the locality; (C)  
18 if as a condition of being employed the individual  
19 would be required to join a company union or to resign  
20 from or refrain from joining any bona fide labor  
21 organization;

22           (6) All the rights, privileges, or immunities con-  
23 ferred by such law or by acts done pursuant thereto  
24 shall exist subject to the power of the legislature to  
25 amend or repeal such law at any time.

1 The Board shall, upon approving such law, notify the Gov-  
2 ernor of the State of its approval.

3 (b) On December 31 in each taxable year the Board  
4 shall certify to the Secretary of the Treasury each State  
5 whose law it has previously approved, except that it shall  
6 not certify any State which, after *reasonable* notice and  
7 opportunity for hearing to the State agency, the Board finds  
8 has changed its law so that it no longer contains the  
9 provisions specified in subsection (a) or has with respect  
10 to such taxable year failed to comply substantially with any  
11 such provision.

12 (c) If, at any time during the taxable year, the Board  
13 has reason to believe that a State whose law it has pre-  
14 viously approved, may not be certified under subsection (b),  
15 it shall promptly so notify the Governor of such State.

16 UNEMPLOYMENT TRUST FUND

17 SEC. 904. (a) There is hereby established in the  
18 Treasury of the United States a trust fund to be known as  
19 the "Unemployment Trust Fund", hereinafter in this title  
20 called the "Fund". The Secretary of the Treasury is  
21 authorized and directed to receive and hold in the Fund  
22 all moneys deposited therein by a State agency from a State  
23 unemployment fund. Such deposit may be made directly  
24 with the Secretary of the Treasury or with any Federal

1 reserve bank or member bank of the Federal Reserve Sys-  
2 tem designated by him for such purpose.

3 (b) It shall be the duty of the Secretary of the  
4 Treasury to invest such portion of the Fund as is not, in  
5 his judgment, required to meet current withdrawals. Such  
6 investment may be made only in interest bearing obligations  
7 of the United States or in obligations guaranteed as to both  
8 principal and interest by the United States. For such  
9 purpose such obligations may be acquired (1) on original  
10 issue at par, or (2) by purchase of outstanding obligations  
11 at the market price. The purposes for which obligations  
12 of the United States may be issued under the Second Lib-  
13 erty Bond Act, as amended, are hereby extended to authorize  
14 the issuance at par of special obligations exclusively to the  
15 Fund. Such special obligations shall bear interest at a  
16 rate equal to the average rate of interest, computed as of  
17 the end of the calendar month next preceding the date of  
18 such issue, borne by all interest-bearing obligations of the  
19 United States then forming part of the public debt; except  
20 that where such average rate is not a multiple of one-eighth  
21 of 1 per centum, the rate of interest of such special obliga-  
22 tions shall be the multiple of one-eighth of 1 per centum  
23 next lower than such average rate. Obligations other than  
24 such special obligations may be acquired for the Fund only  
25 on such terms as to provide an investment yield not less

1 than the yield which would be required in the case of  
2 special obligations if issued to the Fund upon the date of  
3 such acquisition.

4 (c) Any obligations acquired by the Fund (except  
5 special obligations issued exclusively to the Fund) may be  
6 sold at the market price, and such special obligations may be  
7 redeemed at par plus accrued interest.

8 (d) The interest on, and the proceeds from the sale or  
9 redemption of, any obligations held in the Fund shall be  
10 credited to and form a part of the Fund.

11 (e) The Fund shall be invested as a single fund, but  
12 the Secretary of the Treasury shall maintain a separate book  
13 account for each State agency and shall credit quarterly on  
14 March 31, June 30, September 30, and December 31, of  
15 each year, to each account, on the basis of the average  
16 daily balance of such account, a proportionate part of the  
17 earnings of the Fund for the quarter ending on such date.

18 (f) The Secretary of the Treasury is authorized and  
19 directed to pay out of the Fund to any State agency such  
20 amount as it may duly requisition, not exceeding the amount  
21 standing to the account of such State agency at the time  
22 of such payment.

