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REVENUE ACT OF 1950

(excerpts only)

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SOCIAL SECURITY ACT AMENDMENTS OF 1949

AUGUST 22, 1949.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

REPORT

[To accompany H. R. 6000]

The Committee on Ways and Means, to whom was referred the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

INTRODUCTION

I. PURPOSE AND SCOPE OF THE BILL

The President advised the Congress in his message on the state of the Union on January 5, 1949:

> The present coverage of the social-security laws is altogether inadequate, and benefit payments are too low. One-third of our workers are not covered. Those who receive old-age and survivors insurance benefits receive an average payment of only $25 a month. Many others who cannot work because they are physically disabled are left to the mercy of charity. We should expand our social-security program, both as to size of benefits and extent of coverage, against the economic hazards due to unemployment, old age, sickness, and disability.

Your committee has, for the past 6 months, made a very intensive study of the old-age and survivors insurance provisions (title II) and public assistance and child welfare provisions (titles I, IV, V, and X) of the Social Security Act. It has carefully considered the problems of economic insecurity and dependency. The opinions of all interested groups have been heard and weighed. The overwhelming weight of testimony was in agreement on the broad proposition that the framework of the Social Security Act is sound and that the act should be amended to widen the scope and increase the protection

afforded by both the old-age and survivors insurance and the public assistance programs.

Ten years have elapsed since the last major revision of the Social Security Act established the scale of monthly benefits under the old-age and survivors insurance system in effect today. During this time, a great deal of experience has been built up which now permits us to assess the strength and weakness of the social-security system in relation to its place in the economy. During this period broad developments have also occurred which make it necessary to resurvey the principles and objectives of the social-security program as they relate to current economic conditions.

The Congress is faced with a vital decision which cannot long be postponed. Inadequacies in the old-age and survivors insurance program have resulted in trends which seriously threaten our economic well-being. The assistance program, instead of being reduced to a secondary position as was anticipated, still cares for a much larger number of people than the insurance program. Furthermore, the average payments under assistance have more than doubled in amount since 1939 while benefits under insurance have scarcely risen at all. There are indications that if the insurance program is not strengthened and expanded, the old-age assistance program may develop into a very costly and ill-advised system of noncontributory pensions, payable not only to the needy but to all individuals at or above retirement age who are no longer employed. Moreover, there are increasing pressures for special pensions for particular groups and particular hazards. Without an adequate and universally applicable basic social insurance system, the demands for security by segments of the population threaten to result in unbalanced, overlapping, and competing programs. The financing of such plans may become chaotic, their economic effects dangerous. There is a pressing need to strengthen the basic system at once before it is undermined by these forces. Once the basic system is firmly established, any remaining special needs of particular groups can be assessed and met in an orderly fashion.

The time has come to reaffirm the basic principle that a contributory system of social insurance in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency. A contributory system, in which both contributions and benefits are directly related to the individual's own productive efforts, prevents insecurity while preserving self-reliance and initiative.

Under social insurance, benefits are computed individually in each case, on the basis of earnings in covered employment. Because benefits are related to average earnings and hence reflect the standard of living which an individual has achieved, ambition and effort are rewarded; since they are also related to length of service in covered work, individual productivity is encouraged and the Nation's total production is increased.

Because benefits under the insurance system are paid as a matter of right following cessation of substantial covered employment, the worker's dignity and independence are preserved.

Knowing that any assets and resources he may accumulate will not disqualify him and his dependents for benefits, the worker is encour-

aged to make private savings in order to supplement his social insurance benefits.

Social insurance has other desirable attributes. Because benefits are geared to contributions, the pressure for an unwarranted scale of payments is held at a minimum. Social insurance has a stabilizing influence on the economy by maintaining steady flow of purchasing power in adverse times, and thus helping to protect the Nation from serious economic maladjustment.

For these reasons the contributory system of old-age and survivors insurance, with benefits related to earnings and paid as a matter of right, should continue to be the basic method for preventing dependency. Insurance against wage loss due to permanent and total disability will round out the protection of the insurance system. The assistance program, with payments related to need, should continue to serve the function of filling the gaps left by the social insurance program, and for this purpose it should be strengthened and improved. The function of assistance is to supplement insurance when necessary. The bill is designed to speed the day when most of the aged and of the Nation's dependent families will look to the insurance program for protection and when the role of public assistance can be drastically curtailed.

II. BACKGROUND AND HISTORY OF LEGISLATION

A. Social Security Act of 1935

This act provided a system of old-age insurance for persons working in industry and commerce as a long-run safeguard against the occurrence of old-age dependency. To help alleviate immediate needs, Federal grants were provided to States for three forms of public assistance: For the needy aged, the needy blind, and dependent children. The old-age insurance plan provided monthly benefits (beginning in 1942) only for the insured worker in his old age and also lump-sum death benefits. A tax was imposed on employers and employees at a rate of 1 percent each for 1937–39, 1½ percent for 1940–42, 2 percent for 1943–45, 2½ percent for 1946–48, and 3 percent thereafter. An old-age reserve account was created, to which Congress annually appropriated funds in amounts "determined on a reserve basis in accordance with accepted actuarial principles"; in actual practice these appropriations closely approximated the tax receipts less administrative costs which were met out of the general treasury.

B. 1939 revision of the Social Security Act

The amendments considerably broadened the protection of the old-age insurance system. Supplementary benefits were provided for the eligible wife and children of a retired worker and for the surviving widow and children (in certain instances also for surviving dependent parents). The beginning date for payment of monthly benefits was advanced to January 1940. Benefits payable in the early years were increased, while benefits were reduced for unmarried workers with high earnings who would retire after many years of coverage. This was accomplished by basing the benefits on average covered wages rather than on total covered wages. The tax rate on employers and employees was held at 1 percent each through 1942, and was then to follow the original schedule. Further, it was provided that an

amount equal to the tax collections would be appropriated to the fund and the requirement as to annual appropriations being "determined on a reserve basis in accordance with accepted actuarial principles" was removed.

The 1939 amendments also liberalized the assistance provisions by increasing the individual maximums for the needy aged and for the needy blind, upon which the matching by the Federal Government is based, from $30 per month to $40. Also the Federal matching proportion for aid to dependent children was increased from one-third to one-half, and the age limit was raised from 16 to 18. Further, it was required that States in determining need for assistance take into account income and resources of applicants.

C. Legislation during 1940–45

In 1943 and in subsequent years legislation was passed to maintain the old-age and survivors insurance contribution rate at 1 percent each on employers and employees, rather than letting it rise as scheduled in the 1939 amendments. In 1943 the law was changed to authorize appropriation from general revenues to the trust fund of "such additional sums as may be required to finance the benefits and payments under the insurance program" (to date no appropriations have been made under this provision).

D. The 1946 amendments

Provision was made for survivors insurance benefits in respect to World War II veterans who die within 3 years of discharge from the armed forces, provided that such survivors are not entitled to pensions under veterans' laws. The amendments also froze the old-age and survivors insurance contribution rate at 1 percent for 1947 and made a number of technical changes which slightly liberalized benefits and simplified certain aspects of the program.

The funds available to States for public assistance were increased substantially. For the period October 1946 through December 1947 the Federal matching proportion for the aged and the blind was raised from a straight one-half to two-thirds of the first $15 per month and one-half thereafter, while at the same time the maximum individual grant upon which matching could be made was raised from $40 to $45. For aid to dependent children the Federal share was raised from a uniform one-half to two-thirds of the first $9 and one-half thereafter, with the individual maximums being raised from $18 for the first child and $12 for each additional child to $24 and $15 respectively.

E. Amendments after 1946

In 1947 the old-age and survivors insurance contribution rate was again frozen at 1 percent effective through 1949; the rate was to be 1½ percent in 1950–51 and 2 percent thereafter. The increased grants for public assistance provided in the 1946 amendments, scheduled to expire in December, were extended through June 1950.

In 1948 Congress amended the Social Security Act by passing two bills over the President's veto. Public Law 492, Eightieth Congress, excluded certain newspaper vendors from the coverage of old-age and survivors insurance. Public Law 642, Eightieth Congress, amended the definition of "employee" so as to deprive of coverage those who were not employees under the usual common-law rules applicable in determining employer-employee relationship. The public assistance

provisions were again liberalized. For the aged and the blind the Federal Government would pay three-fourths of the first $20 of average payment and one-half thereafter, with the individual matchable maximum raised to $50 per month. The matching grants for aid to dependent children were raised to three-fourths of the first $12 of the average payment per child and one-half thereafter, with the individual matchable maximum payments being $27 for the first child and $18 for each additional child.

F. Hearings of 1949

Your committee has attentively followed the operation of the social-security program throughout the years and had a thorough study prepared by a special staff of experts in 1945. It has had the advantage of the studies of special committees composed of outstanding citizens such as the Social Security Advisory Council of the Senate Committee on Finance which submitted an extensive and exhaustive report and recommendations in 1948. It has studied the annual recommendations of the Social Security Administration. It has conducted extended public hearings on several occasions.

This year your committee conducted public hearings on the public assistance and welfare features of social security from February 28 through March 23, and on old-age, survivors, and disability insurance from March 24 through April 27. At the hearings on public assistance and public welfare, oral testimony was given by 88 persons, including 14 Members of Congress, 22 officials of State and local welfare organizations, 8 Federal officials, and 44 other persons, most of whom represented special groups interested in welfare activities. At the hearings on old-age, survivors, and disability insurance the committee heard 165 individuals who testified in person, among whom were 5 Members of Congress, 9 Federal officials, 7 officials of State and local governments, 56 representatives of employee and labor organizations, 36 employer representatives, and 52 other persons representing themselves or various organized groups of citizens. In addition to the direct testimony, several witnesses filed supplementary statements at both hearings, and a number of persons who were unable to appear before your committee placed statements in the record. In all, your committee took 1,079 pages of testimony on public assistance and public welfare and 1,471 pages on old-age, survivors, and disability insurance.

Your committee has held executive sessions over a period of 16 weeks and has painstakingly considered the social-security program both as to the operation of specific proposals and the effect of the program on the economy. Your committee is convinced that a sound and effective social-insurance program is essential to the smooth functioning of our democratic society.

III. SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. Old-age and survivors insurance

1. *Extension of coverage.*—Old-age and survivors insurance coverage would be extended to add approximately 11,000,000 new persons to the 35,000,000 persons now covered during an average week. The groups added to the system under the bill are as follows:

(*a*) Nonfarm self-employed persons (other than physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, Chris-

tian Science practitioners, publishers, and aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineers) whose net earnings from self-employment total $400 or more per year (about 4.5 million).

(*b*) Employees of State and local governments, if the State enters into a voluntary compact with the Federal Security Agency (except for certain transit workers who are covered compulsorily), provided that such employees who are under an existing retirement system shall be covered only if such employees and adult beneficiaries of the retirement system shall so elect by a two-thirds majority (about 3.8 million).

(*c*) Domestic servants in a private home (but not if employed on a farm operated for profit), whose cash earnings are $25 or more per quarter, and who work 26 days or more per quarter, for one employer (about 950,000).

(*d*) Employees of nonprofit institutions other than ministers and members of religious orders, but, if the employer does not elect voluntarily to pay the employer's tax, the employee would receive credit with respect to only one-half his wages for the employee's tax which is compulsorily imposed upon him (about 600,000).

(*e*) Agricultural processing workers off the farm and certain other types of essentially commercial or industrial border-line agricultural labor; also employees of nonprofit agricultural and horticultural organizations (about 200,000).

(*f*) Federal employees not covered under any retirement system except temporary workers, elective officials, "dollar-a-year" employees etc.; employees of farm loan and production credit organizations (about 100,000).

(*g*) Americans employed by an American employer outside the United States and employees on American aircraft outside the United States (about 150,000).

(*h*) Employees and self-employed in the Virgin Islands (about 5,000) and, if requested by the legislature, in Puerto Rico (about 250,000).

(*i*) Salesmen, and certain other employees, who were deprived of status as employees by Public Law 642, Eightieth Congress, the so-called Gearhart resolution (about 500,000 to 750,000).

2. *Liberalization of benefits.*—(*a*) About 2.6 million persons currently receiving old-age and survivors insurance benefits would have their monthly benefit increased on the average by about 70 percent. Increases would range from 50 percent for highest benefit groups to as much as 150 percent for lowest benefit groups. The average primary benefit is now approximately $26 per month for a retired insured worker and under the bill it would be approximately $44. Illustrative figures for individual cases are shown in the table below:

Present primary insurance benefit	*New primary insurance amount*
$10	$25
15	31
20	36
25	44
30	51
35	55
40	60
45	64

(*b*) Persons who retire after 1949 would have their benefits computed under the following new formula, with resulting benefits approximately double the average benefits payable today:

(i) Fifty percent of first $100 of average monthly wage, plus 10 percent of the next $200 (based on the maximum wage and tax base of $3,600 per year). This amount would be increased by one-half percent for each year of coverage, and would be reduced proportionately to take into account the time not spent in covered employment. For example, assume that the worker retired before 1956 and had 10 years of coverage since 1936, and that he had an average monthly wage over his years of coverage of $200 per month. His base amount would then be $60 (50 percent of the first $100 of average wage plus 10 percent of the next $100 of average wage, or $50+$10). The amount coming from the increment is 5 percent of the base amount (since there are 10 years of coverage at ½ percent each) or $3. The primary insurance amount is then $63.

(ii) The minimum primary benefit under existing law of $10 per month would be increased to $25.

(iii) The maximum family benefit under existing law of $85 per month would be increased to $150, but not to more than 80 percent of the average monthly wage of the insured person.

(iv) Lump-sum death payments would be made for all insured deaths instead of only for deaths with respect to which immediate monthly survivors benefits are not payable, as limited by present law.

3. *Computation of average wage.*—The average wage of an insured worker would be the average earned in all years of coverage (years after 1949 in which $400 or more was earned in covered employment; prior to 1950, years of coverage are credited for $200 or more of wages) after either 1936 or after 1949, and before the worker dies or retires, whichever yields the higher average wage.

4. *Eligibility for benefits.*—In order to qualify for both old-age and survivors insurance benefits under present law, a person must have either (*a*) quarters of coverage (calendar quarters after 1949 in which $100 or more was earned in covered employment; prior to 1950, quarters of coverage are credited for $50 or more of wages) equal to one-half of the number of quarters since 1936 and before age 65 or death, or (*b*) 40 quarters of coverage. Under the bill a third alternative qualification of 20 quarters of coverage out of the 40-quarter period ending at death or at age 65, or any later date, would be added. This would be of particular advantage to newly covered workers since it would enable them to qualify more quickly.

5. *Limitation on earnings of beneficiaries.*—The amount a beneficiary may earn in covered employment without loss of benefits would be increased from $14.99 to $50 per month. After age 75, benefits would be payable regardless of amount of earnings from employment.

B. Permanent and total disability insurance

1. *Coverage.*—All persons covered by the old-age and survivors insurance program would have protection against the hazard of enforced retirement and loss of earnings caused by permanent and total disability.

2. *Benefits.*—Permanently and totally disabled workers would have their benefits and average wage computed on the same basis as for old-age benefits, but no payments would be available for dependents of disabled workers.

3. *Eligibility for benefits.*—An individual would be insured for disability benefits if he had both (*a*) 6 quarters of coverage out of the

13-quarter period ending when his disability occurred, and (*b*) 20 quarters of coverage out of the 40-quarter period ending when his disability occurred.

C. Old-age and survivors insurance benefits for World War II veterans

World War II veterans would be given wage credits under the old-age, survivors, and disability insurance program of $160 per month for the time spent in military service between September 16, 1940, and July 24, 1947.

D. Financing of old-age, survivors, and disability insurance

1. *Taxable wage base.*—The total annual earnings on which benefits would be computed and contributions paid is raised from $3,000 to $3,600.

2. *Contribution schedule.*—Employers and employees would continue to share equally, with the rate for each being as follows (since 1936 the rate has been 1 percent):

Calendar years:	*Rate, percent*
1950	1½
1951–59	2
1960–64	2½
1965–69	3
1970 and after	3¼

The self-employed who are covered would pay 1½ times the above rates.

E. Public assistance and welfare services

1. *Extension of State-Federal public assistance programs.*—Aid would be extended to persons not now eligible for assistance, as follows:

(*a*) Permanently and totally disabled needy persons would become eligible for State-Federal assistance by the establishment of a fourth category, with the Federal Government sharing in the costs in the same manner as for old-age assistance and aid to the blind.

(*b*) The mother, or other adult relative with whom an eligible dependent child is living, would become eligible as a recipient under the aid to dependent children program, and the Federal Government would share in the costs of the aid furnished such mother or relative.

2. *Increase in Federal share of public assistance costs.*—The bill would strengthen financing of public assistance in all States, and, particularly, would enable States with low-average payments to raise the level of payments to needy recipients under the State-Federal program. Federal funds would be made available to the States under the following matching formula:

(*a*) For old-age assistance, aid to the blind and aid to the totally and permanently disabled, Federal funds will equal four-fifths of the first $25 per recipient plus one-half of the next $10 plus one-third of the next $15 with a maximum of $50 on individual assistance payments.

(*b*) For aid to dependent children, Federal funds will equal four-fifths of the first $15 per recipient (including one adult in each family) plus one-half of the next $6, plus one-third of the remainder, with maximums on individual assistance payments of $27 for the adult plus $27 for the first child plus $18 for each additional child in the family.

3. *Public medical institutions.*—The Federal Government would share in the payments made by the States and localities to the needy

aged, blind, and permanently and totally disabled recipients residing in public medical institutions, instead of limiting Federal participation to payments made to recipients residing in private institutions as provided in present law.

4. *Direct payment for medical care.*—States would be authorized to make direct payments to medical practitioners or institutions furnishing medical care to recipients of State-Federal public assistance. Under existing law the Federal Government does not participate in the cost of medical care for recipients unless payment for such care is made directly to the recipient.

5. *Child-welfare services.*—Authorization for child-welfare services in rural areas or areas of special need would be increased from 3.5 million dollars per year to 7 million dollars. The use of child-welfare funds would be authorized for purposes of returning interstate runaway children to their homes.

6. *Cost.*—The estimated additional cost to the Federal Government for the public-assistance and welfare-services amendments would be 256 million dollars annually.

F. Puerto Rico and the Virgin Islands

The old-age, survivors, and disability insurance program and Federal participation in public assistance would be extended to Puerto Rico and the Virgin Islands.

Old-Age and Survivors Insurance

IV. EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE COVERAGE

A. General

The old-age and survivors insurance system now covers some 35,000,000 workers during the course of an average week. The bill would extend coverage to about 11,000,000 of the 25,000,000 workers not now covered. Specifically, coverage would be extended to self-employed persons other than farmers and certain professional groups, employees of State and local governments, domestic servants employed on a regular basis in other than farm homes, employees of nonprofit organizations, and certain other smaller groups that will be described hereafter.

The bill would not extend coverage to persons engaged in agriculture (whether as self-employed individuals or as employees), Federal employees covered under retirement systems, members of the armed forces, railroad employees, the self-employed professional groups mentioned previously, and certain other smaller groups of workers.

Your committee has given extensive consideration to the advisability of extending coverage to agricultural employees, to self-employed farm operators, and to other self-employed groups excluded under the bill. However, your committee believes that further study must be given to the special problems involved in the coverage of these groups.

B. Specific coverage groups added

1. *The nonfarm self-employed.*—During the hearings on the 1939 amendments to the Social Security Act, testimony was presented to the effect that coverage of self-employed persons appeared to involve difficult problems of administration and that it should therefore be

postponed until the administrative agencies had further experience with the coverage of employees in industry and commerce. Since that time, practicable administrative procedures for coverage of the self-employed have been developed. After a careful consideration of the proposed methods for extending coverage to the nonfarm self-employed, your committee believes that the insurance system should now be extended to this group, except for certain professional classes.

Under the bill the coverage of the self-employed is compulsory. Your committee gave thorough consideration to the possibility of coverage on a voluntary basis, but there are fundamental objections to that approach. The history of voluntary social insurance in the United States and in other countries indicates definitely that only a very small proportion of all eligible individuals actually elect to participate. Moreover, those who do elect are usually not persons of below-average income who are in the greatest need of such protection. In addition, voluntary coverage would probably attract almost exclusively people who are already aged and others who can foresee a large possible return for their contributions; as a result, the program would be faced with adverse selection of risks, and consequently there would be a serious drain on the trust fund.

The total number of nonfarm self-employed persons who would be covered during an average week is about 4.5 million. Between 35 and 40 percent of the total number are storekeepers and other retailers, including, for example, proprietors of unincorporated shoe stores, clothing stores, grocery stores, restaurants, and filling stations. Approximately 20 to 25 percent are proprietors of such service establishments as hotels, boarding houses, garages, laundries, barber shops, and places of amusement. From 12 to 15 percent are engaged in the construction industry, including small-scale plumbing, painting, and electrical contractors. The remaining 25 to 30 percent is made up of wholesale merchants, agents and brokers, small-scale manufacturers, independent taxicab owners, and proprietors of real-estate and insurance enterprises. The professional groups which are excluded—namely, doctors, dentists, osteopaths, chiropractors, Christian Scientist practitioners, optometrists, veterinarians, lawyers, publishers, and aeronautical, chemical, civil, electrical, mechanical, metallurgical, and mining engineers—number approximately 400,000 persons.

An individual will report his self-employment income by transferring the information from his income-tax return to a simple supplementary form, or an additional item on the income tax return might be provided. Unless his net earnings from self-employment amount to $400 or more in any given year, he pays no self-employment tax on such income and receives no credit toward old-age, survivors, and disability insurance benefits.

If wages are earned in covered employment (upon which employment tax is payable), such wages are deducted from the $3,600 annual maximum in determining the amount of net earnings from self-employment that is taxable and creditable in any year. Thus, as far as practicable, self-employment income is taken into account for benefit purposes to the same extent as wages, but income from casual self-employment would not be taxed or credited.

2. *Employees of State and local governments.*—State and local governmental units in this country employ about 3.8 million workers in an

average week. Except for certain transit-company employees, coverage of employees of State and local governments would be effected only by a voluntary compact between a State and the Federal Security Administrator.

The voluntary agreements are made with respect to defined coverage groups. In general, a coverage group comprises all the employees of a State or of a political subdivision of a State. For any group to be covered, all of the employees in that group (with certain possible specified exceptions such as part-time workers or elected officials) would have to be covered. This is necessary in order to avoid adverse selection. Members of an existing retirement system would be treated as a separate coverage group, and coverage could not be extended to them unless the employees and beneficiaries so elect by a two-thirds majority vote in a written referendum, and it is intended that this be accomplished by secret ballot. The provision for a referendum is included so as to assure those covered by adequate existing systems (such as firemen, policemen, and teachers) that adequate safeguards are present so that their present pension plans will not be destroyed. Many employees in private industry have the protection of both the social insurance system and supplementary private plans. The Federal program may provide types of protection not available under a State or local plan and, in all instances, can serve as a basic protection to employees who shift between public and private employment.

Provisions are also included for the orderly termination of Federal-State compacts. In order to safeguard the interest of all parties concerned the States would not be allowed to terminate until the agreement had been in force for 5 years, and then would have to give advance notice of at least 2 years. In order to prevent in-and-out movements disadvantageous to the financing of the program, if coverage of a particular group is terminated, that group can never be covered again.

If a State fails to pay the required contributions while a compact is in effect, the Federal Government may deduct such amount plus interest from payments otherwise due to the States under other titles of the Social Security Act (chiefly Federal grants for public assistance).

Compulsory coverage has been provided for certain employees of privately owned transit companies taken over by governmental units. Such employees are frequently in an unfortunate position since their coverage is terminated under present law when the company becomes publicly owned, even though their duties may remain the same. Where the transit company was acquired by a governmental unit after 1936 but before 1950, persons working for such company on the date when it was taken over would be covered, beginning in 1950, unless the employing governmental unit elects against such coverage within a specified period. If a transit company is acquired by a governmental unit after 1949, coverage of those employees taken over from the private employer would continue to be compulsory.

3. *Employees in domestic service.*—From the beginning of the insurance program, it has been recognized that domestic workers need the protection of social insurance as much as any other occupational group. Your committee believes that regularly employed domestic workers can now be covered without undue administrative difficulties. Consistent with the fact that coverage is not extended to farm workers or

farm operators, domestic workers in private homes on farms operated for profit are not covered. In order for domestic servants in other private homes to be covered, such workers must be paid $25 or more in cash wages by the particular employer during a calendar quarter and, in addition, must be employed by such employer for at least 26 days during such quarter (or else have been employed for at least 26 days by this employer in the previous calendar quarter). Under this definition of a "regular" worker, most domestic employees who are hired on a weekly or monthly basis will be covered, while most part-time workers, and all casual or intermittent workers, will be excluded from coverage.

The bill also extends coverage to nonstudent domestic workers of local college clubs, fraternities, and sororities, whose remuneration is at least $100 in a calendar quarter. Students performing domestic work for such employers will continue to be excluded from coverage.

There are certain types of nonbusiness services which are not, strictly speaking, domestic service in private homes but which are difficult to distinguish from domestic service. To facilitate coverage determinations, the same requirements for coverage are applied to both domestic and other nonbusiness service, namely, cash remuneration of at least $25 in a calendar quarter and employment in at least 26 days of such quarter.

It is difficult to estimate what the effects of the restrictions on coverage of domestic service will have on the total number of domestic workers who are covered, but it is believed that there will be about 950,000 covered.

4. *Employees of nonprofit organizations.*—The bill would cover all employees of religious, charitable, and other nonprofit organizations except members of the clergy and religious orders. About 600,000 such employees would be covered in the course of an average week. Such organizations have expressed almost unanimously a desire for coverage provided that their traditional tax-exempt status would not thereby be threatened. Under the bill, their exempt status would be safeguarded. Although the regular compulsory employee contribution of the program would be imposed on their employees, exemption from the employer tax of the program would be continued for nonprofit organizations unless the organization elects to pay the employer tax by waiving the tax exemption. In such case, the employees would be given full credit toward benefits for wages received. Otherwise, only one-half of the employee's wages would be credited toward benefits.