23 ADMINISTRATION, REFUNDS, AND PENALTIES

24 SEC. 905. (a) The tax imposed by this title shall be  
25 collected by the Bureau of Internal Revenue under the direc-

1 tion of the Secretary of the Treasury and shall be paid into  
2 the Treasury of the United States as internal-revenue  
3 collections. *If the tax is not paid when due, there shall be*  
4 *added as part of the tax interest at the rate of one-half of 1*  
5 *per centum per month from the date the tax became due until*  
6 *paid.*

7 (b) Not later than January 31, next following the  
8 close of the taxable year, each employer shall make a  
9 return of the tax under this title for such taxable year.  
10 Each such return shall be made under oath, shall be filed  
11 with the collector of internal revenue for the district in which  
12 is located the principal place of business of the employer,  
13 or, if he has no principal place of business in the United  
14 States, then with the collector at Baltimore, Maryland,  
15 and shall contain such information and be made in such  
16 manner as the Commissioner of Internal Revenue, with the  
17 approval of the Secretary of the Treasury, may by regula-  
18 tions prescribe. All provisions of law (including penalties)  
19 applicable in respect of the taxes imposed by section 600 of  
20 the Revenue Act of 1926, shall, insofar as not inconsistent  
21 with this title, be applicable in respect of the tax imposed  
22 by this title. The Commissioner may extend the time for  
23 filing the return of the tax imposed by this title, under such  
24 rules and regulations as he may prescribe with the approval

1 of the Secretary of the Treasury, but no such extension shall  
2 be for more than sixty days.

3 (c) Returns filed under this title shall be open to in-  
4 spection in the same manner, to the same extent, and sub-  
5 ject to the same provisions of law, including penalties, as  
6 returns made under Title II of the Revenue Act of 1926.

7 (d) The taxpayer may elect to pay the tax in four  
8 equal installments instead of in a single payment, in which  
9 case the first installment shall be paid not later than the  
10 last day prescribed for the filing of returns, the second in-  
11 stallment shall be paid on or before the last day of the  
12 third month, the third installment on or before the last day  
13 of the sixth month, and the fourth installment on or before  
14 the last day of the ninth month, after such last day. If the  
15 tax or any installment thereof is not paid on or before the  
16 last day of the period fixed for its payment, the whole  
17 amount of the tax unpaid shall be paid upon notice and  
18 demand from the collector.

19 (e) At the request of the taxpayer the time for pay-  
20 ment of the tax or any installment thereof may be ex-  
21 tended under regulations prescribed by the Commissioner  
22 with the approval of the Secretary of the Treasury, for a  
23 period not to exceed six months from the last day of the  
24 period prescribed for the payment of the tax or any install-



1 ment thereof. The amount of the tax in respect of which  
 2 any extension is granted shall be paid (with interest at  
 3 the rate of one-half of 1 per centum per month) on or before  
 4 the date of the expiration of the period of the extension.

5 (f) In the payment of any tax under this title a frac-  
 6 tional part of a cent shall be disregarded unless it amounts  
 7 to one-half cent or more, in which case it shall be increased  
 8 to 1 cent.

9 INTERSTATE COMMERCE

10 SEC. 906. No person required under a State law to  
 11 make payments to an unemployment fund shall be relieved  
 12 from compliance therewith on the ground that he is engaged  
 13 in interstate commerce, or that the State law does not  
 14 distinguish between employees engaged in interstate com-  
 15 merce and those engaged in intrastate commerce.

16 DEFINITIONS

17 SEC. 907. When used in this title—

18 (a) The term “employer” does not include any person  
 19 unless on each of some ~~twenty~~ *thirteen* days during the tax-  
 20 able year, each day being in a different calendar week, the  
 21 total number of individuals who were in his employ for  
 22 some portion of the day (whether or not at the same moment  
 23 of time) was ~~ten~~ *four* or more.

24 (b) The term “wages” means all remuneration for  
 25 employment, including the cash value of all remuneration  
 26 paid in any medium other than cash.

1           (c) The term “employment” means any service, of  
2 whatever nature, performed within the United States by an  
3 employee for his employer, except—

4           (1) Agricultural labor;

5           (2) Domestic service in a private home;

6           (3) Service performed as an officer or member  
7 of the crew of a vessel on the navigable waters of the  
8 United States;

9           (4) Service performed by an individual in the  
10 employ of his son, daughter, or spouse, and service  
11 performed by a child under the age of twenty-one in  
12 the employ of his father or mother;

13           (5) Service performed in the employ of the  
14 United States Government or of an instrumentality of  
15 the United States;

16           (6) Service performed in the employ of a State;  
17 a political subdivision thereof, or an instrumentality of  
18 one or more States or political subdivisions;

19           (7) Service performed in the employ of a corpo-  
20 ration, community chest, fund, or foundation, organ-  
21 ized and operated exclusively for religious, charitable,  
22 scientific, literary, or educational purposes, *or for the*  
23 *prevention of cruelty to children or animals*, no part of  
24 the net earnings of which inures to the benefit of any  
25 private shareholder or individual.

1           (d) The term "State agency" means any State officer,  
2 board, or other authority, designated under a State law to  
3 administer the unemployment fund in such State.

4           (e) The term "unemployment fund" means a special  
5 fund, established under a State law and administered by a  
6 State agency, for the payment of compensation, ~~all the~~  
7 ~~assets of which are mingled and undivided, and in which~~  
8 ~~no separate account is maintained with respect to any~~  
9 ~~person.~~

10          (f) The term "contributions" means payments re-  
11 quired by a State law to be made by an employer into an  
12 unemployment fund, to the extent that such payments are  
13 made by him without any part thereof being deducted or  
14 deductible from the wages of individuals in his employ.

15          (g) The term "compensation" means cash benefits  
16 payable to individuals with respect to their unemployment.

17                                   RULES AND REGULATIONS

18          SEC. 908. The Commissioner of Internal Revenue,  
19 with the approval of the Secretary of the Treasury, shall  
20 make and publish rules and regulations for the enforcement  
21 of this title, except sections ~~903 and 904~~ 903, 904, and 910.

22                                   ALLOWANCE OF ADDITIONAL CREDIT

23          SEC. 909. (a) *In addition to the credit allowed under*  
24 *section 902, a taxpayer may, subject to the conditions im-*

1 posed by section 910, credit against the tax imposed by sec-  
2 tion 901 for any taxable year after the taxable year 1937,  
3 an amount, with respect to each State law, equal to the  
4 amount, if any, by which the contributions, with respect to  
5 employment in such taxable year, actually paid by the tax-  
6 payer under such law before the date of filing his return for  
7 such taxable year, is exceeded by whichever of the following  
8 is the lesser—

9 (1) The amount of contributions which he would  
10 have been required to pay under such law for such  
11 taxable year if he had been subject to the highest rate  
12 applicable from time to time throughout such year to  
13 any employer under such law; or

14 (2) Two and seven-tenths per centum of the wages  
15 payable by him with respect to employment with respect  
16 to which contributions for such year were required  
17 under such law.

18 (b) If the amount of the contributions actually so paid  
19 by the taxpayer is less than the amount which he should have  
20 paid under the State law, the additional credit under sub-  
21 section (a) shall be reduced proportionately.

22 (c) The total credits allowed to a taxpayer under this  
23 title shall not exceed 90 per centum of the tax against which  
24 such credits are taken.

1        *CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE*

2        *SEC. 910. (a) A taxpayer shall be allowed the addi-*  
3 *tional credit under section 909, with respect to his contri-*  
4 *bution rate under a State law being lower, for any taxable*  
5 *year, than that of another employer subject to such law, only*  
6 *if the Board finds that under such law—*

7            *(1) Such lower rate, with respect to contributions*  
8 *to a pooled fund, is permitted on the basis of not less*  
9 *than three years of compensation experience;*

10           *(2) Such lower rate, with respect to contributions*  
11 *to a guaranteed employment account, is permitted only*  
12 *when his guaranty of employment was fulfilled in the*  
13 *preceding calendar year, and such guaranteed employ-*  
14 *ment account amounts to not less than 7½ per centum*  
15 *of the total wages payable by him, in accordance with*  
16 *such guaranty, with respect to employment in such State*  
17 *in the preceding calendar year;*

18           *(3) Such lower rate, with respect to contribu-*  
19 *tions to a separate reserve account, is permitted only*  
20 *when (A) compensation has been payable from such*  
21 *account throughout the preceding calendar year, and*  
22 *(B) such account amounts to not less than five times*  
23 *the largest amount of compensation paid from such*  
24 *account within any one of the three preceding calendar*  
25 *years, and (C) such account amounts to not less than*

1         $7\frac{1}{2}$  per centum of the total wages payable by him (plus  
2        the total wages payable by any other employers who may  
3        be contributing to such account) with respect to employ-  
4        ment in such State in the preceding calendar year.

5        (b) Such additional credit shall be reduced, if any  
6        contributions under such law are made by such taxpayer  
7        at a lower rate under conditions not fulfilling the require-  
8        ments of subsection (a), by the amount bearing the same  
9        ratio to such additional credit as the amount of contribu-  
10       tions made at such lower rate bears to the total of his con-  
11       tributions paid for such year under such law.

12       (c) As used in this section—

13            (1) The term “reserve account” means a separ-  
14            ate account in an unemployment fund, with respect to  
15            an employer or group of employers, from which com-  
16            pensation is payable only with respect to the unemploy-  
17            ment of individuals who were in the employ of such em-  
18            ployer, or of one of the employers comprising the group.