A waiver of tax exemption would be applicable to all employees and could not be terminated by the employer until it had been in effect for at least 5 years, and then the employer would have to give 2 years' advance notice. Statements by nonprofit organizations indicate that the great majority of such organizations would elect to pay the employer contribution, and so provide full insurance protection for their employees.

The bill would continue to exclude service performed for nominal amounts in the employ of tax-exempt nonprofit organizations, service performed by student nurses and internes, and service performed by students in the employ of colleges and universities. These exclusions simplify administration without depriving any significant number of people of needed protection. On the other hand, coverage would be extended, except where the services are performed for nominal

amounts, to certain ritualistic or dues-collecting services for fraternal beneficiary societies, service for agricultural and horticultural organizations, and for voluntary employees' beneficiary associations, and certain services performed by students in the employ of tax-exempt organizations.

5. *Border-line "agricultural" labor.*—Certain types of services now excluded as agricultural are essentially commercial and industrial. The bill would modify the definition of "agricultural labor" to provide insurance protection for individuals performing such services. It is estimated that this change would extend coverage to about 200,000 persons in the course of an average week.

Coverage has been extended under this new definition to services performed off the farm in connection with the raising or harvesting of mushrooms, the hatching of poultry, and the operation or maintenance of irrigation ditches, and to services performed in the processing of maple sap into maple sirup or maple sugar (as distinguished from the gathering of maple sap).

Coverage would also be provided for individuals performing post-harvesting services in the employ of commercial handlers of fruit and vegetables, or in the employ of farmers' cooperatives, irrespective of the agricultural commodity in connection with which the services are performed.

6. *Federal civilian employees not covered under any retirement system.*—The bill would extend coverage to about 100,000 civilian employees of the Federal Government and its instrumentalities in the course of an average week. Employees who are now covered by a federally established retirement system would not be included. Certain employees who are not under retirement systems would also remain excluded; they are, in general, employees who are temporary workers or whose employment will eventually be covered under some other Federal benefit system. The purpose of the exclusions is to avoid the nuisance of reporting inconsequential amounts for which no significant benefit rights would be given. Members of the legislative branch and elected officials in the executive branch of the Government would also be excluded.

7. *Americans employed outside the United States.*—During the course of an average week about 150,000 American citizens work outside the United States for American employers, and the number is increasing. Because old-age and survivors insurance coverage does not, in general, extend beyond the geographical boundaries of the United States, the insurance protection of persons who take such jobs is interrupted. The bill would extend coverage to this group.

The bill would also extend coverage to employment performed on American aircraft outside the United States, under the conditions which now apply to maritime service performed outside the United States.

8. *Puerto Rico and the Virgin Islands.*—By extending the definition of the terms "State" and "United States," coverage would be extended to include services performed in the Virgin Islands of the United States and, if requested by the legislature, in Puerto Rico. About 5,000 persons would be covered in the Virgin Islands and about 250,000 in Puerto Rico during the course of an average week. These areas of our American economy are among those most in need ot the social insurance system. Because average earnings are relatively low,

workers there are generally unable to provide for their own future security. Despite low wages and some irregularity of employment, it appears that most such workers in covered occupations would be able to qualify for insurance benefits.

9. *Definition of "employee."*—The definition of "employee" used in the bill has two significant results. First it provides coverage as employees for from 500,000 to 750,000 persons who are not covered under the definition in the present law. Secondly, by providing a more precise definition of the term than that in the present law it would go a long way toward clarifying the coverage status of individuals in the twilight zone between employment and self-employment.

The new definition, which is effective with respect to services performed after 1949, has four parts. The first part provides (as does existing law) that an officer of a corporation is an employee of the corporation. The second provides that the usual common-law rules are to be used to determine whether an individual is an employee. Thus all persons who have been determined to be employees under existing law will continue to be considered employees.

The second part of the definition also provides that full force and effect be given to a written contract expressly reciting that the person for whom the service is performed shall have complete control over the performance of such service and that the individual, in the performance of such service (either alone or as a member of a group), is the employee of such person. The definition does not, however, give force or effect to a contract which expressly provides that the person for whom the services are performed shall not have the right to control and direct the individual who performs the service or which provides that such individual is not the employee of such person. In the latter type of contract all the facts and circumstances of the particular case must be considered to determine whether such individual is an employee either under the usual common-law rules or under the other tests of the definition.

The usual common-law rules for determining the employer-employee relationship fall short of covering certain individuals who should be covered as employees for the purposes of the old-age, survivors, and disability insurance program. The third and fourth parts of the definition of "employee" correct this deficiency in the existing law by extending coverage to individuals who, although not employees under the usual common-law rules, occupy a status not materially different from those who are employees under such rules.

The third part of the definition extends coverage to individuals who perform services, under prescribed circumstances, in seven occupational groups. Your committee has designated these groups to assure the coverage of individuals who fall within them even though such individuals may be covered as employees under other tests of the definition. If such individuals are not classifiable as employees under this part of the definition, they may nevertheless be employees under an application of one of the other parts.

Under the third part of the definition an individual who performs services for remuneration for any person in an occupation falling within one of the enumerated groups is an employee if his contract of service contemplates that substantially all of such services (other than in the case of a mining lessee) are to be performed personally by such individual, unless (1) such individual has a substantial investment (other than the investment by a salesman in the facilities for transportation)

in the facilities of the trade, occupation, business, or profession, with respect to which the services are performed, or (2) the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

Your committee believes that, while paragraph (3) of the definition will prove helpful to employers and employees as well as to the administrative agencies in identifying certain groups of individuals who should be covered as employees, such paragraph in itself is inadequate to correct the deficiencies in the usual common-law rules. The infinite and subtle variations in service relationships within our economy make it impracticable to designate in the statute by occupational label all the groups which should have employee coverage. Accordingly, your committee has added paragraph (4) to the definition of "employee."

The fourth test of employee status differentiates between individuals who are employees and those who are not employees on the basis of factual considerations and not on the basis of technical legal considerations. Under this test the status of an individual in the performance of service for any person for remuneration is determined from the combined effect of the following enumerated factors: (1) Control over the individual; (2) permanency of the relationship; (3) regularity and frequency of performance of the service; (4) integration of the individual's work in the business to which he renders service; (5) lack of skill required of the individual; (6) lack of investment by the individual in facilities for work; and (7) lack of opportunities of the individual for profit or loss.

If the combined effect of all such factors indicates that the individual is performing the service in the pursuit of his own business he will not be considered an employee under this test of the definition.

Examples of the way in which the fourth test of the definition applies in particular situations are given in the section-by-section analysis of the bill.

V. OLD-AGE AND SURVIVORS INSURANCE BENEFITS FOR WORLD WAR II VETERANS

The Federal Government, in removing World War II servicemen from the civilian labor force, deprived them of the opportunity to acquire wage credits under the Federal old-age and survivors insurance program. The chance for young servicemen to acquire benefit rights under the program was impaired, and the opportunity for others to increase or maintain their existing protection was lessened. It is believed only fair, therefore, that the Federal Government should give adequate recognition under the program to wartime military service.

Congress has made limited provision for veterans of World War II in section 210 of the Social Security Act, enacted in 1946. Under these provisions a veteran who meets certain service requirements and who dies within 3 years after separation from service is considered to have died fully insured with an average monthly wage of not less than $160. However, these provisions do not apply if the veteran died in service or if the Veterans' Administration determines that any pension or compensation is payable, by reason of the death of the veteran, under any law administered by that agency. Moreover, the 3-year period of protection provided under section 210 has now expired in the great majority of cases. The bill would leave this provision unchanged.

Your committee believes that the only appropriate remedy for the present situation is one which will give World War II veterans the status they might have had if military service had not interfered with their employment. Accordingly, the bill would provide veterans with wage credits of $160 for each month of military service performed during the World War II period. These wage credits would be given regardless of whether death occurred in service and whether veterans' benefits were payable. In cases in which the protection provided under section 210 and that provided by the military-service wage credits overlap, the bill would permit application of the provisions that would result in the most favorable treatment. The cost of the additional benefits resulting from the wage credits would be met by special appropriations to the trust fund.

As indicated, your committee does not believe that the war-service wage credits should be withheld where pension or compensation is payable by the Veterans' Administration.

In most cases where the individual died in service the wage credits are of real significance in providing additional benefits for his widow and children. In many cases, such deceased servicemen were insured when they entered military service, but with the absence of wage credits during service, lost insured status or had their benefit amounts sharply reduced. A very real hardship therefore results in most death-in-service cases if wage credits are not given or if provisions were included for adjustment where compensation is payable by the Veterans' Administration.

The wage credits would be taken into account in computing any monthly benefits payable for any month after 1949 (including cases where death occurred prior to 1950) and in determining lump-sum death payments where the veteran dies after 1949. The bill would not provide for payment of retroactive monthly benefits or for lump sums in cases where the death has already occurred.

VI. OLD-AGE AND SURVIVORS INSURANCE BENEFITS LIBERALIZED

A. General

A major change proposed in this bill is to establish a level of old-age and survivors insurance benefits appreciably higher than the amounts provided in the present Social Security Act which were geared to prewar conditions and wage levels. For retired workers who are already on the benefit rolls, the range of benefits (exclusive of any benefits for their eligible dependents) will be between $25 and $64.40 per month as compared with the present range of from $10 to $45.20. The average payment now is about $26, and this will be increased to about $44, or 70 percent, under the proposal (the manner in which benefits for those now on the roll will be increased is discussed subsequently). The amended benefit provisions which will apply generally to retired workers who claim benefits after 1949 will yield an average benefit of $50 to $55 in 1950.

Several factors contribute to this increase in benefit amount for those coming on the roll after the effective date. The new benefit formula itself gives a much higher proportion of the average monthly wage than the present formula. Other factors of lesser importance are the increase in the wage base, which allows benefits to be based on greater total earnings than is the case at present, and the increase in the minimum benefit from $10 to $25.

On the other hand, there are factors in the benefit provisions which will tend to prevent costs from rising as high, in the long run, as the initial increase might lead one to expect.

Table 1 sets forth the amounts of old-age insurance benefits payable to regularly employed workers at various levels of average monthly wage and for various numbers of years of coverage, under the present law and under the bill, without showing supplementary benefits for dependents.

TABLE 1.—*Illustrative monthly primary amounts*

[All figures rounded to nearest dollar]

Monthly wage while working	10 possible years of coverage		20 possible years of coverage		40 possible years of coverage	
	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000
	Covered in all possible years					
$50	$22	$26	$24	$28	$28	$30
$100	28	52	30	55	35	60
$150	33	58	36	60	42	66
$200	38	63	42	66	49	72
$250	44	68	48	72	56	78
$300	(1)	74	(1)	77	(1)	84
	Covered in half of possible years					
$50	$10	$25	$11	$25	$12	$25
$100	21	26	22	28	24	30
$150	24	29	25	30	27	33
$200	26	32	28	33	30	36
$250	29	34	30	36	33	39
$300	(1)	37	(1)	38	(1)	42

[1] Present law includes wages only up to $250 per month.

B. Computation of benefits

1. *Wage base.*—The wage base to which benefits are related is changed in a number of respects. In general, the result will be to raise benefit amounts.

The maximum of wages and self-employment income which may be used in computing the amount of benefits is increased from $3,000 to $3,600 per year.

2. *Average monthly wage.*—The bill changes the method for computing the "average monthly wage," which is used in computing the primary insurance amount. All benefits, including dependents and survivors insurance benefits, are based on the primary insurance amount. In the present Social Security Act, the average monthly wage is obtained by dividing the individual's total taxable wages by the number of months after 1936, when the program began, or after the individual attained age 22, if that was later, and up to the time his benefit is calculated at age 65 or later, or at death. Periods during which the individual was out of covered employment for any reason before age 65 reduce the average monthly wage and, therefore, the insurance benefit. If, for example, a worker earns $100 a month while in covered employment, and is in such employment only 5 out of 10 years before retirement, his average monthly wage, under the present law, is only $50.

If the present method of computing the average monthly wage were applied to the individuals brought in by the extensions of cover-

age provided in this bill, old-age insurance benefits awarded to them for several years ahead would be no more than the minimum amount. These individuals would be severely handicapped by the 13 years during which they had no wages in covered employment. Accordingly, the bill permits the average monthly wage to be computed on the basis of wages—including self-employment income—after 1949 (rather than after 1936) if this produces a larger amount. Thus, benefits for newly covered individuals will be more nearly comparable in amount to those for workers covered since the inception of the old-age and survivors insurance program than they would have been under the present method of computing the average monthly wage.

The bill also defines the "average monthly wage" in a different manner, namely as the quotient obtained by dividing the total of wages and self-employment income paid to or derived by the individual during those years which were "years of coverage" by 12 times the number of such years. A year of coverage is defined as a year in which earnings from covered employment were at least $200 during 1937–49 and $400 for 1950 and after. The higher amount for years after 1949 was set in the bill to take account of the increase in wage rates since 1939. Earnings of as little as $200 in a year cannot now be said to represent substantial attachment to covered employment. With the higher wage rates now in effect, workers who ordinarily are self-supporting will have no difficulty in meeting the $400 requirement.

If insured individuals have fewer than 5 years of coverage, the average monthly wage will nonetheless be computed over a 5-year period. For example, if a newly covered worker became insured on the basis of employment in 1950, 1951, and 1952 and if he had total wages of $3,600 in each of those years, his average monthly wage would be $180 (instead of $300) because the divisor months would be 60 rather than 36. However, such individuals will have paid very small amounts of taxes, and their benefits will be substantial in comparison with those taxes. (See discussion of insured status.)

There are certain advantages in changing the method of calculation of the average wage. It has always confused beneficiaries to have the wages averaged over years when they were not in covered employment. This confusion will be avoided by figuring the average monthly wage only over years of coverage.

3. *Continuation factor.*—To establish a reasonable differential between the benefits of persons regularly engaged in covered employment and those who work in such employment only intermittently, the bill provides for multiplying the base amount (to be described hereafter) by a "continuation factor" in obtaining the primary insurance amount. The continuation factor (which may never exceed 1) is defined as the quotient obtained by dividing the number of an individual's years of coverage (or the number 5, if that is greater) by the number of years in his elapsed period. To avoid undue reduction of the benefits of newly covered workers, in determining the continuation factor, the starting date for counting years of coverage and elapsed years will be 1936 or 1949 (or, for the elapsed period, attainment of age 21, if later), whichever results in the higher factor. As a result, the continuation factor would be 1, and thus have no effect, for those who die or reach age 65 before 1956.

The provision that the number of years of coverage shall be taken as at least 5, in computing the continuation factor, prevents further reduction of the benefits of those individuals who retire or die with

less than 5 years of coverage. These individuals will have had their average monthly wage reduced by the use of the minimum divisor of 5 years in the average wage computation even though they did not have wages in 5 years. It would be unjust to provide a double reduction because of the same circumstance.

4. *Benefit formula.*—Individuals whose average wages have been low should receive a greater percentage replacement of those wages in the form of benefits than those with relatively high wages. The latter have more opportunity to provide against economic contingencies through private means. The bill provides that the base amount shall be 50 percent of the first $100 of average monthly wage and 10 percent of that portion of the average monthly wage which exceeds $100; the present formula is 40 percent of the first $50 and 10 percent of the remainder. Thus, the new formula gives more weight to low-bracket wages than does the formula in the present Social Security Act. It also recognizes the general increase in wage levels through expansion of the bracket within which the larger percentage applies. Thus, an individual whose average monthly wage is $100 will have a base amount of $50 instead of $25, as at present.

The increase in wage levels is, as mentioned above, also recognized in increasing the wage base to $3,600. Consequently, the average monthly wage may reach a maximum of $300 instead of $250. This offsets to some extent the effect of other changes, which by themselves would narrow the relative differences in benefit amounts payable to beneficiaries at the lowest and highest levels of average monthly wage. It is important to maintain a significant spread of benefits from minimum to maximum primary benefit amounts in a contributory program in which benefits are related to former earnings.

Although workers with average wages above $250 will receive substantial increases, their benefits, as a percentage of their former earnings, will still be much less than those for workers at lower wage levels. The base amount for a $300 average monthly wage would be 23 percent of that wage, as compared with 50 percent for wages of $100 and below.

As in the present law, the formula recognizes length of service by increasing the base amount for each year of coverage. The amount of annual increase (termed "increment") of the base amount is changed from 1 percent to ½ percent. This increment is given for each "year of coverage" (as defined previously). Your committee feels that the increment is an essential part of a social security system.

An example of the method of computing benefits follows. Assume that the retired worker had an average monthly wage over his years of coverage of $200 per month and that he had 20 years of coverage out of a 25-year elapsed period. His base amount would then be $60 (50 percent of the first $100 of average wage plus 10 percent of the next $100 of average wage, or $50 plus $10). The individual's continuation factor is 80 percent (based on his having 20 years of coverage out of a possible 25 years, or in other words years of coverage in 80 percent of the possible years). The amount coming from the increment is 10 percent of the base amount (since there are 20 years of coverage at ½ percent each) or $6. To this there is then added the product of the continuation factor and the base amount which is $48 (80 percent of $60) yielding a total of $54 which is the primary insurance amount.

Under the average wage method in existing law (which does not contain the continuation factor), persons who shift between covered and noncovered employment have lower benefits, but not proportionately lower, than those who work at the same wage rate while employed and who remain regularly in covered employment. For example, the man who works in covered employment for all 40 years out of a possible 40 years at $100 per month now receives a benefit of $35; the man who works 20 out of 40 years at the same rate (and whose average wage is considered to be only $50 for benefit purposes) receives $24 or about two-thirds as much even though the contributions were only one-half as great. With extension of coverage, it seems reasonable to eliminate this relative advantage (in relation to their contributions) to persons whose work is divided between covered and noncovered employment. The new formula would provide such a result.

The increment of one-half of 1 percent for each year of coverage helps relate benefits to absolute length of service; the continuation factor relates benefits to the proportion of the time an individual actually spends in covered employment as compared with the time he could possibly have been in covered employment. Thus, an individual who worked steadily in covered employment for 20 years out of a 20-year elapsed period and earned an average monthly wage of $100 will receive $55 in benefits (exclusive of any supplementary benefits for dependents); an individual who had the same average wage and worked for 40 years out of a 40-year elapsed period would receive $60. The only difference here is the increment for each extra year of coverage. However, an individual who had worked for only 20 years in covered employment out of a 40-year elapsed period, earning the same monthly wages, would receive a $30 benefit or only half as much. Since, for half his working life he has not been in employment covered by the law, he should receive only half as much as individuals with the same average earnings who were in covered employment for all of their wages. If there were no continuation factor, the half-time worker would receive a great bonus from the program.

5. *Family benefits.*—The proposed increase in the primary insurance amount will provide correspondingly larger benefits to dependents and survivors, who need such increases just as do retired workers. The dependents and survivors benefits are related to the primary insurance amount as follows (subject to certain maximums):

Beneficiary	Present law	H. R. 6000
	Percent	*Percent*
Wife	50	50
Child	50	[1] 50
Widow	75	75
Parent	50	75

[1] In survivor cases, 75 percent for first child.

As reflected in the above table, parent's benefits would be increased from one-half to three-fourths of the primary insurance amount, which is the proportion paid a worker's widow. Also, the total family benefits payable to survivor children has been increased by one-fourth of the primary insurance amount so as to give somewhat more protection to surviving children.

The substantial increases in benefit amounts provided in the bill would not be fully effective, however, without an increase in the pres-

ent maximum limitations upon the over-all amount payable to the family of an insured worker. Accordingly, the present maximum of $85 per month would be raised under the bill to $150, which would approximate the increase in primary benefits and would take into account the increase in the wage base. The present maximum of twice the primary benefit (which is unduly restrictive on survivor families at the middle-income levels) would be eliminated. At the same time the present maximum of 80 percent of the worker's average monthly wage will be retained as a reasonable limit beyond which total family benefits should not go, but in no case would this maximum provision reduce the total of such benefits below $40.

Those now on the benefit rolls will have their benefits raised in accordance with the conversion table described hereafter (and summarized in table 4). Those coming on the rolls after the effective date will, in general, have their benefits based on the higher amounts arising under the new method of benefit calculation. Table 2 shows illustrative monthly benefits for a retired worker with an eligible wife, while table 3 gives corresponding figures for various survivor categories.

TABLE 2.—*Illustrative monthly benefits for retired workers*

[All figures rounded to nearest dollar]

Average monthly wage	Present law		H. R. 6000	
	Single	Married [1]	Single	Married [1]
	Insured worker covered for 5 years			
$50	$21	$32	$26	$38
$100	26	39	51	77
$150	32	47	56	85
$200	37	55	62	92
$250	42	63	67	100
$300	(2)	(2)	72	108
	Insured worker covered for 10 years			
$50	$22	$33	$26	$39
$100	28	41	52	79
$150	33	50	58	87
$200	38	58	63	94
$250	44	66	68	102
$300	(2)	(2)	74	110
	Insured worker covered for 20 years			
$50	$24	$36	$28	$40
$100	30	45	55	80
$150	36	54	60	91
$200	42	63	66	99
$250	48	72	72	107
$300	(2)	(2)	77	116
	Insured worker covered for 40 years			
$50	$28	$40	$30	$40
$100	35	52	60	80
$150	42	63	66	99
$200	49	74	72	108
$250	56	84	78	117
$300	(2)	(2)	84	126

[1] With wife 65 or over.
[2] Present law includes wages only up to $250 per month.

NOTE.—"Average wage" is computed differently under the two plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1949 (or after 1936 as the case may be).

TABLE 3.—*Illustrative monthly benefits for survivors of insured workers*

[All figures rounded to nearest dollar]

Average monthly wage	Aged widow [1]		Aged parent [1] or 1 child alone		Widow and 1 child		Widow and 2 children		Widow and 3 children	
	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000
	Insured worker covered for 5 years									
$50	$16	$19	$10	$19	$26	$38	$37	$40	$40	$40
$100	20	38	13	38	33	77	46	80	52	80
$150	24	42	16	42	39	85	55	113	63	120
$200	28	46	18	46	46	92	64	123	74	150
$250	32	50	21	50	52	100	74	133	84	150
$300	[2]	54	[2]	54	[2]	108	[2]	144	[2]	150
	Insured worker covered for 10 years									
$50	$16	$20	$11	$20	$28	$39	$38	$40	$40	$40
$100	21	39	14	39	34	79	48	80	55	80
$150	25	43	16	43	41	87	58	116	66	120
$200	29	47	19	47	48	94	67	126	77	150
$250	33	51	22	51	55	102	77	137	85	150
$300	[2]	55	[2]	55	[2]	110	[2]	147	[2]	150
	Insured worker covered for 20 years									
$50	$18	$21	$12	$21	$30	$40	$40	$40	$40	$40
$100	22	41	15	41	38	80	52	80	60	80
$150	27	45	18	45	45	91	63	120	72	120
$200	32	50	21	50	52	99	74	132	84	150
$250	36	54	24	54	60	107	84	143	85	150
$300	[2]	58	[2]	58	[2]	116	[2]	150	[2]	150
	Insured worker covered for 40 years									
$50	$21	$22	$14	$22	$35	$40	$40	$40	$40	$40
$100	26	45	18	45	44	80	61	80	70	80
$150	32	50	21	50	52	99	74	120	84	120
$200	37	54	24	54	61	108	85	144	85	150
$250	42	58	28	58	70	117	85	150	85	150
$300	[2]	63	[2]	63	[2]	126	[2]	150	[2]	150

[1] Age 65 or over.
[2] Present law includes wages only up to $250 per month.

NOTE.—"Average wage" is computed differently under the two plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1949 (or after 1936 as the case may be).

The provisions relating to the dependency of a child on his mother, adopting mother, or stepparent have been rewritten to give greater protection to children who have largely relied for their support on such a parent, even though the child's father was contributing something. Your committee believes that the revised provisions will better protect those children whose fathers have not been able to give them full support, without reducing the force of the father's legal obligation toward his children.

In line with the intent to pay benefits to individuals who have actually been dependent upon a deceased wage earner, the bill permits a divorced wife as well as a widow to qualify for monthly survivor benefits, if the divorced wife has entitled children of her former husband in her care, has not remarried, and was dependent upon him.

Lump-sum death payments may now be made only if the insured worker leaves no survivor who could immediately become entitled

to monthly benefits. The extra expenses of death impose as great a burden on those survivors who draw monthly benefits as those who do not. Your committee believes that the lump-sum should be payable upon the death of any insured worker irrespective of the payment of monthly survivor benefits. On the other hand since the primary insurance amount is increased, the lump-sum payment is to be determined as three times the primary insurance amount, rather than six times as in present law. Accordingly, the average lump-sum death payment will continue to be about $150.

6. *Increase of existing benefits.*—The increase in benefit amounts for persons now on the rolls will be accomplished by the use of a table included in the bill (a summary of this table is presented in table 4). This will avoid the necessity of recomputing benefit amounts individually according to the new formula, which would be an extremely time-consuming and expensive administrative procedure. To assure that the persons already on the rolls will not have their benefits increased to an amount higher than that which will be paid to persons coming on the rolls after the new formula becomes effective, the table has been constructed to yield a somewhat lower average benefit than the new formula will produce. Since persons retiring after 1949 will be paying a higher rate of contributions than has been charged to date, their benefits should be higher than those given to present beneficiaries by the table. There is precedent for increasing benefits for those now on the roll since this has been done in the past when the Congress has liberalized the civil service and railroad retirement systems, and this is also a common practice in private pension plans.

TABLE 4.—*Summary of conversion table for computing new benefits for those now on the roll*

[All figures rounded to nearest dollar]

Present primary insurance benefit	New primary insurance amount	Maximum family benefits payable
$10	$25	$40
15	31	50
20	36	58
25	44	78
30	51	113
35	55	145
40	60	150
45	64	150

EXAMPLES

1. Retired worker now receiving $25 per month will receive $44 after effective date. Supplementary benefits for his eligible benefits or survivors cannot exceed $78.
2. Widow age 65 or over now receiving $30 per month (based on three-fourths of deceased husband's primary benefit of $40) will receive $45 after effective date (three-fourths of $60.)

C. Retirement age

Your committee carefully considered the advisability of reducing the minimum age at which old-age benefits are payable below the present age of 65. However, cost considerations make any such change inadvisable. For instance, the life expectancy at age 65 is currently 12.1 years for men and 13.6 years for women, whereas at age 60 the corresponding figures are 15.1 and 17.0 years, respectively, or about 25 percent higher. Moreover, contributions would be paid for 5 years less if retirement occurred at age 60 instead of age 65.

The addition of permanent and total disability benefits makes less necessary the lowering of the minimum age for old-age benefits. Many of those in need of earlier benefits than at age 65 will qualify under these provisions.

VII. EMPLOYMENT INCOME LIMITATION FOR OLD-AGE AND SURVIVORS INSURANCE BENEFICIARIES

Under existing law any person on the old-age and survivors insurance benefits rolls loses his benefits with respect to any month in which he earns $15 or more in covered employment. If a retired wage earner himself earns above this amount, not only his own benefit, but also all benefits payable to his dependents are suspended.

Complete abandonment, or too drastic modification, of the income limitation would be prohibitive in cost to the system. However, in order to enable beneficiaries to supplement their social-security benefits to a greater extent, and to encourage those who can do so to engage in productive employment, the bill would increase to $50 a month the amount that may be earned by a beneficiary without loss of benefits.

To place the self-employed on a comparable basis with wage earners, notwithstanding the fact that self-employment income is generally computed annually and often will not be known with respect to a single month of a year, the bill provides that an individual with net earnings from self-employment of not more than $600 in a full year would not thereby be deprived of his benefit for any month of that year. If a beneficiary's net earnings from self-employment exceed the exempt amount ($600 in a taxable year of 12 months), one benefit deduction would be made for each $50 or fraction of $50 of income in excess of the exempt amount. Deductions attributable to self-employment income would, in general, not be imposed for any month for which deductions are imposable for another reason, such as earnings of more than $50 in wages.

There would be no limit upon the earnings of insured persons age 75 and over, or of their dependents age 75 and over, since comparatively few persons continue to work regularly at substantial wages after that age. This provision has particular significance for self-employed persons and others engaged in occupations in which retirement is customarily deferred to an advanced age.

In view of the possibility that income from a trade or business may represent merely a return on investment, or, even if personal effort is involved, that the services may have been rendered in only some but not in all months of the year, the bill provides that there shall be no loss of benefits for any month in which an individual has not rendered substantial services in self-employment.

There is no single rule under which the determination of whether or not a beneficiary has rendered substantial services in self-employment in a particular month can be made. The factors to be considered in such determinations vary with the diverse conditions characteristic of the great variety of trades or businesses covered by the program. Such determinations must be based on the facts of the particular case with the aim of deciding whether by any reasonable standard the beneficiary can be considered to have been retired in that particular month. The bill provides for these determinations to be made in accordance with regulations of the Federal Security Administrator.

The following factors, among others, would be weighed in making these determinations:

(1) The presence or absence of a paid manager, a partner, or a family member who manages the business.

(2) The amount of time devoted to the business.

(3) The nature of the services rendered by the beneficiary.

(4) The type of business establishment.

(5) The seasonal nature of the business.

(6) The relationship of the activity performed prior to the period of retirement with that performed subsequent to retirement.

(7) The amount of capital invested in the business.

Illustrations of the application of these factors are given in the section-by-section analysis of this report.

To prevent lag between the rendition of services in self-employment and the deductions of benefits, beneficiaries would be encouraged to advise the Administrator when they render substantial services and expect to earn more than the exempt amount (ordinarily $600). On the basis of this advice, the Administrator would suspend benefits concurrently with the beneficiary's receipt of income from his trade or business. At the end of the year, the Administrator would review the action taken in the light of the beneficiary's actual earnings for the year, and make whatever adjustments are necessary.

VIII. INSURED STATUS FOR OLD-AGE AND SURVIVORS INSURANCE

The extension of old-age and survivors insurance coverage to large new occupational groups requires changes in the eligibility provisions to enable members of these groups to qualify for benefits within a reasonable period of time. However, it would be undesirable if benefits could be obtained on the basis of inconsequential amounts of employment and contributions. To this end, the bill retains the provision in the present law as the basic requirement for "fully insured status" (which entitles individuals to old-age and all types of dependents and survivors benefits). To be fully insured under this provision, an individual must have been engaged in covered employment either in approximately half his possible working lifetime after 1936 or for 10 years.

To reduce the handicap of a late start in the case of those whose occupations will now be covered for the first time another method of becoming insured is provided which, however, is applicable to all workers. It permits an individual to be fully insured, whether in newly covered employment or not, if he has worked in employment covered by the act for approximately 5 out of the 10 years immediately preceding his death or his claim for old-age benefits. The change will be especially helpful to those newly covered workers who are already old as is shown by table 5.

Although persons who become fully insured on the basis of this new alternative will qualify for benefits in excess of the value of their contributions, this is not inconsistent with the principles of a contributory retirement program. In the early years of a retirement program special consideration has to be given to those already nearing retirement age who, otherwise, would not be able to build up adequate security. The civil service retirement and railroad retirement pro-

grams, as well as nearly all State and local retirement systems and systems in private industry, include arrangements for crediting past service. The eligibility requirements in the old-age and survivors insurance program are a method of recognizing and giving credit for the previous years of service which it may be presumed the older worker has rendered in occupations now covered for the first time.

TABLE 5.—*Illustrations of quarters of coverage required for fully insured status for old-age benefits*

Age [1]	Present law	H. R. 6000
75 or over	6	6.
74	8	8.
73	10	10.
72	12	12.
71	14	14.
70	16	16.
69	18	18.
68	20	20.
67	22	22
66	24	24
65	26	26
64	28	28
63	30	30 or 20 out of last 40.
62	32	32
61	34	34
60	36	36
59	38	38
58 or under	40	40

[1] Age attained in first half of 1950.

NOTE.—The required quarters of coverage shown above may be acquired either before or after extension of coverage in 1950.

In the present Social Security Act the measurement of covered employment, for purposes of insured status, is in terms of "quarters of coverage." These are calendar quarters in which an individual was paid wages of at least $50. In view both of the considerable rise in wages since 1939 and the higher benefit amounts which would be provided by this bill, your committee believes that $50 in wages during a 3-month period now represents so limited an attachment to the covered labor force as to be unsuitable for establishing quarters of coverage. The bill, therefore, provides that after 1949 a quarter of coverage must be a calendar quarter in which the individual was paid wages of at least $100, or for which he was credited with at least $200 of self-employment income. Quarters of coverage earned before 1950 on the basis of $50 will be retained to an individual's credit.

The bill retains the provision in the present law for currently insured status whereby lump-sum death payments and certain types of survivors monthly benefits may be paid to the survivors of an individual who had recent employment (approximately half the time in the 3-year period preceding the individual's death) even though he was not fully insured. During the first 5 years after the effective date of this bill, the provision for paying survivors benefits on the basis of currently insured status will be of major importance for those newly covered workers who die leaving young children. Such persons can acquire this survivor protection in the second quarter of 1951, after approximately 1½ years of covered employment.

Disability Insurance

IX. PERMANENT AND TOTAL DISABILITY INSURANCE

A. Need for disability insurance

The old-age and survivors insurance system does not now meet the needs of those who become disabled before they reach the normal age of retirement. At least 2,000,000 persons in the United States are chronic invalids. Diseases of the heart and arteries, cancer, rheumatism, arthritis, kidney diseases, and other chronic ailments have become the major causes of permanent disability and death. Chronic invalidism spares no age group, but it is more common to the older worker, the one who has been in covered employment for a number of years and has made substantial contributions to the social-insurance system. The system today actually penalizes the disabled worker by reducing, or extinguishing his right to, eventual benefits, depending on his insured status and the length of his absence from the labor market. The addition of permanent and total disability benefits will inject more realism into the retirement concept, and will effectively counteract pressures for a reduction in the age of normal retirement.

The coverage provided by private insurance is very limited in this area. A few employed groups have some protection through special funds. Employees disabled on the job may benefit from State workmen's compensation laws—but only about 5 percent of all permanent and total disability cases are work-connected. The Congress in the past has enacted legislation providing permanent and total disability benefits for railroad workers, veterans, and most Federal employees. Also many State and local government employees are provided disability protection in their pension plans. But for most wage earners and self-employed there is now no protection against income loss caused by permanent and total disability.

Consideration has been given to the proposal that benefits for permanent and total disability be confined solely to a separate category of public assistance. Your committee believes, however, that public assistance can meet only part of the problem. Notwithstanding the present size of its rolls, public assistance is essentially a supplementary measure which should taper off as the insurance program matures. In permanent and total disability we are dealing fundamentally with the problem of involuntary, premature retirement. The worker who has paid social insurance contributions for a number of years—perhaps over much of his working lifetime—has a real stake in the system which deserves to be recognized. He should not be required to show need to become entitled to benefits. Support for this view is found in the recommendations for a permanent and total disability insurance program made last year by the Senate Finance Committee's Advisory Council on Social Security.

Accordingly, the bill provides for permanent and total disability benefits under old-age and survivors insurance, as well as under public assistance. The assistance payments will be available only to those needy disabled who either cannot qualify for insurance payments or who need supplementary aid.

The committee recommends a conservative disability insurance program to fill the present gap in the social insurance system. The

program would apply only to those wage earners and self-employed persons who have been regular and recent members of the labor force and who can no longer continue gainful work. Disability benefits for the worker will be computed in the same manner as old-age benefits (the amount of the benefit is computed as though the individual had attained age 65 on the date he became disabled). Mindful of the added costs, your committee does not recommend payment of benefits to dependents of disabled beneficiaries.

B. Administration of the program

The Federal social-insurance system has the necessary basic experience and equipment for proper administration of disability insurance benefits. Clerical and mechanical processing involved in disability claims would be essentially the same as that in the present old-age and survivors insurance program. Medical determinations of disability will, of course, introduce a larger element of individual judgment; but no factor is introduced which Federal and State governments have not hitherto incorporated in programs now being successfully administered. A limited number of professional people would be required on the regular staff of the Bureau of Old-Age and Survivors Insurance to make determinations of disability.

The administrative costs would be payable out of the trust fund in the same manner as all other administrative costs of the program.

Your committee has been favorably impressed with the administration of the old-age and survivors insurance program. We now have a strong, well-tested social-insurance structure into which the proposed disability benefits can be appropriately blended with efficiency and economy of operation. Disability insurance benefits will provide the necessary balanced protection which the program has lacked so far.

C. Effective date for disability insurance benefits

The first day on which permanent and total disability will be recognized for benefit purposes is June 30, 1950, and the individual must be insured on that date. The 6-month waiting period for qualified disabled workers who are disabled prior to July 1950 would be completed at the end of December 1950. Thus, the first month for which disability insurance benefits will be paid under the bill is January 1951. Under the insured status provisions of the bill, no person disabled before July 1948, and without quarters of coverage after that date, would be eligible for disability benefits.

D. Insured status for disability insurance benefits

Benefits for permanent and total disability will be limited to wage earners and self-employed persons wbo are regular members of the labor force. The coverage requirements for insured status will screen out most of tbose employed only intermittently or for limited periods. The requirements for disability insurance benefits are more restrictive than those for retirement or death benefits in order to make certain that only tbose workers will be eligible whose disability can be presumed to have caused a loss of current earnings. For disability benefits, a worker must have at least 20 quarters of coverage out of the 40-calendar-quarter period ending with the quarter of disablement; in addition, for the purpose of testing recent attachment to tbe labor force, he must have 6 quarters of coverage out of the 13-quarter pe-

riod ending with the quarter of disablement. This latter provision is designed to exclude persons, such as voluntarily retired housewives and other workers, who have left the labor force and are no longer dependent on their earnings. The provisions requiring recent employment may be somewhat severe for workers who have very lengthy periods of unemployment before disablement; they may similarly affect some persons whose slowly developing disabilities prevent them from performing their customary work but who are not yet permanently and totally disabled. Your committee believes that administrative difficulties prevent payment of disability benefits to those who became disabled long before the disability program goes into effect. It would be very difficult in most instances to determine exactly when such disability occurred and whether insured status existed at that time.

E. Concept of disability

An insured worker, to qualify for permanent and total disability benefits, must be stricken with an illness, injury, or other physical or mental impairment which makes it impossible for him to continue any substantially gainful activity. It will not be sufficient that he be disabled only for his customary work; he must be disabled for all types of work, and the impairment must be permanent. These are concepts for which medical and administrative standards are well established under comparable programs, such as the programs for permanently and totally disabled veterans. Benefits will be paid to qualified disabled workers for the month following an initial waiting period of 6 consecutive calendar months of total disability.

An insured worker would also be disabled, by definition, if he is blind within the meaning of the term as used in the bill. The required degree of sight loss to be "blind" for permanent and total disability benefits is the same as that established for service-connected, total (100 percent) disabling blindness under the veterans' program (the definition of disability in the bill parallels closely that used for total disability by the Veterans' Administration). A worker who meets this statutory definition of blindness is presumed to be incapable of all types of substantially gainful work. Persons who do not meet the statutory definition, but who nevertheless have a severe visual handicap (economic blindness) are in the same position as all other disabled persons, i. e., they may qualify for disability insurance benefits under the general definition of disability if they are unable to engage in any substantially gainful activity by reason of their impairment.

Your committee, in considering appropriate definitions for a social-insurance disability program, has studied the precedents of commercial insurance policies and Government life insurance for veterans. Under these programs total disability which continues for more than a specified period (generally 4 or 6 months) is compensable thereafter, subject to reexamination. The duration of disability throughout the waiting period sets up a presumption of permanence or of protracted total disability. Such a presumption gives administrative simplicity but can result in the compensation of some individuals whose recovery may be expected, according to medical prognosis, within relatively short periods of time after the expiration of a 6-month waiting period. However, such cases would not be compensable under the permanent-

total disability program provided by the bill. It is true that persons who have been totally disabled for more than 6 months can generally be presumed to have suffered a substantial loss of earnings and may need some form of income replacement. Your committee believes, as this is a new program, that a cautious approach to the payment of disability benefits is necessary to prevent abuses.

F. Employment income limitation

Disability beneficiaries will be subject to a work clause with provisions similar to those applying to old-age and survivors insurance beneficiaries; benefits will be suspended for months in which the disabled beneficiary earns more than $50 in wages or in self-employment activity. The disability work clause covers all types of employment and self-employment, not merely earnings covered by the law. Since the program insures against inability to perform all types of work, earnings in any type of job may be an indication of recovery.

It is unlikely that disability beneficiaries will be able to have substantial earnings except under unusual circumstances such as when an employer provides a job which is specifically tailored to the disabled person's residual capacities. Any disabled person, unless blind, who demonstrates an earning capacity that approaches or exceeds $50 a month would be reexamined immediately without waiting for the periodic reexamination normally scheduled for beneficiaries. Pending reexamination and a determination as to whether the individual has regained earning capacity (and should therefore be removed from the roll), the work clause serves the useful purpose of withholding benefits. Of course, persons who meet the test of "blindness" in the bill will continue to be disabled by definition, regardless of the amount of their earnings; but for these individuals, also, the work clause provides a satisfactory way of withholding payments while earnings continue in excess of $50.

G. Adjustment to workmen's compensation

Payment of disability benefits under the Federal social-security program should not restrict or interfere with the continued development of adequate workmen's compensation programs in the United States.

Workmen's compensation is payable only in approximately 5 percent of all cases of income loss due to permanent and total disability, so that the area of potential duplication is small. Nevertheless, adequate safeguards should be maintained against unwarranted duplication of the two types of benefits. The total of benefits payable under the two programs should not be excessive in relation to the purpose for which the benefit payments are intended.

The bill provides that an individual, entitled to disability benefits under both programs on account of the same disability for the same period of time, will have his social-security disability benefit reduced by an amount equal to one-half of whichever of the two benefits is the smaller. Payment of a portion of the social insurance benefit in such cases is in recognition of the fact that the worker has established a right to some such benefit through his contributions.

H. Coordination with old-age and survivors insurance benefits

At age 65, when a disability beneficiary reaches normal retirement age, he will be automatically transferred to the old-age rolls, and the provisions of the bill governing old-age insurance benefits will apply. As a result, the eligible wife and children of a transferred beneficiary may then become entitled to dependent's benefits. Similarly, upon the death of an individual entitled to disability benefits, regular survivor benefits may be paid to his family. The bill provides that periods of disability will not be taken into account in determining insured status for subsequent old-age or survivor benefits; also there will be no loss or reduction of these benefits because of years during disability which are not years of coverage.

Cost of Insurance Programs

X. ACTUARIAL COST ESTIMATES AND FINANCING OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Estimates of the future costs of the old-age, survivors, and disability insurance program are affected by many factors that are difficult to determine. Accordingly the assumptions used may differ widely and yet be reasonable. The cost estimates—because of the time element—necessarily have been made on a preliminary basis. It would be desirable to present the cost estimates as a range to indicate the several results that might occur in the future depending upon how conditions and experience occur. However, under the circumstances the estimates have been developed on an intermediate basis which is, of course, subject to a significant range. Your committee recognizes and, in fact, wishes to stress the difficulties involved in estimating the long-range costs of the system. Because of numerous factors such as the aging of the total population of the country and the inherent slow but steady growth of the benefit roll in any retirement program, benefit payments may be expected to increase continuously for at least the next 50 years.

In general, the costs are shown as a percentage of covered pay roll. It is believed that this is the best measure of the financial cost of the program. Dollar figures taken alone are misleading because, for example, extension of coverage and raising the wage base will increase not only the outgo but also the income of the system.

Your committee has very carefully considered the problems of cost in determining the benefit provisions recommended. Also your committee is firmly of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis. Accordingly, the bill eliminates the provision added in 1943 authorizing appropriations to the program from general revenues. At the same time, your committee has recommended a tax schedule which it believes will make the system self-supporting (or in other words, actuarially sound) as nearly as can be foreseen under present circumstances. Future experience may differ from the estimates so that this tax schedule, at least in the distant future, may have to be modified slightly—either upward or downward. This may readily be determined by future Congresses after the revised program has been in operation for a decade or two.

The tax schedule recommended is as follows:

Calendar year	Employee	Employer	Self-employed
	Percent	*Percent*	*Percent*
1950	1½	1½	2¼
1951–59	2	2	3
1960–64	2½	2½	3¾
1965–69	3	3	4½
1970 and after	3¼	3¼	4⅞

This tax schedule has been determined on the basis of the following actuarial cost figures. Table 6 gives an estimate of the level-premium cost of the program recommended by your committee, tracing through the increase in cost over the present program according to the major types of changes proposed. A "level-premium cost" may be defined as the contribution rate which, if charged from 1950 on, would meet all benefit payments after 1949 (including the benefit payments to those on the roll prior to 1950 and the increases which they receive through the conversion table). This level-premium rate would produce a very considerable amount of excess income in the early years which, invested at interest, would help considerably in meeting the higher benefit outgo ultimately. It should be emphasized that your committee does not recommend that the system be financed by a high, level tax rate from 1950 on but rather has recommended an increasing schedule, which—of necessity—will ultimately have to rise higher than the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will arise; this fund will be invested in Government securities (just as is much of the reserves of life insurance companies and banks, and as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and United States Government life insurance systems), and the resulting interest income will help to bear part of the increased benefit costs of the future. For comparing the costs of various possible alternative plans and provisions, the use of level-premium rates is helpful as a convenient yardstick.

TABLE 6.—*Preliminary estimate of level-premium costs as percentage of pay roll, by type of change*

		Percent
Cost of benefits of present law		4. 45
Effect of proposed changes in bill:		
Benefit formula	+1. 35	
(*a*) New benefit percentages including minimum and maximum benefit provisions	+3. 10	
(*b*) New average wage basis and continuation factor	−. 65	
(*c*) Reduction in increment	−. 80	
(*d*) Increase in wage base to $3,600	−. 30	
Liberalized eligibility conditions		+. 05
Liberalized work clause		+. 20
Revised lump-sum death payment		+. 05
Additional survivor benefits [1]		+. 10

[1] Higher rate for first survivor child and for parents, and more liberal eligibility conditions for determining child dependency on married women workers.

TABLE 6.—*Preliminary estimate of level-premium costs as percentage of pay roll, by type of change*—Continued

	Percent
Effect of proposed changes in bill—Continued	
Extension of coverage	−.50
Permanent and total disability benefits	+.50
Net total for all changes	+1.75
Cost of benefits of bill	6.20
Administrative costs expressed as level-premium	+.15
Interest on present trust fund as level-premium	−.20
Net level-premium cost of bill	6.15

NOTE.—These figures are preliminary and subject to change. They represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. The computations are based on a compound interest rate of 2 percent per annum. The order in which these various changes are considered in the table affects how much of the increase in cost is attributed to a specific element.

As will be seen from table 6, the level-premium cost of the present law—taking into account 2 percent interest—is about 4½ percent of pay roll; this is considerably lower than the cost was estimated to be when the program was revised in 1939, largely because of the rise in the wage level which has occurred in the past decade (higher wages result in lower cost as a percentage of pay roll because of the weighted nature of the benefit formula). While the increase in benefits for those now on the roll will result in a considerable outgo from the trust fund over the next 10 to 15 years, the cost increase due to this is only a small fraction of the reduction in cost of the overall program resulting from the higher general wage level.

If in the future the wage level should be considerably above that which now prevails, and if the benefits for those on the roll were at some time adjusted upward on this account, the increased outgo resulting will, in the same fashion, be far more than offset. The cost estimates, however, have not taken into account the possibility of a rise in wage levels, as has consistently occurred over the past history of this country. If such an assumption were used in the cost estimates, the cost relative to pay roll would naturally be lower.

Under the benefit provisions of the bill the level-premium cost is increased to almost 6¼ percent of pay roll. However, this figure must be adjusted slightly for two factors, namely, the administrative costs, which are charged directly to the trust fund, and the interest earnings on the present trust fund, which is now about $12,000,000,000. Considering all these elements the net level-premium cost of the bill is shown to be 6.15 percent of pay roll.

As an indication of the effect of various factors on the estimated actuarial costs, it may be pointed out that if an interest rate of 2¼ percent were used rather than 2 percent, the net level-premium cost of the bill would be reduced to 6.00 percent. (The interest rate which determines the yield of new investments for the trust fund is now 2.23 percent, but until it rises to 2.25 percent, such investments continue to be made at 2⅛ percent.)

Table 7 compares the year-by-year cost of the benefit payments, both for the present act and under the bill. These figures are based

on a level wage trend in the future and do not consider cyclical business trends (booms and depressions) which over a long period of years will tend to average out. Although the dollar amount of the increase in 1950 of the bill over the present act is substantial, the cost as a percentage of pay roll does not rise much. This results from the increase in the total covered pay roll, both due to the newly covered categories and to the change in the wage base from $3,000 to $3,600. The benefit costs expressed as a percentage of pay roll do not exceed the employer-employee combined tax rate until about 1980. In other words, for approximately the next three decades, according to this estimate, income to the system will exceed outgo; under the most unfavorable plausible circumstances outgo could not exceed income in less than 15 years.

TABLE 7.—*Preliminary estimate of cost of benefit payments under present act and under H. R. 6000*

Calendar year	In percent of pay roll		Amount (in billions)	
	Present act	H. R. 6000	Present act	H. R. 6000
	Percent	*Percent*		
1950	0.9	1.1	$0.7	$1.3
1955	1.6	2.2	1.4	2.6
1960	2.1	3.2	1.8	3.8
1970	3.1	4.8	2.9	6.2
1980	4.3	6.2	4.3	8.4
1990	5.5	7.6	5.8	10.6
2000	6.2	8.1	6.8	11.7
Level-premium:				
At 2 percent interest	4.45	6.20		
At 2¼ percent interest	4.35	6.05		

NOTE.—These figures are preliminary and subject to change. They represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. For definition of "level-premium," see text.

Table 8 presents estimates of the size of the trust fund which will result under the bill according to the tax schedule provided therein. At a 2-percent interest rate, the trust fund rises steadily and reaches a maximum of over $90,000,000,000 at some time shortly after 1990. At a 2¼ percent interest rate, this maximum is about $100,000,000,000 and is reached a few years later. However, it will be noted that under either interest basis the trust fund shows an eventual decrease which indicates that the system is not quite self-supporting. However, as mentioned previously, your committee definitely believes that the system should be self-supporting, and the tax rates were chosen so that this would be accomplished as closely as possible.

In evaluating the ultimate size of the trust fund, there should be kept in mind the fact that the liabilities of the system likewise are correspondingly large. Fifty years hence estimated benefit payments (as shown by table 8) will be almost $12,000,000,000 per year; the actuarial liability for the benefits then in current payment status (disregarding those which will fall due or be claimed thereafter) will be $100,000,000,000 to $125,000,000,000, and an insurance company would have to hold reserves of comparable amounts to meet its legal liability under similar circumstances.

TABLE 8.—*Preliminary estimate of size of trust fund under H. R. 6000*

[All figures in billions of dollars]

Calendar year	Pay roll in year	Contributions for year	Benefit payments for year	Trust fund at beginning of year, based on interest at—	
				2 percent	2¼ percent
1950	$115	$3.3	$1.3	$12.2	$12.2
1955	118	4.6	2.6	23.7	24.0
1960	120	5.9	3.8	35.1	35.7
1970	130	8.3	6.2	60.1	62.1
1980	135	8.6	8.4	83.5	87.8
1990	140	8.9	10.6	91.1	98.6
2000	145	9.2	11.7	84.4	95.9

NOTE.—These figures are preliminary and subject to change. They represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future.

It would not be possible realistically to set down a long-range tax schedule which would make the system exactly self-supporting. Even if all of the facts about the future were known, the resulting tax schedule would contain an ultimate rate of an unwieldy, fractional amount. Accordingly, your committee has selected the ultimate employer-employee tax rate of 6½ percent as producing to all intents and purposes a self-financed old-age, survivors, and disability insurance system. It should be noted that because the tax rate for the self-employed is lower than the employer-employee combined rate, a system with a 6.15 percent level-premium cost could not be self-supporting with a 6.15 percent contribution rate from employer and employee. Rather the employer-employee rate would have to be about 6.3 percent and the self-employed rate about 4.7 percent.

If a 7 percent ultimate employer-employee rate had been chosen, the cost estimates developed would have indicated that the system would be slightly overfinanced. Your committee believes that it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional overcharge—especially when it is considered that it will be many, many years before any deficit or excess in the ultimate rate will be determined and even at that time it will probably be of only a small amount.