19            (2) The term “pooled fund” means an unemploy-  
20            ment fund or any part thereof in which all contributions  
21            are mingled and undivided, and from which compen-  
22            sation is payable to all eligible individuals, except that  
23            to individuals last employed by employers with respect  
24            to whom reserve accounts are maintained by the State

1        *agency, it is payable only when such accounts are*  
2        *exhausted.*

3            *(3) The term "guaranteed employment account"*  
4        *means a separate account, in an unemployment fund,*  
5        *of contributions paid by an employer (or group of*  
6        *employers) who*

7            *(A) guarantees in advance thirty hours of*  
8        *wages for each of forty calendar weeks (or more,*  
9        *with one weekly hour deducted for each added week*  
10       *guaranteed) in twelve months, to all the individuals*  
11       *in his employ in one or more distinct establish-*  
12       *ments, except that any such individual's guaranty*  
13       *may commence after a probationary period (in-*  
14       *cluded within twelve or less consecutive calendar*  
15       *weeks), and*

16           *(B) gives security or assurance, satisfactory*  
17       *to the State agency, for the fulfillment of such*  
18       *guaranties,*

19       *from which account compensation shall be payable with*  
20       *respect to the unemployment of any such individual*  
21       *whose guaranty is not fulfilled or renewed and who is*  
22       *otherwise eligible for compensation under the State law.*

23           *(4) The term "year of compensation experience",*  
24       *as applied to an employer, means any calendar year*  
25       *throughout which compensation was payable with*

1       *respect to any individual in his employ who became*  
2       *unemployed and was eligible for compensation.*

3   *TITLE X—GRANTS TO STATES FOR AID TO*  
4                                   *THE BLIND*  
5                                   *APPROPRIATION*

6       *SECTION 1001. For the purpose of enabling each State*  
7       *to furnish financial assistance, as far as practicable under the*  
8       *conditions in such State, to needy individuals who are per-*  
9       *manently blind, there is hereby authorized to be appropriated*  
10      *for the fiscal year ending June 30, 1936, the sum of*  
11      *\$3,000,000, and there is hereby authorized to be appropri-*  
12      *ated for each fiscal year thereafter a sum sufficient to carry*  
13      *out the purposes of this title. The sums made available under*  
14      *this section shall be used for making payments to States which*  
15      *have submitted, and had approved by the Social Security*  
16      *Board, State plans for aid to the blind.*

17                                   *STATE PLANS FOR AID TO THE BLIND*

18      *SEC. 1002. (a) A State plan for aid to the blind*  
19      *must (1) provide that it shall be in effect in all political*  
20      *subdivisions of the State, and, if administered by them, be*  
21      *mandatory upon them; (2) provide for financial participa-*  
22      *tion by the State; (3) either provide for the establishment*  
23      *or designation of a single State agency to administer the*  
24      *plan, or provide for the establishment or designation of a*  
25      *single State agency to supervise the administration of the*



1 *plan; (4) provide for granting to any individual, whose*  
2 *claim for aid is denied, an opportunity for a fair hearing*  
3 *before such State agency; (5) provide such methods of*  
4 *administration (other than those relating to selection, tenure*  
5 *of office, and compensation of personnel) as are found by*  
6 *the Board to be necessary for the efficient operation of the*  
7 *plan; (6) provide that the State agency will make such*  
8 *reports, in such form and containing such information, as*  
9 *the Board may from time to time require, and comply with*  
10 *such provisions as the Board may from time to time find*  
11 *necessary to assure the correctness and verification of such*  
12 *reports; and (7) provide that no aid will be furnished any*  
13 *individual under the plan with respect to any period with*  
14 *respect to which he is receiving old-age assistance under the*  
15 *State plan approved under section 2 of this Act.*

16 *(b) The Board shall approve any plan which fulfills*  
17 *the conditions specified in subsection (a), except that it shall*  
18 *not approve any plan which imposes, as a condition of*  
19 *eligibility for aid to the blind under the plan—*

20 *(1) Any residence requirement which excludes*  
21 *any resident of the State who has resided therein five*  
22 *years during the nine years immediately preceding the*  
23 *application for aid and has resided therein continuously*  
24 *for one year immediately preceding the application; or*

25 *(2) Any citizenship requirement which excludes*  
26 *any citizen of the United States.*