Table 9 presents an estimate of the cost of the benefits in the bill for various future years as a percentage of pay roll for each of the different types of benefits separately.

TABLE 9.—*Preliminary estimate of annual costs of H. R. 6000, by type of benefit, as percentages of pay roll*

Calendar year	Old age	Disability	Wife's	Widow's	Parent's	Child's	Mother's	Lump sum	Total
	Percent	*Percent*	*Percent*	*Percent*		*Percent*	*Percent*	*Percent*	*Percent*
1950	0.6	------	0.1	0.1	(1)	0.2	(1)	0.1	1.1
1955	1.0	0.2	.2	.3	(1)	.4	0.1	.1	2.2
1960	1.5	.4	.3	.5	(1)	.4	.1	.1	3.2
1970	2.4	.6	.4	.9	(1)	.4	.1	.1	4.8
1980	3.5	.6	.4	1.1	(1)	.4	.1	.1	6.2
1990	4.7	.6	.5	1.2	(1)	.4	.1	.1	7.6
2000	5.3	.6	.5	1.2	(1)	.3	.1	.1	8.1
Level-premium at 2 percent interest	3.7	.5	.4	1.0	(1)	.4	.1	.1	6.2

[1] Less than 0.05 percent.

NOTE.—These figures are preliminary and subject to change. They represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. For definition of "level-premium," see text.

The preceding cost estimates do not take into account the special benefits provided for veterans, since the additional costs therefor are met from the general treasury from time to time as they arise, rather than from contributions of the participants in the program. The benefits contained in present law (namely, in sec. 210, which in general provides survivor benefits for veterans who die within 3 years after discharge) will, over the course of the next 50 years, result in increased outgo of about $75,000,000 (to date, less than $12,000,000 has been expended under this provision).

Under the bill it is proposed to give wage credits of $160 for each month of military service, not only to veterans but also in respect to those who died in service. Your committee believes that the additional cost entailed should be met by appropriations from general funds as the additional benefit payments resulting from this provision occur, rather than by a single large immediate appropriation which would necessarily be an estimate and therefore might be more or less than sufficient.

It is estimated that the total cost of these veterans' benefits will amount to about $1,500,000,000 spread over the next 50 years, with most of this outgo coming some 40 to 50 years hence. However, there will be a very considerable outgo over the next 10 years in respect to the children and widows of men who died in service. For this group, the increased outgo from the trust fund will be about $20,000,000 in 1950 and will average about $15,000,000 a year over the next decade. However, since by 1960 virtually all of these children will have attained age 18, the disbursements for this group will fall off quite sharply and will not thereafter be of any significant size until about 35 years from now when the widows will be reaching retirement age.

XI. INVESTMENTS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

The trust fund has been invested in United States Government securities, which represent the proper form of investment. Your committee does not agree with those who criticize this form of investment on the ground that the Government spends for general purposes the money received from the sale of securities to the fund. Actually such investment is as reasonable and proper as is the investment by life insurance companies of their own reserve funds in Government securities. The fact that the Government uses the proceeds received from the sales of securities to pay the costs of the war and its other expenses is entirely legitimate. It no more implies mishandling of moneys received from the sale of securites to the trust fund than is the case for money received from the sale of United States securities to life insurance companies, banks, and individuals.

The investment of the excess income of the trust fund in Government securities does not mean that people have been or will be taxed twice for the same benefits, as has been charged. The following example illustrates this point: Suppose some year in the future the outgo under the old-age and survivors insurance system should exceed pay roll tax receipts by $100,000,000. If there were then $5,000,000,000 of United States 2-percent bonds in the trust fund, they would produce interest amounting to $100,000,000 a year. This interest would, of course, have to be raised by taxation. But

suppose there were no bonds in the trust fund. In that event, the $100,000,000 to cover the deficit in the old-age and survivors insurance system would have to be raised by taxation. In addition, another $100,000,000 would have to be raised by taxation to pay interest on $5,000,000,000 of Government bonds owned by someone else; if the Government had not been able to borrow from the trust fund, it would have had to borrow the same amount from other sources. In other words, the ownership of the $5,000,000,000 in bonds by the old-age and survivors insurance system would prevent the $100,000,000 from having to be raised twice—quite the opposite from the "double taxation" criticism that has been raised.

It might be appropriate to again point out that funds of insurance systems which have been set up by the Congress are invested in the same manner as the old-age and survivors insurance trust fund. Moreover, most of these other trust funds receive for their investments a higher rate of interest (usually 3 to 4 percent) as compared with the rate on securities sold to the old-age and survivors insurance trust fund which is based on the average rate of interest on all interest-bearing obligations of the United States. Pertinent data on the most important of these other trust funds are as follows:

Fund	Year of establishment	Investments as of June 30, 1949 (in billions)
Civil service retirement	1920	$3.2
U. S. Government life insurance	1924	1.3
Old-age and survivors insurance	1935	11.2
Unemployment insurance	1935	8.1
Railroad retirement	1937	1.7
National service life insurance	1940	7.3

Public Assistance and Welfare Services

XII. IMPORTANCE OF PUBLIC ASSISTANCE PROGRAM

In the preceding sections of this report, your committee affirms its conviction that the basic method of providing social security in the United States should be contributory social insurance under which benefits are related to earnings and are granted without regard to the economic status of the insured individual. Provisions in the bill for strengthening and liberalizing the program of old-age and survivors' insurance would afford workers and their dependents substantially more protection against common economic hazards.

Enactment of the provisions with respect to old-age, survivors, and disability insurance would in the long run greatly reduce the need for public assistance administered on the basis of a needs test. Public assistance, however, would continue to be necessary for needy persons who are not covered by the insurance programs, for some persons with earnings in covered employment who have been unable, because of illness or for other reasons, to accumulate sufficient wage credits to qualify them for benefits, and for relatively small numbers of insurance beneficiaries with exceptional needs.

In the next 5 to 10 years public assistance must continue to play a larger role in providing security than should be necessary thereafter. Large numbers of persons now on the assistance rolls will continue

to receive assistance, although the current load will be gradually diminished as aged recipients die and dependent children grow up. The workers newly covered under old-age and disability insurance will not become eligible for benefits for a minimum of 5 years. The liberalization of benefits, on the other hand, should result in early reduction in the number of insurance beneficiaries who receive supplementary assistance.

In recognition of the fact that public assistance will continue to be the method of providing security for large numbers of persons for some time to come, your committee has included in the bill provisions to strengthen the programs of old-age assistance, aid to dependent children, and aid to the blind, and to extend eligibility for assistance to needy permanently and totally disabled persons. Among the provisions for improving the assistance programs is modification of the method of determining the Federal share of assistance costs in such a way as to strengthen the financing of assistance in all States and to enable States with relatively low average payments to raise the level of payments substantially. The bill would also extend eligibility in old-age assistance and aid to the blind to persons living in public medical institutions, establish a new program for aid to the permanently and totally disabled, and make specific provision in aid to dependent children for meeting the needs of the mother or other relative caring for the children. These and other changes which are discussed subsequently in this report would correct some of the fundamental weaknesses in the existing programs with respect to eligibility, adequacy of assistance, and administration.

The changes proposed in the assistance programs have been considered in conjunction with those proposed in the program of old-age and survivors insurance and are consistent with achievement of the long-range objective of social security through the method of contributory social insurance. The increased level of benefits under the insurance program, as amended by the bill, would bear a more reasonable relation to the maximum level of payments subject to Federal participation under the assistance programs. Thus, the programs would be brought into a sounder relationship and public assistance would be enabled to perform its function in a way that supplements and supports the social insurance program.

It is estimated on the basis of December 1948 data (latest date for which information is available on individual payments) that the annual additional cost to the Federal Government of the proposals for amendment of the public assistance provisions of the act that are contained in the bill will be $256,000,000, distributed as shown in the following table:

Program or item	Annual additional Federal costs (in millions)
Total, all programs and items	$256.0
Old-age assistance	74.9
Aid to dependent children	106.7
Aid to the blind	1.9
Aid to permanently and totally disabled	65.9
Puerto Rico	3.0
Virgin Islands	.1
Child-welfare services	3.5

XIII. OLD-AGE ASSISTANCE

Operating as a part of the broader program of social security, the old-age assistance program continues to be of great significance in supporting the welfare and security of aged people. In June 1949 payments of $114,000,000 were made to over 2.6 million needy persons 65 years of age or over. The average monthly assistance payment for the Nation was nearly $44, but State average payments varied from $19 to $71, reflecting differences in living costs, standards of assistance, and amount of State funds appropriated for the program. (See table 10.)

The bill would strengthen the old-age assistance program by providing increased Federal funds, with the largest relative increases going to States where levels of payments are low and where in general high proportions of the aged population are on the assistance rolls. These are, for the most part, the States with large rural populations and large numbers of aged persons not protected by social insurance.

TABLE 10.—*Old-age assistance: Recipients and payments to recipients from Federal, State, and local funds, by State, June 1949* [1]

State	Number of recipients	Payments to recipients	
		Total amount	Average
Total	2,625,594	$114,463,261	$43.60
Alabama	73,344	1,658,372	22.61
Alaska	1,497	83,782	55.97
Arizona	11,316	620,759	54.86
Arkansas	55,242	1,157,431	20.95
California	245,294	17,306,223	70.55
Colorado	47,104	3,159,710	67.08
Connecticut	16,846	909,874	54.01
Delaware	1,509	42,340	28.06
District of Columbia	2,629	109,559	41.67
Florida	64,946	2,609,986	40.19
Georgia	93,962	1,930,080	20.54
Hawaii	2,306	81,482	35.33
Idaho	10,473	487,698	46.57
Illinois	126,417	5,671,881	44.87
Indiana	49,938	1,758,904	35.22
Iowa	48,465	2,329,988	48.08
Kansas	37,275	1,867,331	50.10
Kentucky	59,182	1,232,774	20.83
Louisiana	118,239	5,563,731	47.05
Maine	13,714	566,956	41.34
Maryland	11,786	434,712	36.88
Massachusetts	93,230	5,699,209	61.13
Michigan	94,632	4,058,242	42.88
Minnesota	55,060	2,595,994	47.15
Mississippi	58,051	1,091,088	18.80
Missouri	123,883	5,273,367	42.57
Montana	11,128	500,016	44.93
Nebraska	23,767	998,285	42.00
Nevada	2,420	130,803	54.05
New Hampshire	7,111	309,185	43.48
New Jersey	23,653	1,130,561	47.80
New Mexico	9,416	322,236	34.22
New York	116,465	6,142,370	52.74
North Carolina	54,278	1,169,599	21.55
North Dakota	8,770	408,317	46.56
Ohio	125,638	5,869,799	46.72
Oklahoma	100,415	5,231,420	52.10
Oregon	22,980	1,107,934	48.21
Pennsylvania	87,785	3,512,025	40.01
Rhode Island	9,653	434,806	45.04
South Carolina	37,674	930,526	24.70
South Dakota	11,979	455,414	38.02
Tennessee	59,751	1,622,142	27.15
Texas	215,723	7,384,492	34.23

See footnotes at end of table, p. 40.

TABLE 10.—*Old-age assistance: Recipients and payments to recipients from Federal, State, and local funds, by State, June 1949* [1]—Continued

State	Number of recipients	Payments to recipients	
		Total amount	Average
Utah	10,058	$505,648	$50.27
Vermont	6,562	210,824	32.13
Virginia	17,952	364,121	20.28
Washington	69,133	4,639,678	67.11
West Virginia	23,539	502,621	21.35
Wisconsin	49,316	2,051,538	41.60
Wyoming	4,088	227,428	55.63

[1] For definitions of terms see the Social Security Bulletin, January 1948, pp. 24–26. All data subject to revision.

A. Federal share of assistance costs

Under present law, the Federal share of expenditures for old-age assistance is three-fourths of the first $20 of the average payment per recipient, plus one-half the balance up to a maximum on individual monthly payments of $50. The Federal share of expenditures within the $50 limit varies from State to State, depending on the level of payments. The maximum amount that the Federal Government may contribute is $30 of the average payment per recipient. Actually, no State receives as much as $30 per recipient, since all States make some payments under $50.

The financing of assistance for needy aged persons has placed a progressively heavy burden both on the States and the Federal Government. Since the close of the war, rising case loads as well as rising prices have contributed to mounting costs. Both in 1946 and 1948, the Congress amended the assistance provisions of the Social Security Act to increase the amount of Federal funds for assistance. In general, in 1946 and again in 1948, the States used the additional Federal funds for increasing the levels of payments and putting on the rolls additional needy persons.

Under the formula in the bill the maximum amount of an individual monthly payment subject to Federal participation would continue to be $50. The Federal share of expenditures within the maximum will be four-fifths of the first $25 of the average payment per recipient, plus one-half the next $10, plus one-third of the remaining $15. Thus the maximum Federal contribution would remain $30 per recipient as at present. States with average payments between $20 and $30, however, would be able to raise their payments as much as $5 per recipient, provided they spend the same amount per recipient from State and local funds as they now spend.

Table 11 illustrates the differences in the amount of the Federal contribution under present law and under the formula in the bill. Table 12 shows the extent to which States can raise average payments of specified amounts, on the condition that they continue to spend the same amount per recipient from State and local funds.

TABLE 11.—*Old-age assistance and aid to the blind: Amount and percent of Federal funds in average monthly payments of specified size under present law and under H. R. 6000*

Average monthly payment [1]	Present law		H. R. 6000 [2]	
	Federal funds	Percent of total	Federal funds	Percent of total
$20	$15.00	75	$16.00	80
$25	17.50	70	20.00	80
$30	20.00	67	22.50	75
$35	22.50	64	25.00	71
$40	25.00	62	26.67	67
$45	27.50	61	28.33	63
$50	30.00	60	30.00	60
$60	30.00	50	30.00	50
$70	30.00	43	30.00	43

[1] Average for Federal matching purposes includes all payments of $50 or less, and in the case of larger payments only the first $50.
[2] Also applies to permanently and totally disabled.

TABLE 12.—*Old-age assistance and aid to the blind: Amount to which average monthly payments of specified size under present provisions could be increased under H. R. 6000, assuming the same average expenditure per recipient from State and local funds*

Present law			H. R. 6000 [2]			
Average monthly payments [1]	Federal funds	State and local funds	Average monthly payments [1]	Federal funds	State and local funds	Increase in Federal funds
$20	$15.00	$5.00	$25.00	$20.00	$5.00	$5.00
$25	17.50	7.50	30.00	22.50	7.50	5.00
$30	20.00	10.00	35.00	25.00	10.00	5.00
$35	22.50	12.50	38.75	26.25	12.50	3.75
$40	25.00	15.00	42.50	27.50	15.00	2.50
$45	27.50	17.50	46.25	28.75	17.50	1.25
$50	30.00	20.00	50.00	30.00	20.00	----
$60	30.00	30.00	60.00	30.00	30.00	----
$70	30.00	40.00	70.00	30.00	40.00	----

[1] Average for Federal matching purposes includes all payments of $50 or less, and in the case of larger payments only the first $50.
[2] Also applies to permanently and totally disabled.

B. Medical care.

Recipients of old-age assistance, since they average more than 74 years of age, have a greater need for medical care than many other groups in the population. The effect of chronic illness and other infirmities of old age is increased for this group by their lack of resources. Moreover, they are less able than younger persons to arrange for and carry out plans for needed care.

For many recipients of old-age assistance the need for medical care is as basic as the need for food, shelter, and clothing. In the administration of the assistance programs, the cost of medical care has always been recognized as a factor affecting people's need and as an item which should be considered in determining the amount of assistance.

Certain provisions of the Social Security Act have limited the effectiveness of the public assistance programs in assisting needy individuals to meet their medical needs. One of these provisions is the definition of assistance which limits Federal participation to

money payments made to the needy individual. Some assistance agencies consider it preferable to pay the medical practitioner or institution that supplies the medical care directly. Some State agencies have wanted to insure their client's needs for medical care with organizations for group care such as the Blue Cross. Most agencies have found themselves hampered in making emergency arrangements or in helping needy individuals who are sick to make plans for needed medical care because they were not able to make payments directly to the doctor or hospital.

The bill provides that Federal funds under old-age assistance may be used to match payments directly to medical practitioners and other suppliers of medical services in behalf of needy aged individuals, which, when added to any money paid to the individual, does not exceed a monthly amount of $50.

The term "medical care" is not defined in the bill. Since medical care is to be provided in accordance with State plans, the term includes medical services provided by any person authorized by State law to render such services.

C. Public medical institutions

Under present law, the Federal Government participates in the cost of assistance payments to persons residing in private, but not in public institutions. Under the bill, the Federal Government would share in the cost of payments to old-age assistance recipients living in public medical institutions other than those for mental disease and tuberculosis.

A serious situation has developed with respect to needy aged persons who are chronically ill. More than 400,000 recipients of old-age assistance are bedridden, or are so infirm as to require help in eating, dressing, and getting about indoors. Of this number about 50,000 are living in private institutions including commercial boarding or nursing homes. Many of the others who are living in their own homes are in need of prolonged care in medical institutions. Private institutions with charges within the financial reach of these recipients do not have sufficient capacity to provide this care.

Your committee is of the opinion that aged persons should be able to receive State-Federal assistance payments while voluntarily residing in public medical institutions, including nursing and convalescent homes. In some communities existing public facilities would then be enabled to admit old-age assistance recipients in need of long-term care who are now denied admission because of the financial burden that would be imposed on the local unit of government. Moreover, if State-Federal old-age assistance is payable to aged persons residing in public medical institutions, it is possible that many communities will develop additional facilities for chronically ill persons, and thereby assist in meeting the increasing need for such facilities by the aged population.

Your committee does not favor Federal participation in assistance to persons residing in public or private institutions for mental illness and tuberculosis, since the States have generally provided for medical care of such cases.

The transfer of chronically ill persons on the assistance rolls from where they are now living to public medical institutions would not appreciably increase Federal expenditures.

D. Standards for institutions.

Some States now do not have agencies authorized to establish and maintain standards for the various kinds of institutional facilities in the State. Tragic instances of failure to maintain adequate standards of care and adequate protection against hazards threatening the health and safety of residents of institutions emphasize the importance of this function of State government. The bill therefore would provide as a requirement for a State plan that, if the public assistance programs in a State include assistance to persons in public or private institutions, the State plan must also provide for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions. Persons who live in institutions, including nursing and convalescent homes, should be assured a reasonable standard of care and be protected against fire hazards, unsanitary conditions, and overcrowding.

E. Opportunity to apply for and to receive assistance promptly

In some States or localities, when funds are insufficient to provide for all eligible persons, assistance agencies discontinue taking applications. Applicants who have already been found eligible are kept waiting for assistance until persons on the rolls die or cease to receive assistance for other reasons. In a program supported from public funds such discrimination is unjustifiable. Available funds should be used for the benefit of all persons who meet the conditions of eligibility, even if the amount of assistance granted to those already on the rolls must be reduced. Moreover, prompt determination of eligibility should be made for all persons applying for aid.

The bill would require, as a condition for the approval of a State plan for old-age assistance, that the plan shall provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished promptly to all eligible individuals.

F. Fair hearing

The Social Security Act now requires that an approved State plan shall provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied. To support and strengthen the requirement that all persons wishing to apply shall have opportunity to do so, and that assistance shall be furnished promptly to all eligible individuals, the bill would amend the fair hearing provision to require that opportunity for a hearing be granted not only to those whose claim has been denied, but also to those whose claim is not acted upon within a reasonable time.

G. Training of personnel

The importance of well-trained personnel to proper and efficient administration is widely recognized. In the public assistance programs, which affect the lives of several million persons and entail the expenditure of vast amounts of public funds, it is imperative that administration shall be efficient and proper. Only if personnel is adequately trained can persons seeking assistance be assured prompt and fair treatment and the public, proper expenditure of funds.

Most public assistance agencies have developed methods for the training of their personnel, among which are basic training for particular positions, institutes, and educational leave.

The bill provides as a condition of approval of a State plan for old-age assistance that the plan shall provide for a training program for the personnel necessary to the administration of the plan. This requirement does not relate to method and each State is left free to determine for itself the methods of training best suited to its needs.

H. Responsibility of children to support their parents

The mounting cost of old-age assistance has caused your committee some concern. In the country, as a whole, nearly one aged person in four is on the assistance rolls. The proportion assisted varies greatly from State to State. Many factors account for these sharp variations, including differences in the economic status of the population, in the proportion of aged persons receiving benefits under old-age and survivors insurance and other retirement systems, and in the capacity and willingness of children to assume responsibility for the support of their aged parents.

Three State plans for old-age assistance now provide that the agency may not make any demand on a legally responsible relative for support of a needy aged person, although these agencies take contributions actually received from relatives into consideration in determining the amount of assistance. On the other hand, some States have very strict requirements in regard to the obligation of legally responsible relatives to support. Policy and practice vary widely from State to State, and opinions differ as to the desirability and effectiveness of the various policies.

Insufficient information was available to your committee to guide it in arriving at a decision regarding the desirability of including in title I a requirement that a State plan should provide for a policy requiring children to support their aged parents when they are able to do so. Accordingly, your committee has requested the Federal Security Administrator to make a study of the whole question and to file his report with your committee for subsequent consideration.

XIV. AID TO DEPENDENT CHILDREN

Under the program of aid to dependent children, monthly assistance payments amounting to over $39,000,000 are made to more than 1.35 million children in over 500,000 families. The average payment per family in the Nation is nearly $73. State average payments vary widely—from $26 to $135. (See table 13.) These differences are the result partly of variations in living costs, but must be ascribed chiefly to differences in standards of assistance and the availability of State and local funds to finance the program.

Benefits under the survivors provisions of the old-age and survivors insurance program are being paid to an increasing number of children as that program matures. In a substantial number of States more children are already receiving social-insurance benefits than aid to dependent children. The proposed extensions of coverage and increase in benefits under the social-insurance program would, of course, progressively diminish the need for aid to dependent children.

The provisions of the bill amending title IV of the act would afford dependent children a greater measure of security. The bill also includes provision for the needs of the relative caring for the child and substantially increased Federal participation in payments.

TABLE 13.—*Aid to dependent children: Recipients and payments to recipients from Federal, State, and local funds, by State, June 1949* [1]

State	Number of recipients		Payments to recipients	
	Families	Children	Total amount	Average per family
Total	536,758	1,365,813	$39,027,499	$72.71
Total, 50 States [2]	536,714	1,365,715	39,025,893	72.71
Alabama	13,194	35,949	478,728	36.28
Alaska	450	1,078	31,339	69.64
Arizona	3,158	8,930	292,744	92.70
Arkansas	11,458	29,517	425,879	37.17
California	24,160	53,898	2,747,065	113.70
Colorado	5,052	13,748	387,039	76.61
Connecticut	3,499	8,493	351,230	100.38
Delaware	526	1,556	38,233	72.69
District of Columbia	1,753	5,311	139,806	79.75
Florida	22,342	54,706	937,332	41.95
Georgia	12,316	31,739	503,104	40.85
Hawaii	2,081	6,184	191,868	92.20
Idaho	2,089	5,277	198,386	94.97
Illinois	25,003	63,509	2,532,143	101.27
Indiana	9,331	23,068	521,903	55.93
Iowa	4,652	11,920	[3] 292,053	62.78
Kansas	5,130	13,242	424,763	82.80
Kentucky	19,027	47,875	731,121	38.43
Louisiana	24,323	63,104	1,437,104	59.08
Maine	3,414	9,419	277,237	81.21
Maryland	5,297	16,040	439,398	82.95
Massachusetts	11,790	28,754	1,330,383	112.84
Michigan	24,841	57,494	2,137,657	86.05
Minnesota	7,566	19,180	523,353	69.17
Mississippi	8,194	22,172	217,075	26.49
Missouri	23,762	60,549	1,271,186	53.50
Montana	2,120	5,447	153,539	72.42
Nebraska	3,342	7,978	280,748	84.01
Nevada	*44*	*98*	*1,606*	(4)
New Hampshire	1,433	3,622	125,340	87.47
New Jersey	5,154	13,361	433,964	84.20
New Mexico	4,963	12,727	260,686	52.53
New York	53,106	123,126	5,692,863	107.20
North Carolina	12,178	34,314	505,132	41.48
North Dakota	1,723	4,630	168,803	97.97
Ohio	12,482	33,864	772,942	61.92
Oklahoma	24,140	61,103	1,260,015	52.20
Oregon	3,244	8,160	348,676	107.48
Pennsylvania	46,098	119,196	4,210,379	91.34
Rhode Island	3,249	8,040	278,675	85.77
South Carolina	7,690	21,914	273,055	35.51
South Dakota	2,033	5,006	112,556	55.36
Tennessee	18,943	51,005	911,918	48.14
Texas	16,912	46,942	797,924	47.18
Utah	3,311	8,407	353,208	106.68
Vermont	940	2,554	45,463	48.36
Virginia	6,618	18,792	292,170	44.15
Washington	11,047	26,079	1,496,227	135.44
West Virginia	12,803	34,622	557,296	43.53
Wisconsin	8,308	20,843	790,641	95.17
Wyoming	469	1,271	45,544	97.11

[1] For definitions of terms see the Social Security Bulletin, January 1948, pp. 24–26. Figures in italics represent program administered without Federal participation. Data exclude programs administered without Federal participation in Florida, Kentucky, and Nebraska, which administer such programs concurrently with programs under the Social Security Act. All data subject to revision.

[2] Under plans approved by the Social Security Administration.

[3] Excludes cost of medical care, for which payments are made to recipients quarterly.

[4] Average payment not calculated on base of less than 50 families.

A. Inclusion of mother or other relative caring for child

In the present law, aid to dependent children is defined as payments with respect to a dependent child. No specific provision is made for

the need of the parent or other relative with whom the child is living. Particularly in families with small children, it is necessary for the mother or another adult to be in the home full time to provide proper care and supervision. Since the person caring for the child must have food, clothing, and other essentials, amounts allotted to the children must be used in part for this purpose if no other provision is made to meet her needs. The maximum monthly amount of assistance in which the Federal Government will now share is $27 for one child in a family and $18 for each child beyond the first.