1

## PAYMENT TO STATES

2       *SEC. 1003. (a) From the sums appropriated therefor,*  
3 *the Secretary of the Treasury shall pay to each State which*  
4 *has an approved plan for aid to the blind, for each quarter,*  
5 *beginning with the quarter commencing July 1, 1935, (1)*  
6 *an amount, which shall be used exclusively as aid to the blind,*  
7 *equal to one-half of the total of the sums expended during such*  
8 *quarter as aid to the blind under the State plan with respect*  
9 *to each individual who is permanently blind and is not an*  
10 *inmate of a public institution, not counting so much of such*  
11 *expenditure with respect to any individual for any month as*  
12 *exceeds \$30, and (2) 5 per centum of such amount, which*  
13 *shall be used for paying the costs of administering the State*  
14 *plan or for aid to the blind, or both, and for no other purpose.*

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

17             *(1) The Board shall, prior to the beginning of*  
18 *each quarter, estimate the amount to be paid to the*  
19 *State for such quarter under the provisions of clause*  
20 *(1) of subsection (a), such estimate to be based*  
21 *on (A) a report filed by the State containing its*  
22 *estimate of the total sum to be expended in such quarter*  
23 *in accordance with the provisions of such clause, and*  
24 *stating the amount appropriated or made available by*

1        *the State and its political subdivisions for such expendi-*  
2        *tures in such quarter, and if such amount is less than*  
3        *one-half of the total sum of such estimated expenditures,*  
4        *the source or sources from which the difference is ex-*  
5        *pected to be derived, (B) records showing the number*  
6        *of permanently blind individuals in the State, and (C)*  
7        *such other investigation as the Board may find neces-*  
8        *sary.*

9                *(2) The Board shall then certify to the Secretary*  
10        *of the Treasury the amount so estimated by the Board,*  
11        *reduced or increased, as the case may be, by any sum*  
12        *by which it finds that its estimate for any prior quarter*  
13        *was greater or less than the amount which should have*  
14        *been paid to the State under clause (1) of sub-*  
15        *section (a) for such quarter, except to the extent that*  
16        *such sum has been applied to make the amount certified*  
17        *for any prior quarter greater or less than the amount*  
18        *estimated by the Board for such prior quarter.*

19                *(3) The Secretary of the Treasury shall there-*  
20        *upon, through the Division of Disbursement of the*  
21        *Treasury Department and prior to audit or settlement*  
22        *by the General Accounting Office, pay to the State,*  
23        *at the time or times fixed by the Board, the amount*  
24        *so certified, increased by 5 per centum.*

## OPERATION OF STATE PLANS

1  
2       *SEC. 1004. In the case of any State plan for aid to*  
3 *the blind which has been approved by the Board, if the*  
4 *Board, after reasonable notice and opportunity for hearing*  
5 *to the State agency administering or supervising the adminis-*  
6 *tration of such plan, finds—*

7           *(1) that the plan has been so changed as to im-*  
8 *pose any residence or citizenship requirement prohibited*  
9 *by section 1002 (b), or that in the administration of*  
10 *the plan any such prohibited requirement is imposed,*  
11 *with the knowledge of such State agency, in a substantial*  
12 *number of cases; or*

13           *(2) that in the administration of the plan there*  
14 *is a failure to comply substantially with any provision*  
15 *required by section 1002 (a) to be included in the plan;*  
16 *the Board shall notify such State agency that further pay-*  
17 *ments will not be made to the State until the Board is satis-*  
18 *fied that such prohibited requirement is no longer so imposed,*  
19 *and that there is no longer any such failure to comply.*  
20 *Until it is so satisfied it shall make no further certification*  
21 *to the Secretary of the Treasury with respect to such State.*

## ADMINISTRATION

22  
23       *SEC. 1005. There is hereby authorized to be appropri-*  
24 *ated for the fiscal year ending June 30, 1936, the sum of*

1 \$30,000, for all necessary expenses of the Board in adminis-  
2 tering the provisions of this title.

3 **DEFINITION**

4 *SEC. 1006. When used in this title the term "aid to the*  
5 *blind" means money payments to permanently blind*  
6 *individuals.*

7 **TITLE XI—UNITED STATES ANNUITY BONDS**

8 **AUTHORITY FOR ISSUANCE**

9 *SEC. 1101. The Secretary of the Treasury is authorized,*  
10 *with the approval of the President, to borrow from time to*  
11 *time on the credit of the United States, to meet any public*  
12 *expenditures authorized by law and to retire any outstanding*  
13 *obligations of the United States bearing interest or issued*  
14 *on a discount basis, such sum or sums as in his judgment*  
15 *may be necessary, and to issue therefor, through the Postal*  
16 *Service or other agencies, bonds of the United States to be*  
17 *known as "United States Annuity Bonds". The various*  
18 *issues and series of the Annuity Bonds shall be in such*  
19 *forms, shall be offered in such amounts, within the limits of*  
20 *section 1 of the Second Liberty Bond Act, as amended, and*  
21 *shall be issued and be payable in such manner and subject to*  
22 *such terms and conditions, not inconsistent with the provi-*  
23 *sions of this title, and based upon such standard tables of*  
24 *mortality, as the Secretary of the Treasury may from time to*  
25 *time prescribe.*