Because of the lack of specific provision for Federal participation in assistance to the mother or other relative and the inadequacy of the $27 and $18 maximums to cover the cost of essentials for the children and an adult as well, States have been forced to make a very large proportion of payments larger than the maximum amounts subject to Federal sharing. In December 1948 about one-half of all payments were above the maximums. More than three-fourths of all payments exceeded these amounts in 24 States. Often States have been unable to make payments that were at all realistically related to the need of the dependent children and the relative caring for them.

To correct the present anomalous situation wherein no provision is made for the adult relative and to enable States to make payments that are more nearly adequate, the bill would include the relative with whom the dependent child is living as a recipient for Federal matching purposes. The maximum amount of assistance for a relative in which the Federal Government would share would be $27. The maximums of $27 for one child in a family, and $18 for each additional child, would remain unchanged. Thus, for a relative and one dependent child the maximum amount of the payment subject to Federal sharing would be $54 instead of $27. For a three-child family, the maximum would be $90 instead of $63.

B. Federal share of assistance costs

Under the present title IV the Federal share of expenditures within the maximums of $27 for one child and $18 for each additional child, is three-fourths of the first $12 of the average payment per child and one-half the balance. These maximums are substantially lower than the $50 maximum for old-age assistance and aid to the blind. The Federal share of total expenditures (including those above the maximums matchable) for aid to dependent children in December 1948 was only 45 percent as contrasted with 58 percent in old-age assistance and 55 percent for aid to the blind.

The bill would raise the Federal share of expenditures within the new maximums of $27/27/18 to four-fifths of the first $15 of the average payment per recipient (including the children and the relative caring for the children as recipients), plus one-half of the next $6, plus-one-third of the next $6.

Table 14 illustrates the combined effect of the new maximums and the new formula for computing the Federal share on average payments of specified sizes in the case of one-child and three-child families. Table 15 shows the extent to which it would be possible for States to raise average payments, assuming the same average expenditure per family from State and local funds, in the case of one-child and three-child families.

TABLE 14.—*Aid to dependent children: Amount and percent of Federal funds in average monthly payments to families of specified size, under present law and under H. R. 6000*

Average monthly payment [1]	Present law		H. R. 6000	
	Federal funds	Percent of total	Federal funds	Percent of total
	1-child family			
$25	$15.50	62	$20.00	80
$35	16.50	47	26.50	76
$45	16.50	37	31.00	69
$55	16.50	30	34.00	62
$75	16.50	22	34.00	45
$90	16.50	18	34.00	38
	3-child family			
$25	$18.75	75	$20.00	80
$35	26.25	75	28.00	80
$45	31.50	70	36.00	80
$55	36.50	66	44.00	80
$75	40.50	54	55.50	74
$90	40.50	45	62.00	69
$110	40.50	37	62.00	56

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of larger payments, the amounts of such maximums.

TABLE 15.—*Aid to dependent children: Amount to which average monthly payments to families of specified size under present provisions could be increased under H. R. 6000 assuming the same average expenditure per family from State and local funds*

Average monthly payments [1]	Present law		H. R. 6000			
	Federal funds	State and local funds	Average monthly payments [1]	Federal funds	State and local funds	Increase in Federal funds
	1-Child Family					
$25	$15.50	$9.50	$37.00	$27.50	$9.50	$12.00
$35	16.50	18.50	51.75	33.25	18.50	16.75
$45	16.50	28.50	62.50	34.00	28.50	17.50
$55	16.50	38.50	72.50	34.00	38.50	17.50
$75	16.50	58.50	92.50	34.00	58.50	17.50
$90	16.50	73.50	107.50	34.00	73.50	17.50
	3-Child Family					
$25	$18.75	$6.25	$31.25	$25.00	$6.25	$6.25
$35	26.25	8.75	43.75	35.00	8.75	8.75
$45	31.50	13.50	63.00	49.50	13.50	18.00
$55	36.50	18.50	73.00	54.50	18.50	18.00
$75	40.50	34.50	96.50	62.00	34.50	21.50
$90	40.50	49.50	111.50	62.00	49.50	21.50
$110	40.50	69.50	131.50	62.00	69.50	21.50

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of large payments, the amounts of such maximums.

C. Medical care

Dependent children, like all children in the population, need medical care for protection against childhood diseases, correction of defects, and treatment of illnesses. The bill would amend title IV in the same manner in which title I is amended to afford States greater flexibility in meeting the medical needs of the children and also of the mother or other relative caring for the children. The States would be able under the bill to include an amount within the maximum payment to the family for medical care or to make payments to suppliers of medical care in behalf of recipients.

D. Opportunity to apply for and receive assistance promptly

Shortage of funds in aid to dependent children has sometimes, as in old-age assistance, resulted in a decision not to take more applications or to keep eligible families on waiting lists until enough recipients could be removed from the assistance rolls to make a place for them. As noted in the discussion of this problem in the section on old-age assistance, this difference in treatment accorded to eligible people results in undue hardship on needy persons and is inappropriate in a program financed from Federal funds. The requirement that State plans must provide opportunity to apply to all persons wishing to do so and that assistance shall be furnished promptly to all eligible families is included in the proposed amendments to title IV of the Social Security Act.

E. Fair hearings

To support the plan requirement governing opportunity of an individual to apply for and, if eligible, to receive assistance promptly, the bill would amend the fair hearing provision of title IV as in title I.

F. Notification to appropriate law enforcement officials

It has come to your committee's attention that the number of children receiving aid because of the desertion of the father is increasing. The legal responsibility of a parent for the support of his minor children is, of course, clearly established in the laws of every State. Your committee believes that all instances of desertion and abandonment of children by parents which result in failure to fulfill this responsibility should be brought to the attention of the proper law enforcement officials.

The bill, therefore, would amend title IV of the Social Security Act by adding a requirement that an approved State plan must provide for prompt notice to appropriate law enforcement officials of the furnishing of aid to dependent children with respect to a child who has been deserted or abandoned by a parent.

G. Training of personnel

The considerations relating to the importance of well-trained staff for the proper and efficient operation of the assistance programs discussed in the section on old-age assistance are equally important in relation to aid to dependent children. The bill therefore would amend title IV by adding the requirement that the State plan for aid to dependent children shall provide for a training program for the personnel necessary for the administration of the plan.

XV. AID TO THE BLIND

In the 45 States, the District of Columbia, and Hawaii, which operate programs of aid to the needy blind under title X of the Social Security Act, more than 71,000 blind individuals are receiving aid amounting to $3.3 million monthly. The average payment in these States is nearly $47; but State average payments range from $22 to $83, the result of differences in living costs, in standards of assistance, and in the amounts of State funds appropriated for the program (see table 16).

Your committee is deeply concerned that blind people who are needy shall be able to get assistance sufficient in amount to make it possible for them to secure the essentials of living, and to meet the special expenses to which they are subject because of their handicap. Your committee also believes that they should be afforded incentives to work and to become as nearly self-supporting as possible. The amendments to title X of the Social Security Act proposed in this bill are designed to accomplish these objectives. The bill would also strengthen the financing of the program by providing additional Federal funds, with the largest increases in Federal aid going to States with low payment levels, and would make certain other changes to strengthen the program.

TABLE 16.—*Aid to the blind: Recipients and payments to recipients from Federal, State, and local funds, by State, June 1949* [1]

State	Number of recipients	Payments to recipients	
		Total amount	Average
Total	89,301	$4,020,746	$45.02
Total, 47 States [2]	71,196	3,310,897	46.50
Alabama	1,287	32,202	25.02
Arizona	787	49,640	63.07
Arkansas	1,752	43,166	24.64
California	9,004	743,198	82.54
Colorado	387	21,592	55.79
Connecticut	182	8,694	47.77
Delaware	158	5,871	37.16
District of Columbia	240	10,526	43.86
Florida	3,094	130,595	42.21
Georgia	2,546	65,519	25.75
Hawaii	93	3,604	38.75
Idaho	203	10,466	51.56
Illinois	4,553	213,392	46.87
Indiana	1,841	69,224	37.60
Iowa	1,200	[3] 63,453	52.88
Kansas	767	39,988	52.14
Kentucky	2,068	45,758	22.13
Louisiana	1,673	70,787	42.31
Maine	659	27,752	42.11
Maryland	476	19,192	40.83
Massachusetts	1,367	82,915	60.65
Michigan	1,668	76,452	45.83
Minnesota	1,057	58,414	55.26
Mississippi	2,520	64,996	25.79
Missouri	*2,787*	[4] *97,545*	[4] *35.00*
Montana	479	22,145	46.23
Nebraska	560	27,418	49.85
Nevada	*34*	*1,472*	(5)
New Hampshire	313	14,639	46.77
New Jersey	686	36,388	53.04
New Mexico	444	16,958	38.19
New York	3,768	224,030	59.46
North Carolina	3,661	110,145	30.09

See footnotes at end of table, p. 50.

TABLE 16.—*Aid to the blind: Recipients and payments to recipients from Federal, State, and local funds, by State, June 1949* [1]—Continued

State	Number of recipients	Payments to recipients	
		Total amount	Average
North Dakota	119	$5,473	$45.99
Ohio	3,635	162,803	44.79
Oklahoma	2,656	141,240	53.18
Oregon	383	21,316	55.66
Pennsylvania	*15,284*	*610,832*	*39.97*
Rhode Island	158	8,066	51.05
South Carolina	1,408	40,450	28.73
South Dakota	215	7,432	34.57
Tennessee	2,259	81,621	36.13
Texas	6,046	233,225	38.58
Utah	201	10,961	54.53
Vermont	185	6,599	35.67
Virginia	1,399	38,435	27.47
Washington	717	55,634	77.59
West Virginia	911	22,797	25.02
Wisconsin	1,334	60,538	45.38
Wyoming	93	5,158	55.46

[1] For definition of terms see the *Social Security Bulletin*, January 1948, pp. 24–26. Figures in italics represent programs administered without Federal participation. Data exclude program administered without Federal participation in Connecticut, which administers such program concurrently with program under the Social Security Act. Alaska does not administer aid to the blind. All data subject to revision.
[2] Under plans approved by the Social Security Administration.
[3] Excludes cost of medical care, for which payments are made to recipients quarterly.
[4] Represents statutory monthly pension of $35 per recipient; excludes payment for other than a month.
[5] Average payment not calculated on base of less than 50 recipients.

A. Formula for determining Federal share

To assist the States further in financing aid to their needy blind persons the bill would amend the formula for determining the Federal share of payments of aid to the blind, just as in the case of old-age assistance (see p. 40). This change would enable States with low levels of payments to increase their payments by as much as $5 per recipient and States with higher levels of payments by lesser amounts. The maximum Federal contribution of $30 to an individual monthly payment would be unchanged.

B. Determination of need and amount of assistance

Your committee has been concerned over the plight of needy blind persons and believes that they should be given special consideration to help them overcome their affliction and attain maximum security. To achieve this objective, the bill would amend the need provisions in section 1002 (a) (8) of the Social Security Act, which now requires that the State plan shall provide that all income and resources shall be considered in determining need.

The bill would amend this provision so that, if a State so elects, the plan may provide for disregarding such an amount of earned income, up to $50 monthly, as the State vocational rehabilitation agency certifies will serve, in that State, to encourage or assist the blind to prepare for, engage in, or continue to hold remunerative employment. The bill would also require, after July 1, 1951, that the State plan shall, as a condition of plan approval, provide for consideration of the special expenses arising from blindness. The proposed amendment would also prohibit, after that date, the consideration of any income and resources that are not predictable and are not actually available to the individual.

C. Exemption of property used as home

Attention was given to the possibility of requiring a State plan for aid to the blind to provide specifically for exemption from consideration of the blind individual's real property used as a home up to a specified value. Your committee is of the opinion that a blind person should be able to own a modest home and be eligible for aid. However, since almost all States now permit recipients of aid to the blind to hold property of reasonable value which is used as a home and still to be considered eligible for assistance, and since the value of real estate varies from State to State and locality to locality it was deemed inadvisable to write into the Federal law a specific provision with respect to the ownership of property. Your committee believes that all States will make it possible for needy persons to own modest homes and to receive assistance and that, therefore, Federal legislation on this point is unnecessary.

D. Medical care

The recipients of aid to the blind are, as is the case with recipients of old-age assistance, a group with much greater need for medical care than other groups in the population. The present provisions of title X of the Social Security Act have the same limitations as those noted in title I which hamper the assistance agency in meeting the medical needs of blind recipients.

The bill would, therefore, provide that in the case of medical costs, Federal funds may be used to match assistance payments made to medical practitioners and other suppliers of medical services in behalf of needy blind individuals which, when added to any money paid to an individual, does not exceed a monthly amount of $50.

E. Public medical institutions

Title X of the Social Security Act now has the same limitation on matching of payments to persons in public institutions as title I. Since the blind, like the aged, frequently have need for medical care in hospitals or other public medical institutions, the bill would amend the provisions of title X to permit matching of assistance payments to, or medical care payments in behalf of, recipients of aid to the blind who are patients in public medical institutions. This amendment carries the same limitations with respect to persons in tuberculosis or mental hospitals as the proposed amendment to title I.

F. Standards for institutions

The bill would further amend title X, as in the case of title I, by requiring as a condition of plan approval that, if the aid to the blind program in the State authorizes payments to persons in institutions, the State plan shall provide for the establishment or designation of a State authority or authorities responsible for establishing and maintaining standards for such institutions.

G. Opportunity to apply for and receive assistance promptly

In aid to the needy blind, as in old-age assistance, shortage of funds has sometimes resulted in decisions by assistance agencies not to take applications or to keep eligible people on waiting lists until enough recipients could be removed from the assistance rolls to make a place for them. As noted in the discussion of this problem in the section on

old-age assistance, this difference in treatment accorded to eligible people is unjustifiable in a public program. The requirements that State plans must provide that opportunity to apply shall be afforded to all persons wishing to do so, and that assistance shall be furnished promptly to all eligible people, is included in the amendment which the bill would make to title X of the Social Security Act.

H. Fair hearings

To support the plan requirement governing opportunity of a blind person to apply for and, if eligible, to receive assistance promptly, the bill would amend the fair hearing provision of title X as in title I.

I. Residence

Under the present provisions of title X, a State may require that to be eligible for aid a blind person must have lived in that State for 5 years out of the last 9 years, 1 year of that residence to have immediately preceded the application. Some States, however, make no durational residence requirements as an eligibility factor in aid to the blind, and many States have less stringent requirements than those now permitted under title X; many of these require only 1 year of residence. Your committee believes that for blind individuals the maximum residence requirement in a State plan should be 1 year in the State immediately preceding the application. The bill, therefore, would amend title X, effective July 1, 1951, to preclude approval of any plan for aid to the blind which imposes as a condition of eligibility a residence requirement in excess of 1 year of continuous residence in the State prior to the date of application. The bill would further preclude any State from having, in the period intervening between the effective date of the bill and July 1, 1951, a residence requirement more restrictive than that in its plan as of July 1, 1949.

J. Examination to determine blindness

Assistance available under title X is limited to needy blind individuals, but the title does not at present indicate how blindness is to be determined. The bill would amend title X to require that, as a condition of approval, the State plan shall provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in the diseases of the eye or by an optometrist.

K. Training of personnel

The considerations relating to the importance of well-trained staff for the proper and efficient operation of the assistance programs discussed in the sections on old-age assistance and aid to dependent children are equally important in relation to aid to the needy blind. The bill therefore amends title X by adding the requirement that the State plan for aid to the needy blind shall provide for a training program for the personnel necessary to the administration of the plan.

L. Temporary approval of certain State plans

Although the 48 States, the District of Columbia, Alaska, and Hawaii all are privileged to seek grants under title X to assist them in financing programs of aid to the blind, Alaska, Missouri, Nevada, and Pennsylvania are not receiving grants for this purpose. Alaska has no special program for aid to the blind, but Missouri, Pennsylvania, and Nevada are administering programs for aiding blind persons, financed without the help of the Federal Government.

Pennsylvania has been negotiating for some time with the Social Security Administration to arrive at a basis by which it could develop a plan for aid to the blind that could be approved as conforming to the requirements of the Social Security Act. To help in solving the issue which has stood in the way of accepting the plan proposed by Pennsylvania and to facilitate formulation of acceptable plans by other States that do not at the present time have approved plans, the bill would amend title X to provide that, for an interim period, the Administrator shall approve a plan of such State for aid to the blind, even though it does not meet the requirements of clause 8 of section 1002 of the Social Security Act (relating to the determination of need and consideration of resources), if it meets all other requirements of title X. The amendment would provide, however, that Federal participation shall be available only with respect to expenditures which would be approvable under the requirements of clause 8, section 1002. This amendment would be effective only for the period October 1, 1949, to June 30, 1953. Your committee believes that this period of time will enable the States concerned to amend their laws and develop aid-to-blind plans that conform in all respects with the requirements of title X.

XVI. AID TO THE PERMANENTLY AND TOTALLY DISABLED

The bill would provide grants-in-aid to the States for a fourth category of State-Federal public assistance for permanently and totally disabled individuals who are in need.

Some of the most acute economic distress in the Nation is among needy persons under age 65 who have disabilities other than blindness that prevent self-support. These unfortunate individuals should be able to get public assistance with Federal help, just as needy persons who are blind or suffering from the infirmities of old age are provided aid.

In December 1948 an estimated 200,000 persons on the general assistance rolls (now financed solely by the States and localities) had disabilities that would result in their being classified as permanently and totally disabled. In many States these individuals are now receiving public assistance at a lower standard than the needy aged and blind. Federal participation in assistance to the permanently and totally disabled should result in more adequate assistance to this group of needy individuals.

Close relationships exist between the insurance and assistance provisions of the bill. The proposed amendments to title II of the Social Security Act would extend the program of old-age and survivors insurance to include benefits for insured workers who become permanently and totally disabled. To be eligible for disability insurance benefits, workers would be required to meet insured status requirements which call for a substantial period of work in covered employment. This new type of benefit under the insurance program may be expected to provide for the great majority of workers in covered employment who become permanently and totally disabled in future years. In the long run, however, there will always be some disabled persons who cannot qualify for insurance benefits. Persons who work in noncovered employment will be among those particularly in need of the protection afforded by aid to the permanently and

totally disabled. Of further pressing concern at the moment is the fact that there are many former workers disabled today who cannot qualify for insurance benefits. Their disabilities may already have lasted for prolonged periods, and their assets may long since have been exhausted.

Some disabled persons who are needy and who are not being aided today under inadequate State-local general assistance programs would be given aid under the proposed category of assistance for the disabled. Notwithstanding this fact, during the first year or two of Federal participation in assistance to the permanently and totally disabled, it seems probable that somewhat less than 200,000 persons would be aided under this category. Considerable time would be required by the States to enact enabling legislation. Time also would be required to develop plans and establish procedures for the administration of the program. It is anticipated that the case load would not rise appreciably in future years, if disability insurance and extension of insurance coverage are also in effect. Eventually, as the insurance program begins to assume its proper place as a security measure against disability, the number of assistance recipients should decrease.

For the category of aid to the permanently and totally disabled, the bill would provide a maximum upon individual monthly payments of $50, as in old-age assistance and aid to the blind. The Federal share of expenditures within the maximums, and the requirements for approval of a State plan, would be the same as in old-age assistance, except for the residence requirement. No State plan for aid to the permanently and totally disabled would be permitted under provisions of the bill to contain a residence requirement more restrictive than that contained in its plan for aid to the blind on July 1, 1949; beginning July 1, 1951, the maximum residence requirement would be 1 year immediately preceding the application for aid.

XVII. WELFARE SERVICES

A. Child welfare service

Part 3 of title V of the Social Security Act, authorizes an annual appropriation of $3,500,000 for grants to States to assist them in establishing, extending, and strengthening child welfare services, in predominantly rural areas and other areas of special need, for the protection and care of homeless, dependent, and neglected children and children in danger of becoming delinquent. The funds are allotted by the Federal Security Administrator to States on the basis of joint plans developed by the State agency and the Administrator, as follows: $20,000 to each State and the remainder apportioned among the States on the basis of rural population.

To permit extension and improvement of the child welfare services in the States the bill would increase the authorization for appropriation to $7,000,000 annually and would increase the basic amount to be allotted to States with approved plans to $40,000. The remainder of the appropriation would continue to be allotted to States on the basis of rural population.

The bill would also amend part 3 of title V specifically to provide that Federal funds may be used for paying the cost of returning any runaway child who has not attained the age of 16 to his own com-

munity in another State in cases in which such return is in the interest of the child and the cost cannot otherwise be met.

B. Services in the administration of public assistance

The bill would make no change in the present basis of matching expenditures for the administration of assistance. The Federal Government now pays one-half the cost of proper and efficient administration. In considering the provision relating to Federal participation in such costs, your committee decided that there is ample authorization for Federal sharing in the cost of welfare services to applicants for and recipients of State-Federal assistance.

XVIII. PUERTO RICO AND THE VIRGIN ISLANDS

Both the insurance and public-assistance programs would be extended to the Virgin Islands and Puerto Rico (although the insurance program would not become effective in Puerto Rico until approved by the Puerto Rican Legislature).

Your committee considered the need of the governments of Puerto Rico and the Virgin Islands for help in providing assistance for their needy people. The islands with their limited economic resources, have been unable to raise sufficient funds to care for their needy people.

The Federal Government already makes grants to both Puerto Rico and the Virgin Islands for public health and child welfare and to Puerto Rico for vocational rehabilitation.

Your committee believes that it would be reasonable to participate in assistance costs in Puerto Rico and the Virgin Islands, but recommends doing so on a basis different from that recommended for the States and Territories. The economy of the islands is at a lower level than that on the mainland. Furthermore, in the case of Puerto Rico, your committee took into consideration the fact that Puerto Rico retains the Federal excise taxes that it collects, instead of turning them in to the Federal Treasury and that the Federal income taxes are not applicable there.

The bill therefore would provide that for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, the maximum limiting Federal participation in an individual monthly payment be $30, and for aid to dependent children, $18 for the first child in a family and $12 for each child beyond the first. These are the maximums established in the original Social Security Act in 1935. The Federal share of assistance costs within the maximums would be one-half for all types of assistance and for administration. This is the original matching ratio in the Social Security Act for old-age assistance and aid to the blind and is more liberal than the original ratio of one-third for aid to dependent children.

SECTION BY SECTION ANALYSIS OF THE BILL

The first section of the bill contains a short title, Social Security Act Amendments of 1949, and a table of contents. The remainder of the bill is divided into four titles: Title I, which amends title II of the Social Security Act; title II, which amends the Internal Revenue Code; title III, which contains the amendments to the public assistance and child-welfare provisions of the Social Security Act; and title IV, which contains miscellaneous amendments to the Social Security Act.

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

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Subsection (a) of section 101 of the bill amends section 202 of the Social Security Act. Such section 202, as amended, contains provisions relating to old-age, wife's, child's, widow's, mother's, and parent's insurance benefits; lump-sum death payments; applications for benefits; simultaneous entitlement to benefits; and the effect of entitlement to survivor benefits under the Railroad Retirement Act of 1937. Subsections (b), (c), (d), and (e) of section 101 of the bill contain provisions (which will be explained below) relating to the effective dates of the amendments made by subsection (a), the protection of individuals now receiving benefits, and the filing of applications for parent's insurance benefits and for lump-sum death payments in the case of deaths occurring prior to 1950.

Old-age insurance benefits

The name of the benefit provided by subsection (a) of section 202 of the Social Security Act is changed from "primary insurance benefit" to "old-age insurance benefit." The conditions under which an individual may become entitled to old-age benefits are the same as those for the present primary benefits, i. e., fully insured status (as redefined in sec. 214 (a)), attainment of retirement age (age 65), and filing application, except that anyone entitled to disability insurance benefits for the month before he attains retirement age automatically becomes entitled to old-age benefits without filing an application.

Under section 101 (c) (1) of the bill, individuals entitled to primary insurance benefits under existing law will automatically become entitled to old-age insurance benefits under the new law.

Wife's insurance benefits

Section 202 (b) of the Social Security Act as amended by the bill provides wife's insurance benefits to a wife aged 65 under the same circumstances as under existing law and in addition provides for wife's insurance benefits for a wife under age 65 who at the time of filing her application for wife's insurance benefits has in her care (individually or jointly with her husband) a child entitled to a child's insurance benefit on the basis of her husband's wage record. A wife under age 65 ceases to be entitled to such benefits when there is no longer any child of her husband entitled to child's insurance benefits.

Child's insurance benefits

Several changes are made in subsection (c) of section 202, which relates to child's insurance benefits. Under the present law, the benefit amount for a child entitled on the wage record of a deceased or retired insured worker is equal to one-half the old-age insurance benefit of the worker. A widow with a child receives 1¼ times an old-age insurance benefit while a retired worker with a child would receive 1½ times such benefit. To equalize family benefit amounts as between families of deceased and retired workers, the bill increases the total amount of the family benefits in a survivor family in which there is at least one entitled child by one-fourth of the worker's old-age benefit. If there is more than one child, this additional amount is divided equally among the children.

A child is entitled to child's insurance benefits only if he was dependent upon the individual on the basis of whose wage record he files application for child's insurance benefits. Paragraphs (3), (4), and (5) of subsection (c) of section 202 of the Social Security Act as amended by the bill set forth the circumstances under which a child is deemed dependent upon an individual.

Paragraph (3) states the circumstances under which a child is deemed dependent upon his father or adopting father. This paragraph makes no change in existing law.

Paragraph (4) states the circumstances under which a child is deemed dependent upon his stepfather. Under existing law a child is deemed dependent upon a stepfather only if no parent other than such stepfather was contributing to the support of such child and such child was not living with its father or adopting father. Under the bill the child is deemed dependent upon his stepfather if the child was living with or was receiving at least one-half of his support from such stepfather.

Paragraph (5) states the circumstances under which the child is deemed dependent upon his natural or adopting mother or upon his stepmother. Under existing law, the presence of a father in the household prevents a finding of dependency of a child on his mother. Any contributions from a father also prevent finding a child dependent on his mother. The bill permits the payment of benefits to a child on the basis of his natural or adopting mother's wage record if she was both fully and currently insured when she died. Benefits are also payable on the basis of a natural, adopting, or stepmother's wage record, when she had been furnishing at least half of the child's support, or when she had been living with or contributing to the child's support and the child had been neither living with nor receiving any contributions toward his support from his father.