## TERMS OF ANNUITY BONDS

1

2        *SEC. 1102. (a) Payment to annuitants of the prin-*  
3 *cipal of, and interest on, the borrowings evidenced by Annu-*  
4 *ity Bonds shall be made in installments.*

5        *(b) The Secretary of the Treasury may, in his dis-*  
6 *cretion, offer Annuity Bonds providing for payment of the*  
7 *installments from and after dates stated in the respective*  
8 *Annuity Bonds, and continuing during (1) a term of years*  
9 *fixed, or (2) the life of the annuitant or the lives of two*  
10 *annuitants with continuation of all or part of the annuity to*  
11 *the survivor, or (3) a term of years fixed, or the life of the*  
12 *annuitant, whichever period may be longer, or (4) a term*  
13 *of years fixed, or the lives of two annuitants with continua-*  
14 *tion of all or part of the annuity to the survivor, whichever*  
15 *period may be longer.*

16        *(c) The installments shall be such as to afford an in-*  
17 *vestment yield upon payments to the United States for*  
18 *Annuity Bonds not in excess of 3 per centum per annum*  
19 *compounded semiannually based upon such standard tables*  
20 *of mortality as the Secretary of the Treasury shall have*  
21 *adopted.*

22        *(d) Annuity Bonds shall be redeemable before the*  
23 *stated date on and after which installments are first payable,*  
24 *at a redemption value affording an investment yield, not*  
25 *in excess of 3 per centum per annum compounded semi-*

1 *annually, upon the payments to the United States for*  
2 *Annuity Bonds (1) in the case of the death of the annuitant*  
3 *(or the survivor of two annuitants) before such stated date*  
4 *and (2) in such other cases or classes of cases as the Secre-*  
5 *tary of the Treasury may from time to time prescribe.*

6 *(e) The liability of the United States to make payment*  
7 *for borrowings against the issuance of Annuity Bonds shall*  
8 *cease when and only when the respective Annuity Bonds*  
9 *have been redeemed or the annuities are no longer payable*  
10 *under the terms thereof.*

11 *TERMS AND CONDITIONS OF ISSUE*

12 *SEC. 1103. (a) Annuity Bonds may be issued against*  
13 *payment in full (1) in cash, (2) by the surrender of United*  
14 *States Savings Bonds, at the redemption value thereof, or*  
15 *(3) in instalments in accordance with the terms of con-*  
16 *tracts prescribed and entered into pursuant to section 1104.*  
17 *The Secretary of the Treasury may, under regulations pre-*  
18 *scribed by him, issue Annuity Bonds to annuitants in*  
19 *exchange for other Annuity Bonds owned by them.*

20 *(b) Annuity Bonds may be issued only to citizens of*  
21 *the United States and in amounts to provide an annuity of*  
22 *not less than \$60 or more than \$1,200 in any one year. No*  
23 *individual shall be entitled to receive under United States*  
24 *Annuity Bonds annuities aggregating more than \$1,200 in*  
25 *any one year.*

1                                    *CONTRACTS FOR ANNUITY BONDS*

2            *SEC. 1104. The Secretary of the Treasury is authorized,*  
3 *in his discretion, to prescribe from time to time and make,*  
4 *directly or through the Postal Service or other agencies,*  
5 *contracts for the issuance of Annuity Bonds upon payment*  
6 *therefor in full under the terms of such contracts. The Sec-*  
7 *retary may issue or cause to be issued stamps or other evi-*  
8 *dence of payment and provide for installment payments*  
9 *under the contracts by purchase and surrender of such*  
10 *stamps or other evidence, by deposits to the credit of the*  
11 *United States, or by other means. In accordance with pro-*  
12 *visions which may be included in the contracts, the Secre-*  
13 *tary is authorized to credit, at a rate not to exceed 3 per*  
14 *centum per annum compounded semiannually, interest on*  
15 *payments.*

16                                    *TAXES AND TAX EXEMPTIONS*

17            *SEC. 1105. The provisions of section 7 of the Second*  
18 *Liberty Bond Act, as amended (relating to the exemptions*  
19 *from taxation both as to principal and interest of bonds issued*  
20 *under authority of section 1 of that Act, as amended), shall*  
21 *apply as well to United States Annuity Bonds; except that*  
22 *annuity and redemption payments upon United States An-*  
23 *nuity Bonds shall be subject to taxation by the United States,*  
24 *any State, and any possession of the United States, and by*



1 *any local taxing authority, but to no greater extent than such*  
2 *payments upon other annuity bonds or agreements are taxed.*

3 *GENERAL CONDITIONS*

4 *SEC. 1106. Annuity Bonds, contracts therefor, and the*  
5 *rights existing thereunder, shall not be transferable or assign-*  
6 *able, at law or in equity; but, in cases where such rights con-*  
7 *tinue after the death of the annuitant or contracting party,*  
8 *they shall pass in accordance with the provisions of the respec-*  
9 *tive Annuity Bonds or contracts or, in the absence of such pro-*  
10 *visions, in accordance with the applicable laws of inheritance.*  
11 *No Annuity Bond, contract therefor, or moneys paid or*  
12 *payable or rights existing thereunder shall be subject to*  
13 *execution, levy, attachment, garnishment, or other legal*  
14 *process or to the operation of any bankruptcy or insolvency*  
15 *law: Provided, That, if the Secretary of the Treasury shall*  
16 *be furnished with a copy of an order, judgment, or decree*  
17 *of a court of competent jurisdiction, entered in proceedings*  
18 *to which the holder of an Annuity Bond or contract therefor*  
19 *is a party, establishing that payments therefor or there-*  
20 *under were made with the actual intent, as distinguished*  
21 *from intent presumed in law, to hinder, delay, or defraud*  
22 *present or future creditors of the person making such pay-*  
23 *ments, the Secretary of the Treasury shall, under such rules*  
24 *and regulations as he may prescribe, pay into the court an*  
25 *amount equal to the payments so made but not in excess*

1 of the then net value of the Annuity Bond or credits under  
2 the contract. In such cases the Secretary of the Treasury is  
3 further authorized, under such rules and regulations as he  
4 may prescribe, to cancel the Annuity Bond or contract there-  
5 for and make payment of the balance of such net value, if  
6 any, to the annuitant or contracting party, or to reduce the  
7 amount of the installments under the Annuity Bond or of the  
8 credits under the contract to the extent required by the  
9 amount so paid into the court. Neither the United States  
10 nor any officer or employee thereof shall be a proper or nec-  
11 essary party to any proceedings brought to establish such  
12 payment to hinder, delay, or defraud creditors nor be bound  
13 by any order, judgment, or decree entered therein.

14 RECEIPTS AND PAYMENTS

15 SEC. 1107. All payments received for or on account of  
16 Annuity Bonds shall be covered into the Treasury as public  
17 debt receipts, and the Secretary of the Treasury is authorized  
18 and directed to make, from any money in the Treasury not  
19 otherwise appropriated, as public debt redemptions, the pay-  
20 ments provided for in the Annuity Bonds or contracts there-  
21 for. The appropriation for expenses provided by section  
22 10 of the Second Liberty Bond Act, as amended, and ex-  
23 tended by the Act of June 16, 1921 (U. S. C., title 31,  
24 secs. 760 and 761), shall be available for all necessary  
25 expenses under this title; and the Secretary of the Treasury

1 *is authorized to advance, from time to time, to the Post-*  
2 *master General from such appropriation such sums as are*  
3 *shown to be required for the expenses of the Post Office*  
4 *Department in connection with the handling of Annuity*  
5 *Bonds, contracts for Annuity Bonds, and stamps and other*  
6 *evidence or means of payment therefor.*

7

*PENALTIES*

8 *SEC. 1108. Whoever, in any application for an An-*  
9 *nuity Bond or contract therefor, or in any document or*  
10 *statement, written or oral, required under this title or any*  
11 *regulations with respect to Annuity Bonds or contracts there-*  
12 *for, makes any false statement as to any material fact,*  
13 *knowing such statement to be false, shall forfeit to the*  
14 *United States a sum equal to twice the difference between*  
15 *the net value of the Annuity Bond or the credits under such*  
16 *contract, at the time of such forfeiture, and the amount which*  
17 *would have been the net value at that time, of such Annuity*  
18 *Bond or credits had such false statement not been made.*  
19 *The Secretary of the Treasury, under such rules and regula-*  
20 *tions as he may prescribe, is authorized to enforce such*  
21 *forfeiture by appropriate civil proceedings brought in the*  
22 *name of the United States in any court of competent juris-*  
23 *isdiction; and upon such forfeiture the Secretary of the Treas-*  
24 *ury shall cancel such Annuity Bond or contract therefor*  
25 *and make payment of the balance of the net value thereof*

1 to the annuitant or contracting party after satisfying the  
2 forfeiture and any costs of the proceedings.