Widow's insurance benefits

Section 202 (d), relating to widow's benefits, would be changed by the bill so as to permit a wife entitled to wife's insurance benefits to become entitled to widow's insurance benefits upon the death of her husband without filing a new application if she is then age 65 or over. All conditions of eligibility for the two benefits are the same with one exception (death in the case of widow's benefits, and entitlement of the husband to old-age insurance benefits in the case of wife's benefits if the wife is age 65 or over). This change will simplify administration and prevent delay in payment of widow's insurance benefits.

Mother's insurance benefits

Subsection (e) of section 202, as amended by the bill, changes the title of the present widow's current insurance benefits to mother's insurance benefits. It provides for payment of such benefits to the divorced wife of a deceased insured worker if she had been receiving at least half her support from the worker, and if she is caring for her son, daughter, or legally adopted child who is receiving benefits on the worker's wage record. Under section 101 (c) (1) of the bill, individuals entitled to widow's current insurance benefits under existing law will automatically become entitled to mother's insurance benefits under the new law.

Parent's insurance benefits

Subsection (f) of section 202, as amended by the bill, increases the amount of the dependent parent's benefit from one-half of the old-age benefit to three-fourths of the old-age benefit.

Also the requirement that a parent must have been chiefly dependent upon and supported by the wage earner is changed to require only that the parent must have been receiving at least one-half of his support from the wage earner to be found dependent on him. This will make it unnecessary to look to the value of any non-income-producing property a parent may own and will avoid the difficulties involved in establishing dependency in cases where the parent was receiving an equal portion of his support from two children.

Lump-sum death payments

The bill changes section 202 (g) of the Social Security Act in two respects. Under existing law payment of the lump sum is provided only if the insured individual died leaving no widow, child, or parent who would, on filing application in the month in which the individual died, be entitled to a benefit for such month. Under the bill a lump-sum death payment may be made regardless of whether or not monthly benefits are payable.

The second change in this subsection limits the amount of the lump-sum payment to three times the worker's old-age benefit, instead of six times the primary benefit as now provided. As old-age benefits in the bill are about double present primary benefits, the change made by the bill will keep lump-sum death payments at approximately their present level.

Application for benefits

Paragraph (1) of subsection (h) of section 202, as amended by the bill, is the same as existing law except that it increases from 3 to 6 the number of months for which benefits may be paid retroactively to individuals who failed to file their applications as soon as they were otherwise eligible and were no longer working.

Paragraph (2) of this subsection continues the provision of the present law (sec. 205 (m)) which makes ineffectual any application filed more than 3 months before entitlement, and adds the provision that an application filed during the 3-month period before the month in which the individual is first eligible for benefits shall be deemed to have been filed in the first month in which he is eligible. This gives a definite date of reference for the application.

Simultaneous entitlement to benefits

Subsection (i) brings together in one subsection the provisions relating to simultaneous entitlement to benefits now spread throughout section 202. Paragraph (1) of the new section 202 (i) replaces the clause in section 202 (c) of the act which provides that a child eligible for more than one benefit may receive only the benefit based on the largest primary insurance benefit, and the clause in section 202 (f) which requires reducing the amount of a parent's benefit by the amount of any other benefits to which the parent becomes entitled. The new paragraph provides for paying any one individual who is not entitled to an old-age benefit only the largest benefit to which he becomes entitled. The amendment makes uniform the provisions for avoiding duplicate benefit payments, and will allow each individual

the amount of the largest single benefit to which he can become entitled.

Paragraph (2) of the new section 202 (i) replaces the clause in the subsections on wife's, widow's, widow's current (mother's), and parent's benefits which provides for reducing the amount of such benefits by the amount of the benefit to which the individual becomes entitled on his own wage record. This is merely a language simplification, retaining the principle in the present law.

Entitlement to survivor benefits under Railroad Retirement Act

Subsection (j) of section 202 is a new subsection which provides that if any person could become entitled to an annuity under section 5 of the Railroad Retirement Act of 1937, or a lump-sum payment under subsection (f) (1) of that section, with respect to the death of an employee, no lump-sum death payment or monthly survivors benefits shall be payable under the Social Security Act on the basis of the wages or self-employment income of that employee. This amendment is necessary to continue the existing coordination of survivors benefits under the railroad retirement and old-age and survivors insurance programs. As survivors benefits are based on a combination of the wage records under the programs, it is necessary to specify that eligibility for survivors benefits under one program will preclude the payment of survivors benefits under the other program. Section 205 (p) of the Social Security Act, as amended by the bill, contains the corresponding provisions for counting railroad compensation in computing survivors benefits under the Social Security Act.

Effective date of amendment made by section 101 (a)

Subsection (b) of section 101 of the bill provides that the preceding changes in section 202 of the Social Security Act shall, with one exception, be effective on January 1, 1950. The new section 202 (h) (2), which relates to the filing of applications, becomes effective for months after September 1949, and the present section 205 (m) which it replaces is repealed for all monthly benefits for months after 1949. Thus applications for benefits payable after 1949 will be filed only under the new section 202 (h) (2).

Saving provisions

Subsection (c) of section 101 of the bill is a saving clause for persons already entitled under the present law so that they will not lose their entitlement to benefits on account of enactment of the bill. It would also protect the rights of individuals who would be entitled to benefits under existing law for October, November, or December of 1949 upon filing application for such benefits within 3 months thereafter in accordance with the present retroactive filing provisions of section 202 (h).

Subsection (d) of section 101 of the bill extends through 1951 the 2-year period in which parents may file proof of dependency in cases of wage earners who died after June 1947 and before 1950 and who were not insured under the provisions of the present law but would have been insured had the eligibility provisions contained in the bill been in effect when they died. Deaths before July 1947 have been specifically excluded because anyone who died before then and who was not fully insured under existing law would not be insured under the provisions as amended by the bill. No retroactive benefits for months

before 1950 will be payable under this provision, since the amendment revising the eligibility provisions is not effective until January 1, 1950.

Section 101 (e) of the bill continues existing law with respect to lump-sum death payments on the wage records of persons who died before 1950. There is, however, one exception. The Social Security Act amendments of 1946 extended to August 10, 1948, the period for claiming the lump sum in the case of insured persons who died outside the United States (including Alaska and Hawaii) between December 6, 1941, and August 10, 1946. The bill would extend through 1951 the period for claiming lump-sum death payments in the case of such deaths, and in the case of deaths occurring in Alaska or Hawaii.

MAXIMUM BENEFITS

Section 102 of the bill replaces subsections (a), (b), and (c) of section 203 of the present Social Security Act with a new section 203 (a). The new subsection liberalizes the maximum amount of monthly benefits payable, for months after 1949, on the basis of the wages or self-employment income of an insured individual. Under existing law, the benefits payable on the basis of an individual's wages if they exceed $20 for any month are reduced for such month to $85, to twice his primary benefit, or to 80 percent of his average monthly wage, whichever is the smallest, but not below $20. The bill increases the $85 figure to $150 and eliminates the limitation of twice the primary insurance benefit. While the $20 minimum below which the total of benefits may not be reduced has been removed from this section, the bill has in effect increased this figure to $40 by establishing a minimum average monthly wage of $50 (sec. 215 (c) (2) of the amended Social Security Act). Application of the maximum of 80 percent to this $50 minimum average monthly wage could not reduce family benefits below $40.

Under existing law the total of family benefits for a month is reduced to the maximum prior to any deductions on account of the occurrence of any event specified in the law. Section 203 (a) as amended by the bill reverses this procedure and provides that the reduction in the total of benefits for a month is to be made after the deductions. As a result, larger family benefits will be payable in many cases. For example, if a worker with a primary insurance amount of $40 and an average monthly wage of $75 dies, leaving a widow and two children all of whom have filed claims and are entitled to benefits, the maximum of the benefits payable to this family for any month is $60 (80 percent of $75). Prior to the application of the maximum the widow would be entitled to a benefit of $30 and each child to a benefit of $25 (three-fourths of the primary insurance amount for the widow and one-half of such amount for each child with an additional one-fourth of such amount divided equally between the two children). Under existing law these amounts would be reduced to $22.50 for the widow and $18.75 for each child (so as to total $60). The reduction in these amounts applies even though one beneficiary, such as the widow, suffers a loss of her benefit because she receives more than the permitted amount for services in covered employment. If in such a case the widow had never filed a claim the children would each have received the full $25. Under section 203 (a) as amended by the bill the maximum would be applied for any month after any

deductions for that month so that, where the widow works as in the above case, each child would receive the full $25.

The bill eliminates, as unnecessary, the present provision of section 203 (b) that benefits payable on any wage record shall not be less than $10 per month, and also that portion of the present section 203 (c) which provides for proportionate increases of the benefits where the total payable on one wage record is increased. The $25 minimum primary insurance amount provided in section 215 (a) of the Social Security Act as amended by the bill automatically establishes a minimum of $18.80 (three-fourths of $25 rounded to the next higher multiple $0.10 pursuant to sec. 215 (h) of the Social Security Act as amended by the bill) for the total of benefits for all survivors payable on any wage record. The provision of existing section 203 (c) under which each benefit, except the old-age benefit, is proportionately decreased when there is a decrease in the total family benefits is transferred by the bill to section 203 (a).

DEDUCTIONS FROM BENEFITS

Section 103 of the bill revises rather extensively, the provisions of the present Social Security Act relating to deductions from benefits. Subsections (d), (e), (f), (g), and (h) of section 203 of the present act are replaced by subsections (b), (c), (d), (e), (f), (g), (h), and (i) of section 203 of the amended act.

Deductions on account of work or failure to have child in care

Paragraphs (1) and (2) of section 203 (b) provide that deductions are to be made from benefits for any month after 1949 in which a beneficiary is under the age of 75 and either renders services for wages of more than $50, or is charged (under the provisions of the new subsec. (e) of sec. 203) with net earnings from self-employment of more than $50. This provision replaces the provision of the present law under which deductions from benefits are made, regardless of the age of the beneficiary, for any month in which the beneficiary renders services for wages of $15 or more.

Three principal changes are effected by these provisions. First, the amount of wages a beneficiary is permitted to earn in covered employment in a month without suffering a deduction from benefits is raised from $14.99 to $50. Second, since coverage under the act has been extended to certain of the self-employed, the bill provides for deductions to be made when beneficiaries engage substantially in covered self-employment and derive net earnings from self-employment in excess of that permitted (see the discussion of sec. 203 (e) below). Third, deductions have been eliminated if the beneficiary is 75 years old or over.

It is made clear by paragraph (1) that, for deduction purposes, wages are to be determined without regard to subsection 209 (a) which limits the meaning of the term "wages" for all other purposes to $3,600 in a calendar year. Thus, an individual who earns $3,600 in wages in the first few months of a year (for which deductions would be imposed under section 203 (b) (1)) will not receive benefits for any succeeding month of the year in which he renders service in covered employment for remuneration of more than $50, even though the latter remuneration is not considered as wages for other purposes of title II.

Paragraphs (3), (4), and (5) provide that deductions are to be made for any month after 1949 in which a wife under retirement age, entitled to a wife's insurance benefit, does not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or in which a widow entitled to a mother's insurance benefit, does not have in her care a child of her deceased husband entitled to a child's insurance benefit (this is existing law); or in which a former wife divorced, entitled to a mother's insurance benefit, does not have in her care a child (of her deceased former husband) who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit with respect to the wages or self-employment income of her deceased former husband.

Deductions from dependents' benefits because of work by old-age beneficiary

Section 203 (c) provides for the making of deductions from dependents' benefits for any month in which the old-age beneficiary suffers a deduction with respect to his own benefit. Paragraph (1) of this subsection, which is similar to present law, provides that deductions from a wife's or child's benefit are to be made for months in which the old-age beneficiary suffers a deduction under section 203 (b) (1) (which relates to the rendition of services for wages of more than $50). Paragraph (2) adds a comparable provision so as to deduct a wife's or child's benefit for months in which the old-age beneficiary suffers a deduction under section 203 (b) (2) (which relates to the charging to a month of net earnings from self-employment of more than $50).

Occurrence of more than one event

The first sentence of section 203 (d), which is similar to present law, provides that if more than one event specified in subsections 203 (b) and 203 (c) occurs in any month, which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit is to be deducted. The second sentence provides that the charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

Months to which net earnings are charged

Section 203 (e) provides the method for charging net earnings from self-employment to particular months of the taxable year for the purposes of determining the deductions required under the provisions of sections 203 (b) (2) and 203 (c) (2).

Paragraph (1) provides that if an individual's net earnings from self-employment for the taxable year are not more than the product of $50 times the number of months in such year, no month in such year is to be charged with more than $50 of net earnings from self-employment. Thus, if an individual has net earnings from self-employment of less than $600 (for a taxable year of 12 months) no deduction would be imposed under section 203 (b) (2) or 203 (c) (2) even though all of the net earnings from self-employment may have been earned during a period of a few months in such year at a rate in excess of $50 per month.

Paragraph (2) provides the method for determining the months of a taxable year to be charged with net earnings from self-employment in the case of an individual whose net earnings from self-employment for his taxable year exceed the product of $50 times the number of

months of such year. In this case, each month of the year is first to be charged with $50 of net earnings from self-employment, then the amount of net earnings in excess of the product is to be charged in units of $50, beginning with the last month of the taxable year and progressing toward the first month of the taxable year. The paragraph provides further that no part of the excess net earnings from self-employment is to be charged to any month in which the individual was not entitled to a benefit under title II; in which an event described in paragraphs (1), (3), (4), or (5) of section 203 (b) occurred; in which the individual was age 75 or over, or in which the individual did not engage in self-employment.

In connection with the charging of the excess, it should be noted that, in the case of an excess amount of net earnings which is not divisible by $50, it is possible to charge a unit of excess which is less than $50. For example, an individual who has a full 12-month taxable year and has net earnings from self-employment of $651 would have two units of excess net earnings from self-employment, one of $50 and one of $1, and would thus be potentially subject to deductions for 2 months of the year.

Generally, the taxable year of an individual will be a calendar year, or a fiscal year, containing 12 months. The most common case of a taxable year of less than 12 months will occur by reason of the death of a beneficiary. If, for example, a beneficiary having a taxable year which is a calendar year should die on June 2, his taxable year for the year of his death would begin on January 1 and end on June 2. If his net earnings from self-employment for the short taxable year are not more than $300 ($50 times 6 months), no month in such taxable year would be charged with more than $50. If his net earnings from self-employment for such year exceed $300, paragraph (2) of subsection (e) would be applicable in determining whether deductions from benefits are to be made.

The months to which the excess net earnings from self-employment may not be charged include those during which the individual performed services for wages of more than $50, and those during which an individual under retirement age drawing benefits as a wife, widow, or former wife divorced did not have a child in her care. These provisions prevent the charging of the excess to months for which a deduction has already been imposed. The excess net earnings from self-employment are not to be charged to months during which the beneficiary was age 75 or over because no deductions are imposed for such months. These provisions and the provision that the excess net earnings from self-employment may not be charged to months during which the individual was not entitled to benefits under this title prevent the dissipation of the excess net earnings from self-employment through charging them to months for which deductions may not be imposed.

It should be noted that a deduction for a particular month may be imposed under section 203 (b) (2) by reason of an individual's net earnings from self-employment for the taxable year even though the individual, as a matter of fact, may not have earned $50 from his trade or business in that particular month. For example, if an individual entitled to old-age insurance benefits engaged throughout the taxable year as a real-estate broker and earned more than $1,150 for the entire year, he will suffer a deduction under section 203 (b) (2)

for each month of the year even though during several months of the year he may have operated at a loss through an inability to negotiate any sales in those months.

The following example will illustrate the charging to months of net earnings from self-employment for the purposes of paragraph (2) of section 203 (e). Beneficiary X, who was entitled to old-age insurance benefits during the entire year and was under 75 years of age, owned and actively operated a fruit stand during the entire year. His net earnings from the business amounted to $740. During the month of December he worked a few hours a day as an employee at a store in connection with the Christmas trade, and received wages therefor in excess of $50. Under paragraph (2), each month of the year would be charged with $50, and the excess ($140) would be charged as follows: $50 to November, $50 to October, and $40 to September. The month of December (for which a deduction would be imposed under sec. 203 (b) (1) by reason of wages earned in excess of $50) would not be charged with any part of the $140 excess. Beneficiary X, therefore, would suffer deductions under section 203 (b) (2) for the months of September, October, and November, since more than $50 of net earnings from self-employment is charged to each of those months.

The individual is to be given an opportunity to show that he did not render substantial services with respect to any trade or business during certain months of the year. In that case, the excess net earnings from self-employment are not to be charged to those months but are to be charged to any other months during which he did render substantial services (and to which the charging of the excess is not prohibited by paragraph (2)). Thus, benefit deductions would be imposed for any month, as a result of the self-employment of a beneficiary, only when the beneficiary both had substantial net earnings from self-employment in the year and rendered substantial services in a trade or business in that month.

Paragraph (3) (A) defines the term "last month of such taxable year" as the last calendar month of the taxable year to which the charging of net earnings from self-employment in excess of the exempt amount is not prohibited under paragraph (2). An application of the function of paragraph (3) (A) is shown by the following example: John, who attained 18 years of age in July 1960, was entitled to child's insurance benefits for the months of January through June of that year. In May he started a radio repair business and from May through December he had net earnings of $900. In applying paragraph (2) each month of the entire year would be charged with $50 of the net earnings and the excess of $300 would be charged as follows: $50 to June, and $50 to May. The month of June is considered as the last month of the taxable year, for the purposes of paragraph (2), since John was not entitled to child's insurance benefits for months after June. No part of the $300 excess would be charged to months prior to May since John was not engaged in self-employment for any month prior to May. Paragraph (3) (B) provides that for the purposes of determining whether a month was one in which an individual did not engage in self-employment within the meaning of clause (D) of paragraph (2), an individual will be presumed to have engaged in self-employment in any month until it is shown to the satisfaction of the Administrator that the individual rendered no substantial services in such month with respect to any trade or business the net income or

loss of which is includible in computing his net earnings from self-employment for any taxable year.

Paragraph (3) (B) authorizes the Administrator to prescribe, by regulation, the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business. Such provision is made because there is no single rule under which the determination of whether or not a beneficiary has rendered substantial services in self-employment can be made. The determinations are to be based on the facts in each particular case, consideration being given to the particular factors applicable to the trade or business of the individual. Exemplary of the factors to be considered are: The presence or absence of a paid manager, a partner, or a family member who manages the business; the amount of time devoted to the business; the nature of the services rendered by the beneficiary; the type of business establishment; the seasonal nature of the business; the relationship of the activity performed prior to the period of "retirement" with that performed subsequent to retirement; and the amount of capital invested by the beneficiary in the business.

The following examples will illustrate the intent of your committee with respect to the application of paragraph (3) (B).

Example 1

Jones became entitled to benefits on the basis of wages earned in covered employment. Since becoming a beneficiary, Jones rents a truck and sells frozen confections from June through August each year. Throughout the rest of each year, Jones does not work. As a result of his summer work, he reports net earnings from self-employment of $850 which without the application of paragraph (3) (B) would result in 5 months' deductions. Jones should suffer deductions only for the months of June, July, and August.

Example 2

Smith operated a retail grocery store and became entitled to benefits on the basis of his earnings from that store through the years. Upon reaching retirement age, he turned over the management of the store to his son, although Smith retained ownership of the store. Smith received the net earnings from the store, which were more, each year, than $600. While his son carried on the management of the business, he did find it necessary on some occasions, to discuss the business with his father. Because the income from the store did not warrant the hiring of paid labor, Smith did relieve his son in the store during the latter's lunch hour. It is clear, on the basis of these facts, that Smith renders no substantial services in any month with respect to self-employment.

Example 3

White became insured on the basis of net earnings from self-employment derived from sales of heating fuel and from the servicing of oil burners. Upon becoming entitled to benefits in December 1960, White turned over the business to his son, retaining ownership, under an agreement that he would receive a third of the net earnings. He would not spend any time in the business except to help service burners if calls were excessive during the height of the winter months. During November and December of 1961 he spent about 5 hours a day servic-

ing burners. Also in April of that year, while his son was ill, he had spent some 80 hours in servicing burners and selling fuel oil. His share of net earnings for the year was $1,700. White should suffer deductions for the months of April, November, and December, 1961, but he is entitled to benefits for the other months in the year.

Penalty for failure to report certain events

Section 203 (f) continues the present provision requiring the reporting of any event which causes a deduction from benefits. As at present, the penalty for failure to report such event, when the individual has knowledge of the event and of his obligation to report it, is an additional deduction of 1 month's benefit for each month for which deductions are required because of the occurrence of the deduction event. For the first failure to report, however, only one penalty deduction is to be imposed even though the failure to report is with respect to more than 1 month.

Because different treatment is accorded net earnings from self-employment, the requirement for reporting such earnings is treated separately in section 203 (g).

Report to Administrator of net earnings from self-employment

Section 203 (g) describes the circumstances under which beneficiaries with net earnings from self-employment are required to file reports with the Federal Security Administrator. Paragraph (1) provides that if an individual entitled to any benefits under section 202 has net earnings from self-employment in excess of the product of $50 times the number of months in his taxable year, he is to file a report within 2½ months after the close of his taxable year. In the report the beneficiary is to include the amount of his net earnings from self-employment and such other information as the Administrator may by regulation require. The paragraph further provides that such reports are not required for any taxable year during all of which the individual was 75 years of age or over.

Paragraph (2) provides that where an individual fails to report within the time prescribed and any deduction is imposed under section 203 (b) (2) (which relates to the charging of a month with net earnings from self-employment of more than $50) one additional deduction, equal in amount to a monthly benefit, would be imposed as a penalty if the report is no more than 1½ months late. An additional penalty deduction would be imposed for each subsequent calendar month or fraction of calendar month during which the failure to report continues. The paragraph provides, however, that the number of penalty deductions may not exceed the number of benefit payments under section 202, which the individual received and accepted during the taxable year and for which deductions are imposed under section 203 (b) (2). The paragraph also provides that for the first failure to file a timely report, no more than one penalty deduction may be imposed regardless of the length of the period between the due date of the report and its actual filing.

Paragraph (3) authorizes the Administrator to make current suspensions from benefits to which an individual is entitled under section 202, when there is reason to believe that, after the report of net earnings from self-employment for the taxable year is available, deductions will be imposed under section 203 (b) (2) by reason of the individual's net earnings from self-employment for the taxable year. The sus-

pensions so made are in the nature of temporary deductions. After the report for the year becomes available and the deductions to be imposed are finally established, any necessary adjustment for the difference between the current suspensions and the deductions imposed by section 203 (b) would then be made. The purpose of this provision is to assure that, to the extent possible, an individual's loss of benefits as a result of his engaging in self-employment occurs at the same time as he is receiving his earnings from self-employment, and to prevent the loss of benefits from occurring at a time when the individual may no longer be receiving earnings from self-employment.

In order to carry out the provisions of this paragraph, the Administrator is authorized to request, before the end of the individual's taxable year, a declaration of the individual's estimated net earnings from self-employment for the taxable year and other pertinent information with respect to his net earnings from self-employment. The paragraph further provides that any failure by an individual to comply with such a request is, in itself, justification for a determination by the Administrator that it may reasonably be expected that the individual will suffer deductions imposed under section 203 (b) (2) by reason of his net earnings from self-employment for such year.

Deductions with respect to certain lump-sum payments

Section 203 (h) continues the provision of the present law which requires that the amount of any lump sum paid under section 204 of the original Social Security Act shall be deducted from any benefits payable on that individual's wage record.

Attainment of age 75

Section 203 (i) provides that for the purposes of section 203 an individual shall be considered as 75 years of age during the entire calendar month in which he attains such age.

Effective date

Section 103 (b) provides that all of the changes made by section 103 (a) of the bill are to be effective January 1, 1950.

Definitions and Computations

Section 104 (a) of the bill strikes out section 209 of the Social Security Act and inserts eight new sections (209–216) each of which is explained below. Section 104 (b) of the bill provides for the effective date of the amendment made by subsection (a) and is explained below at the end of the explanation of the new section 216.

DEFINITION OF WAGES

Section 209 of the Social Security Act as amended by the bill defines the term "wages."

Under existing law (section 209 (a)) the term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash, with certain specific exceptions. The bill does not change existing law with respect to remuneration paid prior to 1950. In the case of remuneration paid after 1949 the bill changes existing law as explained in the following paragraphs.

Section 209 (a) of the Social Security Act as amended by the bill increases the $3,000 limitation contained in section 209 (a) (1) of existing law to $3,600, and adds thereto an amendment which provides that remuneration specifically excepted from wages, under other paragraphs of section 209 (a), shall be disregarded in computing the amount of remuneration with respect to employment which constitutes wages. Thus, if during a calendar year an employee receives remuneration from his employer on account of medical or hospitalization expenses in connection with sickness or accident disability, and if such remuneration is excluded from the definition of wages under the provisions of section 209 (b) or (d) (as amended by the bill), such remuneration paid to the employee will not be taken into account in applying the $3,600 limitation.

Under existing law the $3,000 limitation applies to all remuneration for employment received from all employers. Under 209 (a) as amended by the bill the $3,600 limitation applies to the remuneration paid to an employee by each of his employers (but in computing average monthly wage, not more than $3,600 total of wages and self-employment income for any calandar year may be counted) and, for the purpose of determining whether an employer has paid remuneration of $3,600 to an employee during the calendar year, any remuneration paid (or considered under sec. 209 (a) as having been paid) to such employee by a predecessor is considered as having been paid by such employer. These provisions are identical with those in section 1426 (a) (1) of the Internal Revenue Code as amended by section 204 of the bill. They are included in title II of the Social Security Act because under section 205 (o) of the Social Security Act, as amended by section 109 (c) of the bill, an employee of a nonprofit institution which does not waive its tax exemption under section 1410 of the Internal Revenue Code will receive credit for only one-half of his remuneration. By making the $3,600 limitation applicable with respect to remuneration paid by each employer during a calendar year an individual who is employed by a nonprofit institution and by another employer during the calendar year will be able to obtain wage credits up to the $3,600 maximum which may be used for purposes of computing an individual's average monthly wage. However, if a nonprofit institution acquires all the property of another such institution and retains the services of an employee of the predecessor, remuneration paid to such employee by the predecessor in the year of acquisition (and prior to such acquisition) will be attributed to the successor for the purposes of the $3,600 limitation. A detailed discussion of the predecessor rule appears in the explanation in this report of the amendment to section 1426 (a) (1) of the Internal Revenue Code made by section 204 (a) of the bill.