3 *FISCAL AGENCY SERVICES*

4 *SEC. 1109. At the request of the Secretary of the Treas-*  
5 *ury, the Postmaster General, under such regulations as he*  
6 *may from time to time prescribe, shall require the employees*  
7 *of the Post Office Department and of the Postal Service to*  
8 *perform, without extra compensation, such fiscal agency*  
9 *services as may be desirable and practicable in connection*  
10 *with the issue, delivery, safe-keeping, redemption, and pay-*  
11 *ment of the Annuity Bonds, contracts for Annuity Bonds and*  
12 *stamps and other evidence or means of payment therefor.*

13 *DEPOSITS WITH POSTAL SAVINGS SYSTEM*

14 *SEC. 1110. At the request of the Secretary of the*  
15 *Treasury, the Board of Trustees of the Postal Savings*  
16 *System is authorized to permit, subject to such regulations*  
17 *as it may from time to time prescribe, (a) the withdrawal*  
18 *of Postal Savings deposits on less than sixty days' notice*  
19 *for the purpose of acquiring United States Annuity Bonds,*  
20 *and in such case to make payment of interest to the date*  
21 *of withdrawal whether or not the regular interest payment*  
22 *date; and (b) deposits with it to the credit of the United*  
23 *States as payment for United States Annuity Bonds or*  
24 *under contracts therefor.*

## REPORTS

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*SEC. 1111. The Secretary of the Treasury shall include in his annual report to Congress a full account of the administration of this title.*

5

TITLE ~~X~~ XII—GENERAL PROVISIONS

6

## DEFINITIONS

7

SECTION ~~1001~~ 1201. (a) When used in this Act—

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(1) The term “State” (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia.

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(2) The term “United States” when used in a geographical sense means the States, Alaska, Hawaii, and the District of Columbia.

14

15

(3) The term “person” means an individual, a trust or estate, a partnership, or a corporation.

16

17

(4) The term “corporation” includes associations, joint-stock companies, and insurance companies.

18

19

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(5) The term “shareholder” includes a member in an association, joint-stock company, or insurance company.

21

22

(6) The term “employee” includes an officer of a corporation.

23

24

(b) The terms “includes” and “including” when used in a definition contained in this Act shall not be deemed

1 to exclude other things otherwise within the meaning of the  
2 term defined.

3 (c) Whenever under this Act or any Act of Congress,  
4 or under the law of any State, an employer is required or  
5 permitted to deduct any amount from the remuneration of  
6 an employee and to pay the amount deducted to the United  
7 States, a State, or any political subdivision thereof, then  
8 for the purposes of this Act the amount so deducted shall  
9 be considered to have been paid to the employee at the  
10 time of such deduction.

11 (d) Nothing in this Act shall be construed as author-  
12 izing any Federal official, agent, or representative, in carry-  
13 ing out any of the provisions of this Act, to take charge  
14 of any child over the objection of either of the parents of  
15 such child, or of the person standing in loco parentis to  
16 such child, in violation of the law of a State.

17 **RULES AND REGULATIONS**

18 **SEC. ~~1002~~ 1202.** The Secretary of the Treasury, the  
19 Secretary of Labor, and the Social Security Board, respec-  
20 tively, shall make and publish such rules and regulations, not  
21 inconsistent with this Act, as may be necessary to the efficient  
22 administration of the functions with which each is charged  
23 under this Act.

1

## SEPARABILITY

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SEC. ~~1003~~ 1203. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances shall not be affected thereby.

7

## RESERVATION OF POWER

8

SEC. ~~1004~~ 1204. The right to alter, amend, or repeal any provision of this Act is hereby reserved to the Congress.

10

## SHORT TITLE

11

SEC. ~~1005~~ 1205. This Act may be cited as the "Social Security Act".

12

Amend the title so as to read: "An Act to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes."

Passed the House of Representatives April 19, 1935.

Attest:

SOUTH TRIMBLE,

*Clerk.*

Calendar No. 661

74TH CONGRESS }  
1ST SESSION } **H. R. 7260**

[Report No. 628]

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## AN ACT

To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

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APRIL 15 (calendar day, APRIL 22), 1935

Read twice and referred to the Committee on Finance

MAY 13 (calendar day, MAY 20), 1935

Reported with amendments