Section 209 (b), as amended by the bill, retains the provisions of existing section 209 (a) (4) which excludes from the term "wages" the amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities. or into a fund, to provide for any such payment), on account of (1) an employee's retirement, or (2) an employee's sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability of an employee, or (4) the death of

an employee. Under present law, payments made under a plan or system providing for death benefits are not excluded from wages if the employee has certain options or rights, such as the option to receive, instead of the provision for such death benefit, any part of such payment made by the employer, or the right to assign the death benefit or to receive a cash consideration in lieu thereof. The amendment removes such conditions imposed under existing law with respect to payments providing for death benefits. Section 209 (b) excludes from wages only those payments which are made for one or more of its stated purposes.

Section 209 (c) as amended by the bill excludes from wages any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement, irrespective of whether such payment is made pursuant to a plan or system such as is contemplated under section 209 (b).

Section 209 (d) as amended by the bill excludes from wages any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer. This provision of law will have application in any instance where the payment is not made pursuant to a plan or system and therefore is not excepted from wages by section 209 (b). In order for a payment to be excepted under this provision, the payment made by the employer to, or on behalf of, the employee must be made by reason of the employee's sickness or accident disability or by reason of medical or hospitalization expenses in connection with such employee's sickness or accident disability and there must have elapsed immediately prior to the calendar month in which the payment is made at least six consecutive calendar months during which the employee did no work for the employer.

Section 209 (e) as amended by the bill contains an additional exclusion from the term "wages" with respect to certain payments from or into a trust exempt from tax under section 165 (a) of the Internal Revenue Code or under or to an annuity plan which meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code. Under this paragraph a payment made by an employer into a trust or annuity plan is excepted from wages at the time of such payment, if the trust is exempt from tax under section 165 (a) of such code or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code at the time the payment is made thereto. A payment to, or on behalf of, an employee from a trust or under an annuity plan is also excepted from wages under this paragraph if at the time of the payment to, or on behalf of, the employee, the trust is exempt from tax under section 165 (a) or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6). However, a payment made to an employee of an exempt trust as remuneration for services rendered as such employee and not as a beneficiary of the trust is not within the exclusion.

Section 209 (f) as amended by the bill continues without change the existing exclusion from wages (sec. 209 (a) (5) of existing law) of payments by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employees' tax

imposed by section 1400 of the Internal Revenue Code and employee contributions under State unemployment-compensation laws.

Subsections (g) and (h) of the amended section 209 contain additional exclusions from the term "wages." Subsection (g) excludes any payment of remuneration made in any medium other than cash (as, for example, lodging, food, clothing, or car tokens or weekly transportation passes) to an employee for services not in the course of the employer's trade or business (including domestic service in a private home of the employer). The additional exclusion provided by subsection (h) eliminates from the term "wages" the remuneration (other than vacation or sick pay) of a stand-by employee who has attained age 65 and whose employment relationship has not terminated, if the employee does no work for the employer in the period for which such remuneration is paid.

Section 209 as amended by the bill contains no provision comparable to section 209 (a) (6) of existing law which excludes from the term "wages" dismissal payments which the employer is not legally required to make. Therefore, a dismissal payment, which is any payment made by an employer on account of involuntary separation of the employee from the service of the employer, will constitute wages subject, of course, to the $3,600 limitation, irrespective of whether the employer is, or is not, legally required to make such payment.

Section 209 as amended by the bill expressly includes as remuneration paid to an employee by his employer cash tips or other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him; except that, in the case of cash tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of 10 days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter is considered as remuneration paid by his employer, and payment of the amount so reported is considered as having been made to the employee on the date on which such report is made to the employer. The determination of whether cash tips or other cash remuneration is customarily received by an employee will depend, not on the identity of the employee, but in a large part, on whether the service is of such a nature and is rendered under such circumstances and in such place or business establishment as makes the receipt of such payment by the individual performing the services not unusual. If a restaurant, hotel, or other establishment includes a specified amount in the bill presented to the customer or patron as a charge in lieu of tipping, the amount thereof collected by the employer and turned over to the employee is remuneration to the employee at the time paid by the employer and will not be treated, under the amendment, as a tip which constitutes remuneration only when reported to the employer by the employee. An example of an employee receiving "other cash remuneration" (i. e., other than tips) is found in the case of an individual having the status of an employee who pays for merchandise obtained from his employer for resale and retains the total amount for which such merchandise is sold.

DEFINITIONS RELATING TO EMPLOYMENT

Section 210 of the Social Security Act, as amended by section 104 (a) of the bill, defines the terms "employment," "included and excluded service," "American vessel," "American aircraft," "American employer," "agricultural labor," "farm," "State," "United States," "citizen of Puerto Rico," and "employee."

Definition of employment

Section 210 (a) of the Social Security Act, as amended by the bill, defines the term "employment." (Section 209 (b) of existing law provides the definition of employment.)

Under the amendment the term "employment" is defined to mean any service performed after December 31, 1936, and prior to January 1, 1950, which constituted employment under the law applicable to the period in which such service was performed; and also to mean (1) any service performed after December 31, 1949, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel or American aircraft under a contract of service entered into within the United States or during the performance of which the vessel or aircraft touches at a port in the United States (including an airport, in the case of an aircraft), if the employee is employed on and in connection with the vessel or aircraft when outside the United States, and (2) any service performed outside the United States after December 31, 1949, by a citizen of the United States as an employee of an American employer (as defined in sec. 210 (e)).

That portion of section 209 (b) (of existing law) which precedes the numbered paragraphs (these contain the exclusions from the term "employment") is changed substantively in only two respects. First, the definition would be extended to include service on or in connection with an American aircraft to the same extent as service, already included in the definition, on or in connection with an American vessel. Second, the definition would be extended to include service performed outside the United States by a citizen of the United States as an employee of an American employer (the definition of the term "American employer" is discussed below in the explanation of sec. 210 (e)). Under existing law, the citizenship or residence of the employer or the employee has no effect upon the determination of whether or not service constitutes employment. Under the amendment this is true with respect to service performed either within the United States or on or in connection with an American vessel or American aircraft, but in the case of service performed outside the United States, other than on or in connection with an American vessel or aircraft, only service (which otherwise constitutes employment) performed by a citizen of the United States for an American employer is covered.

The definition of the term "employment" under the amendment, as applied to service performed prior to January 1, 1950, is subject to the pertinent exceptions under the law applicable to the period in which the service was performed. The definition applicable to service performed on and after that date continues unchanged some of

the exceptions contained in the present law, omits or revises others, and adds certain additional ones.

Paragraph (1) of section 210 (a) continues the existing exclusion of agricultural labor from the term "employment," but the definition of the term "agricultural labor" is amended by the bill. The amendment of the definition of "agricultural labor" is discussed in the explanation of section 210 (f) of the Social Security Act.

Paragraphs (2) and (3) of section 210 (a) take the place of the exclusions set forth in paragraphs (2) and (3) of section 209 (b) of existing law. The existing paragraph (2) excludes from employment domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; and the existing paragraph (3) excludes from employment casual labor not in the course of the employer's trade or business. Subparagraph (A) of the new paragraph (2) excludes from employment services not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm (as defined in sec. 210 (g)) which is operated for profit. Generally, a farm is not operated for profit if it is occupied primarily for residential purposes, or is used primarily for the pleasure of the occupant or his family such as for the entertainment of guests or as a hobby of the occupant or his family.

Subparagraph (B) of the new paragraph (2) excludes from employment domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university. The new paragraph (3) excludes from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer (performed in any calendar quarter by an employee, but only if the cash remuneration paid to an individual for such service is less than $25 or such service is performed by an individual who is not regularly employed by the employer to perform such service. The amendment substitutes a cash and regularity-of-employment test for the test set forth in existing law governing casual labor. The cash test refers to the cash paid for services performed during a calendar quarter, regardless of when paid. Paragraph (3) provides that an individual shall be deemed, for the purposes of such paragraph, to be regularly employed by an employer during a calendar quarter only if (1) such individual performs for such employer service of the prescribed character during some portion of at least 26 days during the calendar quarter, or (2) such individual was regularly employed (determined in accordance with the test hereinbefore referred to in this sentence) by such employer in the performance of service of the prescribed character during the preceding calendar quarter. As used in paragraph (3), the term "cash remuneration" includes checks and other monetary media of exchange.

Paragraph (4) continues without change the present family employment exclusion.

Paragraph (5) continues without change the present exclusion of service performed on or in connection with a vessel not an American vessel, but extends the exclusion to service performed by an individual on or in connection with an aircraft not an American aircraft, if such individual is employed on and in connection with such aircraft when it is outside the United States.

Paragraphs (6) and (7) supersede paragraph (6) of existing law. The existing paragraph excludes from employment service in the employ (1) of the United States or (2) of an instrumentality of the United States which is either wholly owned by the United States or exempt from the employers' tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law. The effect of the new paragraphs (6) and (7) is to include as employment a portion of the Federal services excluded from employment under existing law.

The new paragraph (6) excludes from employment service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the employers' tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law which specifically refers to section 1410 of such code in granting the exemption from the tax imposed by such section. (In connection with par. (6), see the explanation of sec. 1413 of the Internal Revenue Code, added by sec. 203 (a) of the bill.)

The new paragraph (7) excludes from employment service performed in the employ of the United States Government, or in the employ of any instrumentality of the United States which is partly or wholly owned by the United States, but only if (1) such service is covered by a retirement system, established by a law of the United States, for employees of the United States or of such instrumentality, or (2) the service is of the character described in any one of a list of 13 special classes of excepted services. Determinations as to whether the particular service is covered by a retirement system of the requisite character are to be made on the basis of whether such service is covered under a law enacted by the Congress of the United States which specifically provides for the establishment of such retirement system.

The special classes of excepted Federal services (in addition to services covered under a federally established retirement system) are as follows:

(A) Service performed by the President or Vice President of the United States or by a Member of the Congress of the United States, a Delegate to the Congress, or a Resident Commissioner to the United States;

(B) Service performed in the legislative branch of the United States Government (service in the judicial branch of the U. S. Government is excluded from employment under paragraph (7) by reason of the fact that all service performed in such branch is covered by a retirement system established by congressional enactment);

(C) Service performed in the field service of the Post Office Department;

(D) Service performed in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the actual taking of any census (exclusive of clerical or other employees employed for work other than in the actual taking of the census);

(E) Service performed by an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because of payment on a contract or fee basis;

(F) Service performed by an employee for nominal compensation of $12 or less per annum;

(G) Service performed in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(H) Service performed by an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because such employee is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(I) Service performed by a consular agent appointed under the authority of section 551 of the Foreign Service Act of 1946;

(J) Service performed by student nurses, medical or dental interns, residents-in-training, student dietitians, student physical therapists, or student occupational therapists, assigned or attached to a hospital, clinic, or medical or dental laboratory operated by any department, agency, or instrumentality of the Federal Government, or by certain other student employees described in section 2 of the act of August 4, 1947;

(K) Service performed in the employ of the Tennessee Valley Authority in a position which is covered by a retirement system established by such Authority;

(L) Service performed by an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency; or

(M) Service performed by an employee who is employed under a Federal relief program to relieve him from unemployment.

The new paragraphs (6) and (7) have the effect of extending coverage to Federal service (including service in the employ of instrumentalities of the United States) not covered under a Federal retirement system and not included in one of the special classes listed above in paragraphs (A) to (M), inclusive. Service performed by most civilian and all military personnel of the United States will be excluded from employment since such services are covered by a retirement system established by a law of the United States. On the other hand, service (which otherwise constitutes employment) in the employ of some instrumentalities of the United States, such as Federal credit unions, Federal home loan banks, Federal Reserve banks, National Farm loan associations, and production credit associations, will be covered employment under the amendments made by the bill.

Paragraph (8) of section 210 (a) supersedes the existing exclusion from employment of service performed for State governments, their political subdivisions, and certain of their instrumentalities. The new paragraph (8) is divided into subparagraphs (A) and (B).

Subparagraph (A) of the new paragraph (8) excludes from employment service (other than service included under a State compact provided for in section 218 and other than service to which subparagraph (B) is applicable, that is, certain service performed in the employ of a political subdivision of a State in connection with the operation of a public transportation system) performed in the employ of a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions.

Subparagraph (B) of the new paragraph (8) excludes from employment service (other than service included under a State compact provided for under sec. 218) performed in the employ of any political subdivision of the State (including an instrumentality of one or more political subdivisions of a State) in connection with the operation of any public transportation system, unless such service is performed by an employee—

(1) Who became an employee of such political subdivision (or instrumentality) in connection with and at the time of its acquisition after 1936 of such transportation system or any part thereof; and

(2) Who prior to such acquisition rendered services which constituted employment in connection with the operation of such transportation system or any part thereof (as an employee of a private company operating the transportation system or any part thereof acquired by the political subdivision).

If a political subdivision acquires a transportation system from another political subdivision, or from a State, or from an instrumentality described in subparagraph (A), service performed (prior to the acquisition) in the operation of the transportation system as an employee of such State, political subdivision, or instrumentality is not to be taken into account for the purposes of clause (2) above, even though such service may have constituted employment by reason of a State compact provided for in section 218. Thus, if employee A is working in a transportation system operated by city X, and instrumentality Y takes over such system in 1960, the test of clause (2) would not be met by a showing that A's service while an employee of city X constituted employment by reason of a State compact. The test of clause (2) would be met, however, if it appeared that city X had acquired the transportation system after 1936 from corporation Z, a private company, and that A had rendered services (which constituted employment) in connection with such transportation system as an employee of corporation Z. In such case, A's services as an employee of instrumentality Y (in connection with the operation of the transportation system) would constitute employment if A became an employee of instrumentality Y in connection with and at the time it acquired the transportation system from city X.

However, in the case of an employee described in subparagraph (B) who became such an employee in connection with an acquisition made prior to January 1, 1950, service of the prescribed character performed by such employee will not constitute employment if the political subdivision employing him files with the Commissioner of Internal Revenue prior to January 1, 1950, a statement that it does not favor the inclusion under subparagraph (B) of any employee acquired in connection with any such acquisition made prior to January 1, 1950.

Paragraph (9) of section 210 (a), which takes the place of the existing exclusion from employment of service performed for certain religious, charitable, scientific, literary, educational, or humane organizations, excludes service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order. The change in this provision extends coverage to service performed for such nonprofit organizations, except as such service may be excluded under the new paragraph (9) or other numbered paragraphs of section 210 (a). The exclusion contained in the new paragraph (9) applies to the performance of services which are ordinarily the duties of such ministers or members of religious orders. The duties of ministers include the ministration of sacerdotal functions and the conduct of religious worship, and the control, conduct, and maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations), under the

authority of a religious body constituting a church or church denomination.

Paragraph (10) continues without change the existing exclusion of service performed by an employee or employee representative covered by the railroad retirement system.

Paragraph (11) revises certain exclusions contained in paragraph (10) of existing law (sec. 209 (b) (10)), and omits others. Subparagraph (A) of paragraph (11) excludes service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $100 ($45 or less, under existing law). The dollar test under subparagraph (A) is the amount earned in a calendar quarter and not the amount paid in a calendar quarter. Subparagraph (B) excludes service performed in the employ of a school, college, or university, whether or not exempt from income tax under such section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university.

Paragraphs (12) and (13) continue without change the present exclusion of service performed in the employ of a foreign government or of a wholly owned instrumentality of a foreign government under certain prescribed conditions.

Paragraph (14) continues without change the exclusion of service performed by certain student nurses and interns.

Paragraph (15) continues without change the present exclusion of certain fishing services.

Paragraph (16) continues without change the present exclusion of services performed in the delivery and distribution of newspapers, shopping news, and magazines under certain prescribed conditions.

Paragraph (17) continues without change the present exclusion of service performed for an international organization.

Paragraph (18) excludes from employment service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (1) the fitness of such individual to perform such service, (2) the geographical area in which such service is to be performed, (3) the volume of goods or commodities to be sold or distributed, or (4) the selection or solicitation of customers. The requirement as to fitness does not include a requirement as to the age or sex of the individual.

Included and excluded service

Section 210 (b) of the Social Security Act as amended by the bill sets forth, without change, the existing law (sec. 209 (c)) relating to the included-excluded rule for determining employment.

Definition of "American vessel"

Section 210 (c) of the Social Security Act as amended by the bill sets forth, without change, the existing law (sec. 209 (d)) defining the term "American vessel."

Definition of "American aircraft"

Section 210 (d) of the Social Security Act as amended by the bill defines the term "American aircraft" to mean, for the purposes of title II of such act, an aircraft registered under the laws of the United States.

Definition of "American employer"

Section 210 (e) of the Social Security Act as amended by the bill defines the term "American employer." Such term means, for the purposes of title II of such act, an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

Definition of "agricultural labor"

Section 210 (f) of the Social Security Act as amended by the bill defines the term "agricultural labor" for the purposes of title II of such act. The existing definition (sec. 209 (l)) contains four numbered paragraphs. The new subsection (f) of section 210 likewise contains four numbered paragraphs. Paragraph (1) of existing law relates primarily to service performed on a farm, in the employ of any person, in cultivating the soil or in raising or harvesting any agricultural or horticultural commodity. Paragraph (2) of existing law relates primarily to service performed in the employ of the owner, tenant, or other operator of a farm in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, if the major portion of the service is performed on a farm. The new paragraphs (1) and (2) continue without change the provisions of paragraphs (1) and (2) of existing law.

Paragraph (3) of existing law includes as agricultural labor the following services even though not performed on a farm: Services performed in connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The new paragraph (3) includes as agricultural labor only services performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton. The effect of the new paragraph (3) is to exclude from the definition of agricultural labor services performed in connection with the production or harvesting of maple sap, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, unless such services are performed on a farm (as defined in sec. 210 (g)). Thus, services performed in connection with the operation of a hatchery, if not

operated as part of a poultry or other farm, will be covered employment. Under the amendment services performed in the processing (as distinguished from the gathering) of maple sap into maple sirup or maple sugar do not constitute agricultural labor, even though such services are performed on a farm. Services performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes, do not constitute agricultural labor, unless the major part of such services is performed on a farm and such services are performed in the employ of the owner, tenant, or other operator of a farm, in connection with the operation, conservation, improvement, or maintenance of such farm.

Paragraph (4) of existing law includes as agricultural labor service performed in the handling, planting,, drying, packing, packaging, processing, freezing, grading, storing,(or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity, provided such service is performed as an incident to ordinary farming operations or, in the case of fruits or vegetables, as an incident to the preparation of such fruits and vegetables for market. Subparagraphs (A) and (B) of the new paragraph (4) are a complete revision of the afore-mentioned provisions of paragraph (4) of existing law. Under such subparagraph (A) the term "agricultural labor" includes service performed in the employ of the owner-operator, tenant-operator, or other operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity in its unmanufactured state, provided such operator produced more than one-half of the commodity with respect to which such service is performed. Under such subparagraph (B) the term "agricultural labor" includes service of the character described in the preceding sentence performed in the employ of a group of operators of farms (other than a cooperative organization), provided such operators produced all of the commodity with respect to which such service is performed. The tests "as an incident to ordinary farming operations" and "as an incident to the preparation of fruits or vegetables for market" have been stricken by the amendment and in lieu thereof three tests have been substituted, namely, the status of the person for whom the service is performed, the state of the commodity with respect to which the service is performed, and the extent to which such commodity was produced by the operator or group of operators in whose employ the service is performed.

Under existing law service of the prescribed character performed with respect to fruits or vegetables in the employ of any person constitutes agricultural labor, provided such service is performed "as an incident to the preparation of such fruits or vegetables for market"; and such service with respect to all other agricultural or horticultural commodities constitutes agricultural labor, if the service is performed "as an incident to ordinary farming operations." Under the amendment service of the character prescribed therein is included as agricultural labor only if performed in the employ of the operator of a farm or a group of operators of farms (other than a cooperative organization). The term "operator of a farm" as used in paragraph (4) means an owner, tenant, or other person in possession of a farm

and engaged in the operation of such farm. Service of the prescribed character performed in the employ of a cooperative organization does not constitute agricultural labor. The term "organization" as used in subparagraph (B) includes corporations, joint-stock companies, and associations which are treated as corporations under the Internal Revenue Code. For the purposes of such subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than 20 at any time during the calendar quarter in which the service involved is performed. Under the amendment service of the prescribed character with respect to an agricultural or horticultural commodity constitutes agricultural labor only if the service is performed with respect to such commodity in its unmanufactured state.

The effect of this provision is to exclude from the definition of agricultural labor under paragraph (4) any service of the prescribed character performed with respect to a commodity the character of which has been changed from its raw or natural state by a processing operation. For example, the slicing and sun-drying or dehydration of apples are not processing operations which change the character of the apples, but the grinding of dried apples or the pressing of raw apples into cider is a processing operation which changes the character of the apples from their raw or natural state. Where the service of the prescribed character is performed in the employ of the operator of a farm, such service does not constitute agricultural labor under the amendment unless such operator produced more than one-half of the commodity with respect to which the service is performed. Where the service is performed in the employ of a group of operators of farms (other than a cooperative organization), such service does not constitute agricultural labor under the amendment unless such operators produced all of the commodity with respect to which the service is performed. The term "commodity" refers to a single agricultural or horticultural product, that is, all apples are to be treated as a single commodity, while apples and peaches are to be treated as two separate commodities. The service with respect to each such commodity is to be considered separately.

Subparagraph (C) of the new paragraph (4) provides in effect that service of the prescribed character performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption does not constitute agricultural labor under paragraph (4). This provision is in all material respects the same as that in existing law.

Definition of "farm"

Section 210 (g) of the Social Security Act as amended by the bill continues without change the definition of the term "farm" as defined in section 209 (l) of existing law, but extends the application of such definition to all of title II of such act, rather than limiting it to the definition of the term "agricultural labor" as in existing law.

Definition of "State"

Section 210 (h) of the Social Security Act as amended by the bill defines the term "State." Under existing law the term "State" includes Alaska, Hawaii, and the District of Columbia. The new definition also includes within such term the Virgin Islands and, on

and after the effective date specified in section 221 (i. e., the date on which the provisions of title II of the Social Security Act are extended to Puerto Rico), Puerto Rico.

Definition of "United States"

Section 210 (e) of the Social Security Act as amended by the bill extends the definition of the term "United States" when used in a geographical sense so as to include the Virgin Islands and, on and after the effective date specified in section 221, Puerto Rico.

Citizen of Puerto Rico

Section 210 (j) of the Social Security Act as amended by the bill provides that an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of section 210, as a citizen of the United States prior to the effective date specified in section 221. Section 210 (j) is designed to exclude from employment (prior to the effective date specified in sec. 221) services performed by such a citizen of Puerto Rico who works in Puerto Rico (or elsewhere outside the United States) as an employee for an American employer (as defined in sec. 210 (e)).

Definition of "employee"

Section 210 (k) of the Social Security Act as amended by the bill defines the term "employee" for the purposes of title II of such act. The existing definition of employee (sec. 1101 (a) (6) of the Social Security Act) is repealed by section 403 (a) of the bill, effective with respect to services performed after December 31, 1949.

Paragraphs (1), (2), (3), and (4) of the definition provide separate and independent tests for determining who are employees. If an individual is an employee under any one of the paragraphs, he is to be considered an employee whether or not he is an employee under any of the other paragraphs.

Paragraph (1) of the definition continues without change the present provision that any officer of a corporation is an employee.

Under paragraph (2) of the definition the usual common-law rules applicable in determining the employer-employee relationship are to be used to determine whether an individual is an employee. Thus, administrative and judicial determinations that individuals are employees under existing law remain undisturbed. The second sentence of paragraph (2) is designed to change the effect of the United States Supreme Court's holding in *Bartels* v. *Birmingham* ((1947) 332 U. S. 126), by requiring that full force and effect be given to a written contract expressly reciting that the person for whom the service is performed shall have complete control over the performance of such service and that the individual, in the performance of such service (either alone or as a member of a group), is the employee of such person; but if such person is an agent or employee of another person with respect to the execution of the contract, the individual is an employee of such other person. It is further provided, but only for purposes of the second sentence of paragraph (2) of the definition, that no effect shall be given to the modification of such a written contract prior to its expiration date unless the contract is terminated or otherwise modified in writing. This provision is designed to prevent the employer under such written contract from successfully

contending that the contract has been terminated or modified by a subsequent oral agreement or by the mere conduct of the parties. Paragraph (2), on the other hand, is not intended to give force or effect to a contract which expressly provides that the person for whom the services are performed shall not have the right to control and direct the individual who performs the service or that such individual is not the employee of such person. Despite such a contract all the facts and circumstances of the particular case must be considered to determine whether such individual is an employee either under the usual common-law rules or under paragraph (3) or (4) of the definition.

Your committee believes that the usual common-law rules for determining the employer-employee relationship fall short of covering certain individuals who should be taxed at the employee rate under the old-age, survivors, and disability insurance program. The statutory provisions set forth in paragraphs (3) and (4) are designed to correct this deficiency in existing law by extending the definition to include those individuals who, although not employees under the usual common-law rules, occupy the same status as those who are employees under such rules.

Paragraph (3) of the definition covers individuals in the following occupational groups who perform services for remuneration under certain prescribed circumstances:

(A) As an outside salesman in the manufacturing or wholesale trade;
(B) As a full-time life insurance salesman;
(C) As a driver-lessee of a taxicab;
(D) As a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;
(E) As a contract logger;
(F) As a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or
(G) As a house-to-house salesman if under the contract of service or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person.

The application of this paragraph of the definition requires the identifying of the individual as one who performs services in a designated occupational group. If the services are not performed in one of the designated occupational groups, paragraph (3) is inapplicable with respect to such services. The language used in the bill to designate the respective occupational groups relates to fields of endeavor in which particular designations are not necessarily in universal use with respect to the same service. The designations are addressed to the actual services without regard to any technical or colloquial labels which may be attached to such services. The purpose in listing these several categories is not to define but to identify each occupational group. Thus, a determination whether services fall within one of these categories depends upon the facts of the particular situation.

The factual situations set out below are illustrative of some of the individuals falling within each of the occupational groups enumerated in paragraph (3) of the definition. *The mere fact that an individual falls within an enumerated occupational group, however, does not in itself make such individual an employee under this paragraph of the definition, unless the contract of service contemplates that substantially*

all of the services (other than services by mining lessees) are to be performed personally by such individual, there is no substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade or business with respect to which the service is performed, and the service is not in the nature of a single transaction. The illustrative factual situations are as follows:

(A) *Outside salesman in the manufacturing or wholesale trade.*—City and traveling salesmen who sell at wholesale to retailers or others, operate off the company's premises, and are generally compensated on a commission basis, are included within this occupational group. Such salesmen are generally not controlled as to the details of their service or the means by which they cover their territories, but in the ordinary case they are expected to call on regular customers with a fair degree of regularity.

(B) *Full-time life insurance salesman.*—An individual whose regular occupation consists of soliciting applications primarily for one life-insurance company is within this occupational group, regardless of the types of insurance contracts (such as annuity contracts) issued by the company.

(C) *Driver-lessee of a taxicab.*—An individual who rents a cab from a cab company for a specified amount per day, his remuneration being the difference between the rental he pays the company and the amount received during the day from the operation of the cab, is within this occupational group.

(D) *Home worker.*—Included within this occupational group are individuals who fabricate quilts, buttons, gloves, bedspreads, clothing, needlecraft products, etc., or who address envelopes, off the premises of the person for whom such service is performed, under arrangements whereby they obtain from such person the materials or goods with respect to which they are to perform such service and are required to return the processed materials to such person or to a person designated by him.

(E) *Contract logger.*—An individual who contracts with a company, engaged in the business of producing and selling lumber and other forest products, to perform service as a timber cutter, skidder, or hauler, is included within this occupational group, but would not, however, be covered as an employee under paragraph (3), unless he personally is to do substantially all the work, has no substantial investment in equipment, and the services are part of a continuing relationship with the company.

(F) *Mining lessee or licensee.*—An individual who under a lease or license from the owner or operator of a mine undertakes to extract the ore or other product therefrom is included within this occupational group (together with all individuals associated with him in such undertaking as partners, joint venturers, or employees), when substantially all of the product so extracted is required to be sold or turned over to such owner or operator.

(G) *House-to-house salesman.*—An individual engaged in the house-to-house or door-to-door selling or renting of goods, commodities, or services at retail (including, among others, salesmen who drive trucks on regular routes selling milk, bakery products, beverages, other foods, etc., or selling services such as laundry or dry-cleaning services) is included within this occupational group, if such individual, under the contract of service or in fact, (1) is

required to meet a minimum sales quota, or (2) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (3) is prohibited from furnishing the same or similar services for any other person.

In order for an individual to be an employee under paragraph (3), the individual must perform services for remuneration in an occupation falling within one of the enumerated groups, and the contract of service must contemplate that substantially all the services to which the contract relates in the particular designated occupation (other than the services described in subpar. (F)) are to be performed personally by such individual. However, even though this condition is met, the individual is not an employee within the meaning of paragraph (3), if (1) such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or (2) the particular services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

For the purposes of paragraph (3) of the definition, the term "contract of service" means an arrangement, formal or informal, under which the particular services are performed. The requirement that the contract of service shall contemplate that substantially all of the services are to be performed personally means that it is not contemplated that any material part of the services to which the contract relates will be delegated to any other person by the individual who undertakes to perform such services. The condition that the contract of service shall contemplate personal performance of substantially all the services is not applicable with respect to subparagraph (F), relating to mining lessees.

In order for an individual to be an employee under paragraph (3) of the definition, he must not have a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed. The facilities here pertinent include equipment and premises available for the work or enterprise as distinguished from education, training, and experience, but do not include such tools, instruments, equipment, or clothing as are commonly or frequently provided by employees. An investment in an automobile by an individual which is used primarily for his own transportation in connection with performance of services for another person has no significance under this paragraph since such investment is comparable to outlays for transportation by an individual performing similar services who does not own an automobile. Moreover, under paragraph (3), the investment by a salesman in facilities for the transportation of the goods or commodities to which the services relate is to be excluded in determining the investment in a particular case.

If an individual has a substantial investment in facilities of the requisite character, he is not an employee within the meaning of paragraph (3) of the definition, since a substantial investment of the requisite character standing alone is sufficient to exclude the individual from the employee concept under such paragraph.

If the services are not performed as part of a continuing relationship with the person for whom the services are performed, but are in the nature of a single transaction, the individual performing such services is not an employee within the meaning of paragraph (3) of the definition.

The groups listed in paragraph (3) of the definition, while limited in their aggregate scope, comprehend seven well-known occupational areas from which much of the present uncertainty and past litigation on this question has evolved. Your committee has designated these groups to assure the application of the employee tax rate to individuals who work in these occupations, with the exceptions discussed above.

The statutory concept set forth in paragraph (4) of the definition is designed to differentiate between individuals who are employees and individuals who are not employees on the basis of factual considerations and not on the basis of technical legal considerations. Under this test the status of an individual as an employee in the performance of service for any person for remuneration is determined from the combined effect of seven enumerated factors.

In selecting these factors, your committee has carefully considered the decisions of the United States Supreme Court in *U. S.* v. *Silk* and *Harrison* v. *Greyvan Lines, Inc.* (1947) (331 U. S. 704), as well as the factors which seem to have entered into determinations under the common law rules.

The Supreme Court decisions set forth a number of factors to be considered in determining whether an individual performing service for another person is the employee of such person. A major difficulty which your committee found with the Supreme Court decisions is the indication by the Court that the factors considered by it were not exclusive, thus leaving the administrative agencies free to consider other unenumerated factors in reaching their determinations in particular cases. The common law rules, on the other hand, by overemphasizing the factor of control, particularly the legal right to control, have permitted many employers at their discretion to fix the status of their employees and avoid social-security taxes by a mere formal shift in their contractual arrangements. In this paragraph of the definition, your committee has attempted to chart a more definite course than that laid down by the Supreme Court for the administrative agencies to follow in the administration of the social-security legislation; and, at the same time, has limited the possibilities of tax avoidance by employers. Your committee has prescribed the factors which it believes should be considered under paragraph (4) of the definition in determining the existence of an employer-employee relationship for social-security purposes. These factors are: (1) control over the individual; (2) permanency of the relationship; (3) regularity and frequency of performance of the service; (4) integration of the individual's work in the business to which he renders service; (5) lack of skill required of the individual; (6) lack of investment by the individual in facilities for work; and (7) lack of opportunities of the individual for profit or loss.

The combined effect of all the factors will control the determinations under this paragraph of the definition. For instance, the combined effect of all the factors may indicate that an individual is performing the service in pursuance of his own business. In such case, he will not be considered an employee under this paragraph of the definition.

Likewise, the combined effect of the factors, including the irregularity and infrequency of the performance of the service, may be such that the individual will not be considered an employee under this paragraph, even though he is not engaged in a business of his own in the performance of such service.

Control of the type pertinent to the first factor may in particular cases be evidenced by one or more of a variety of circumstances, including the performance by the individual of his service in accordance with procedures, or at times, fixed by the person for whom the service is performed; the furnishing by the person for whom the service is performed of the place, tools, or equipment for the work; or by the fact that the person for whom the service is performed has the right to terminate the service of the individual without cause or on short notice. Lack of this type of control is indicative of the nonexistence of the employer-employee relationship.

With respect to the second factor, a relationship is permanent if the arrangement contemplates the performance of service under a continuing relationship, even though in fact the individual works only a short time. It is not necessary that the service be performed on consecutive workdays.

The third factor requires consideration of the constancy and rate of recurrence of the service for a particular person. "Regularity and frequency of performance of the service" is intended to be read in conjunction with and in contradistinction to the factor "permanency of the relationship." If it is contemplated that the performance of service will be merely a sporadic part-time activity, that fact is evidence that the performance of the service is irregular and infrequent and that the relationship is not permanent, and is indicative of the nonexistence of the employer-employee relationship.

Integration of the individual's work in the business to which he renders service means the merger of the individual's service into the business of a person so that such service constitutes a part of the unit or whole which comprises such business. It is immaterial whether the service is performed at the beginning or end or at any intermediate point, so long as it falls within the limits of the scope and function of the business. Integration in particular cases may be evidenced by one or more of a variety of circumstances, such as the fact that the service is essential to the operation of the business; the fact that the service is performed in the course of such business; the fact that the service of the individual is performed in or under the name or trade name of the person for whom the service is performed; and the fact that the service of the individual supports or affects the good will of the person for whom the service is performed and not the separate good will of the individual.

Skill means the technical or artistic proficiency required of an individual to perform his service. Lack of skill is ordinarily indicative of the employer-employee relationship, but a requirement of a high degree of skill for the performance of service is not necessarily inconsistent with the existence of an employer-employee relationship where the combined effect of all seven factors indicates that the individual, in the performance of such service, is an employee.

Investment by the individual in facilities for work means investment in equipment and premises available for the work or enterprise as distinguished from education, training, and experience. It does

not include investment in such tools, instruments, equipment, or clothing as are commonly provided by individuals who are admittedly employees. An investment in an automobile by an individual which is used primarily for his own transportation in connection with performance of services for another person has no significance under this factor, since such investment is comparable to outlays for transportation by an individual performing similar services who does not own an automobile. Ownership of a separate establishment in connection with the performance of service, distinct from the premises of the person for whom such service is performed, is indicative of the nonexistence of the employer-employee relationship. On the other hand, lack of such investment tends to indicate that the individual performing service is an employee.

"Profit or loss" involves the realization of gains or the suffering of losses through the use of capital by an individual in connection with the performance of his services. Mere opportunity for higher earnings such as from pay on a piecework basis, or the possibility of gain or loss from a commission arrangement, without capital as an income-producing element, is not within the meaning of the term "opportunities for profit or loss" used in paragraph (4). Opportunity for profit or loss may in particular cases be established, in varying degrees, by one or more of a variety of circumstances, such as the fact that the individual has continuing and recurring liabilities or obligations with risk of loss and opportunity for profit, depending upon the relation of receipts to expenditures and charges. Lack of such opportunity for profit or loss is indicative of the existence of the employer-employee relationship.

Examples under paragraph (4)

The following examples illustrate the status of certain individuals under paragraph (4) of the definition:

Example (1), automobile dealer.—A is an authorized automobile dealer under contract with an automobile manufacturer. He provides his own establishment, has a showroom and maintenance and repair facilities, and sells the manufacturer's cars at prices fixed by the manufacturer. He may handle accessories of other manufacturers. He employs his own personnel, bears all expenses involved in the operation of the dealership, and operates under his own name.

While A's services are integrated to some degree into the distribution end of the manufacturer's business, he operates under his own name, has his own sales organization and repair crew, and the services performed by his organization support his own good will as well as the good will of the manufacturer. Though he must conform to company policy with respect to the selling price of the manufacturer's cars, he is not controlled in his choice of personnel or with respect to the manner in which he operates his business. His relationship with the manufacturer is permanent and his services are performed frequently and regularly. However, he has a substantial investment in an establishment of his own, including a showroom, maintenance and repair facilities, and accessories of other manufacturers. Such investment, together with his operating expenses and his liability at common law for certain acts of his personnel, suggests a substantial risk of loss. His opportunity for profit is similarly extensive since his profits depend largely upon his own skill in developing and maintaining an efficient organization.

The combined effect of the foregoing factors clearly shows that under paragraph (4) of the definition A is engaged in a business of his own and is accordingly not an employee.

Example (2), contract logger.—The X company owns tracts of timberland or timber rights on lands of others and engages in the production and sale of lumber and other forest products. Operations are carried on by the company pursuant to contracts made with timber cutters, skidders, and haulers. The company enters into a written contract with A to fell certain trees on a definitely described tract of timberland, cut the trees into logs, and saw the logs into rough lumber. Specifications for the work are stated in the contract. The contract provides that A shall complete the work within a definite period; and that the company will pay A semimonthly at a specified rate per thousand feet of rough lumber. A personally performs services under the contract and engages other individuals who perform services as cutters with him. A has sufficient capital, including equipment, to carry on the operations under his contract with the company. He keeps his own records and periodically receives from the company the amount due under the terms of the contract.

Although integration of A's service into the X company's business is present, and some degree of control may exist over A's services, A manages his own affairs, conducts his activities through the use of his own facilities, and is at liberty to delegate such service to assistants of his own choice. He has an opportunity for profit since the amount of his net gain from the service depends upon his skill and efficiency and the efficiency of his organization. He also undertakes a risk of loss by reason of his investment in and the cost of maintaining facilities. Although A may enter into successive contracts with the X company, there is no permanency in the relationship of the type contemplated under paragraph (4) of the definition. A's services are regular and frequent in the sense that they are performed daily. However, under the contract, the services are not to continue on an indefinite basis but are to terminate automatically upon the completion of a specific amount of work. The combined effect of all the factors clearly shows that A is pursuing a business of his own and is accordingly not an employee under paragraph (4) of the definition.

In another type of arrangement, the X company enters into a contract with B who owns timberland or timber rights, under which B with his own equipment and employees undertakes to cut timber therefrom and deliver it to the X company's premises for sale to the company at a mutually agreed upon delivered price. B delivers and sells timber to the company pursuant to the contract. B is clearly not an employee under paragraph (4) of the definition. A service relationship, which is prerequisite to the application of this paragraph, does not exist, since B, although one of the X company's suppliers, is not performing services for the company, but is clearly engaged in the selling of timber in pursuit of his own business.

Example (3), bulk oil-plant operator.—The X oil company is engaged in the business of marketing petroleum products and enters into a contract with A under which A is to operate a distribution station. A provides his own tanks and trucks. He operates the station as his own and employs assistants of his own choice. A pays all expenses arising from the operation of the station, and fixes the hours and days during which the plant shall be open.

The combined effect of all the factors specified in paragraph (4) of the definition as applied in this case clearly shows, as in the case of the automobile dealer described in example (1), that A is engaged in a business of his own and is not an employee.

Example (4), part-time nursery stock salesman.—The X company solicits the part-time services of farmers to canvass farm owners and operators for the purchase of nursery stocks of the X company. Upon receipt of a reply from A, a farmer, the X company furnishes him with a catalog and other materials describing its products, and order blanks. A, in the off farming season, and at such irregular intervals as he finds convenient, solicits orders for the company's products from other farmers and farm operators. A is not required to meet any sales quota. He may or may not receive instructions from the company relative to sales techniques to be used in securing orders for its products. Upon obtaining an order, A is paid a commission by the company either upon its receipt of the order or after its receipt of payment from the purchaser.

A's work is integrated in the business of the X company. Little skill, if any, is required in the performance of the work, and there is no investment in the selling activity conducted by A. A has an opportunity to profit from the service, but there is little or no chance of loss. The relationship contemplates the performance of sporadic part-time services only, having no connection with A's regular occupation of farming. The performance of the service is neither regular nor frequent; nor is the relationship permanent. Moreover, there is no supervision exercised by the company over the performance of the service. The combined effect of all the factors, despite the fact that A is not engaged in a business of his own in selling nursery stocks, clearly shows that A is not an employee of the X company.

Example (5), construction worker.—A, through newspaper and other advertising, offers his services to the general public as a plastering contractor. He has a business office and a property yard where materials, tools, and equipment are kept. He does repair work as well as new work, and operates under his own name. Z, a general contractor, asks A for a bid on the plastering work required in the construction of a new hotel. A gives Z a lump-sum bid for completion of the plastering work according to the plans and specifications for the work. A is awarded the contract. When the building operation progresses to the point at which the plastering work can be done, A delivers the required materials to the job and performs the work with such of his men as are necessary.

A has an investment in facilities for work sufficient to carry on the business of a plastering contractor, and the necessary skill required of any such contractor. His net return from the performance of the contract is the difference between the contract price and his cost of labor and materials, as a result of which he may realize a profit or suffer loss. Although A's activity is integrated in the operations conducted by Z, the general contractor, A in carrying out his contract is furthering his own good will and is acting under his own trade name. Of necessity, A's activity must to some extent be controlled by the general contractor, but such control as is exercised relates primarily to the completion of the project as a whole, and is not of the type contemplated by paragraph (4) of the definition. The relationship, moreover, is not a permanent one, and such relationship as has been

entered into does not contemplate recurrent services but will end upon completion of the specific job. Based on the combined effect of all the factors, A is not an employee under paragraph (4) of the definition but is engaged in a business of his own.

Example (6), general life insurance agent.—A life insurance company enters into an agreement with an individual generally known as a general agent after receiving satisfactory proof of his financial responsibility whereby he is given a right to solicit applications, both personally and through soliciting agents, for life insurance and annuity policies of the company within the territory covered by his contract. He is expected to devote his entire business activity to the solicitation of applications for policies of the company, and, in conformity with procedures established by the company, to process and service the company's policies. He must use the company's forms in such solicitation, and the applications are subject to the approval of the company. Although he is not required to procure a definite volume of insurance, the company establishes a quota which he is expected to meet. The general agent may solicit and place applications for insurance, without approval from his company, with other companies when the form of insurance is not written by his company or when the applicant is known to be unacceptable to his company. He is required to keep adequate records and books of account. The general agent pays for his agency office space, stenographic assistance, and telephone facilities, but the company sometimes furnishes books, stationery, and other material. One of the principal activities of the general agent is the obtaining of soliciting agents. The soliciting agents contract through or with the general agent and constitute his sales force, and generally the company either signs the soliciting agent's contract or guarantees to the soliciting agent that the commissions provided for by the financial terms of the agreement will be paid.

Whatever salaries, advances against future commissions, or loans are made to the soliciting agents are borne solely or chiefly by and at the risk of the general agent, who is expected to make a substantial personal investment in the development of the agency. The compensation of the general agent is in the form of commissions on all policies sold by him or by his soliciting agents, and fees on the business handled in his agency. The relationship may be terminated by either party on short notice.

Under the arrangement between the company and the general agent, the company exercises some degree of control over the performance of the services. Permanency is present since the relationship implies continuity and is not to terminate upon the performance of a specific job. The performance of service is both regular and frequent. The activities of the general agent and his staff are clearly integrated into the company's system of writing life insurance. On the other hand, the type of general agent described above depends for much of his success upon the skill in business management which he must exercise in organizing and pursuing his activities and in training and supervising his personnel. Moreover, he has a substantial investment in facilities for the work. In the case of the general agent there are significant opportunities for profit and risk of loss. Large sums may be risked in the maintenance of the agency facilities and in the financing of soliciting agents. The successful solicitor is a source of substantial profit to the general agent, who receives com-

missions on the solicitor's work. Consideration of all the facts indicates, as in the case of the automobile dealer in example (1) and the bulk oil plant operator in example (3), that this is a normal business relationship in which one business organization obtains the services of another business organization to perform a portion of production and distribution. The combined effect of all the factors establishes that the general agent described is performing service in the pursuit of his own business, and that he is therefore not an employee under paragraph (4) of the definition.

Example (7), door-to-door salesmen.—The X company, a manufacturer, is engaged in the manufacture and sale of household products. Sale by door-to-door vendors is the usual method of distributing the company's products. The X company enters into an agreement with a salesman giving him the right to purchase the company's products at wholesale on short-term credit for door-to-door resale at prices suggested by the company. The agreement specifies the territory of the salesman, and provides that the profit from the sale is his sole remuneration for the services. While no requirement is imposed either under the contract or in fact with respect to a sales quota, discounts are allowed for maintaining a specified volume of business; and the saleman devotes full time to the sale of X company's products. A cash deposit is required of the salesman to establish credit with the company and to cover samples. The agreement states that the company shall not have any right to exercise control over the performance of the services or methods employed in effecting sales, and expressly negates any requirement to make reports or attend sales meetings. There is no requirement either express or implied that the salesman is to furnish services with respect to designated or regular customers or customers along a prescribed route. The agreement expressly denies the existence of the employer-employee relationship, and designates the salesman an independent contractor. The company, however, provides training courses, selling aids, advertising, forms, leads, and other services for its salesmen. Such services are utilized by the salesman. The agreement is terminable by the company on 60 days' notice and provides for a refund to the salesman of his deposit and of the price paid for products unsold and returned. His earnings from the relationship are dependent upon the volume of his sales. He has no place of business distinct from his home, and he is not prohibited from furnishing the same or similar services for any other person.

Though the salesman might not be considered an employee under paragraph (2) or (3) of the definition, he is nevertheless an employee under paragraph (4). The services of door-to-door vendors are the essence of the distribution system of the company. The right of the company to terminate the relationship on short notice is evidence of some degree of control of the type contemplated by paragraph (4) of the definition.

The agreement between the company and the salesman contemplates a continuing or permanent relationship. The cash deposit required is not such an outlay as to constitute an investment for the carrying on of an independent business. Although some skill may be required, he devotes no capital to a going business of his own. His relationship with the company is permanent and the performance

of service for the company is both frequent and regular. Since the cash deposit is refundable and unsold goods are returnable, the salesman undertakes little or no risk of loss. Despite the declarations of the parties in the contract, the combined effect of the factors clearly shows that the salesman is an employee.

SELF-EMPLOYMENT INCOME

Section 211 of the Social Security Act, as amended by the bill, defines for the purposes of title II of such act the following terms: "net earnings from self-employment," "self-employment income," "trade or business," "partnership and partner," and "taxable year." All of such terms, as defined in section 211, have exactly the same meaning as when used in the Self-Employment Contributions Act (subch. F of ch. 9 of the Internal Revenue Code, added by sec. 207 of the bill). A detailed discussion of the definitions appears in the explanation in this report of section 207 of the bill.

It will be noted, in connection with the term "net earnings from self-employment," that income derived by a nonresident alien individual from a trade or business carried on within the United States constitutes net earnings from self-employment for the purposes of title II of the Social Security Act and the Self-Employment Contributions Act, although no part of such net earnings from self-employment constitutes "self-employment income" as defined by section 211 (b) of the Social Security Act or by section 1641 (b) of the Self-Employment Contributions Act. The bill provides that the term "net earnings from self-employment" rather than "self-employment income" is applicable in determining whether deductions from benefits are to be made. Thus, a nonresident alien (who may be a beneficiary) can suffer a deduction from benefits under sections 203 and 220 of the Social Security Act as amended, if he has net earnings from self-employment in excess of $50 in a month even though he has no "self-employment income."

CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR YEARS

Section 212 of the Social Security Act as amended by the bill provides a method for crediting self-employment income derived during a taxable year (as defined in section 211 (e)) to calendar years. Crediting self-employment income to calendar years is required in order to make possible computations of an individual's average monthly wage and determinations of his years of coverage and quarters of coverage, as required under title II of the Social Security Act. Paragraph (1) provides that self-employment income reported for a taxable year which is a calendar year, or which is a part year beginning and ending within the same calendar year, will be credited to such calendar year. Paragraph (2) provides that self-employment income reported for a taxable year which is a fiscal year will be credited to the two calendar years within the taxable year in direct proportion to the number of months in each of the calendar years falling within the taxable year. For the purposes of this computation, when a taxable year includes a fractional part of a month (as, for example, in case of the death of an individual) the part month will be considered as a month.

QUARTER AND QUARTER OF COVERAGE

Definitions

Section 213 (a) of the Social Security Act as amended by the bill defines the terms "quarter," "calendar quarter," and "quarter of coverage." As in the present law, both the term "quarter" and the term "calendar quarter" are defined as a period of three calendar months ending on March 31, June 30, September 30, or December 31. The term "quarter of coverage" refers to the minimum amount of wages an individual must receive, or self-employment income with which he must be credited, in a calendar quarter in order to receive credit toward his insured status for the period. In the case of wages, a worker at present is credited with a quarter of coverage toward insured status if during a quarter he is paid $50 or more in wages; the bill raises the amount from $50 to $100 for quarters after 1949. The definition of "quarter of coverage" is further amended to include a calendar quarter in which an individual is credited with at least $200 of self-employment income. The crediting of self-employment income to quarters of a calendar year is treated under subsection (b) of section 213.

Under the bill, as at present, an individual will not be credited with a quarter of coverage for any quarter after the quarter in which he died; of course no quarter may be treated as a quarter of coverage until the beginning of such quarter. Quarters in a period of disability (as defined in sec. 219 (i)) cannot be counted as quarters of coverage for later old-age and survivors insurance benefits (nor are they counted against the individual as being elapsed quarters), even though the disabled individual in unusual circumstances might earn sufficient wages or self-employment income to meet the required dollar amounts for the crediting of quarters of coverage. The first and last quarters in a period of disability, however, may be counted as quarters of coverage (or as elapsed quarters) provided the disabled person has sufficient earnings to meet the normal requirements for crediting the quarter as a quarter of coverage. This exception is necessary because disability may occur late in a quarter or termination may occur early in a quarter, thus giving the disabled individual several weeks in the respective quarters in which he could be expected to work.

The provision of existing law which permits the crediting of quarters of coverage for each quarter after the first quarter of coverage (except the quarter of death or entitlement to old-age benefits and any quarter thereafter) in any year in which the worker's total wages equal or exceed $3,000 is changed for years after 1949. The amendment (sec. 213 (a) (2) (B) (iii)) will permit crediting a quarter of coverage for each quarter of the year (subject to the limitations mentioned in the preceding paragraph), whether before or after the first earned quarter of coverage, if the individual's wages and self-employment income credited for the year reach $3,600.

Crediting of self-employment income to quarters in a calendar year

Subsection (b) of section 213 of the Social Security Act as amended by the bill provides a method for crediting self-employment income to calendar quarters for the purpose of determining quarters of coverage. Subparagraph (1) provides that when the self-employment income credited to a calendar year is $800 or more, one-fourth of it will be credited to each calendar quarter in the year. Under subparagraphs

(2) and (3) self-employment income of less than $800 in a taxable year will be credited in units of $200 to calendar quarters in which the individual does not have a quarter of coverage by reason of wages, and to quarters not barred as quarters of coverage by reason of death or disability.

The first unit of $200 will usually be credited to the last calendar quarter of the year and succeeding units of $200 to each preceding quarter; if the individual died during the year, the quarter of death will be considered to be the last quarter of that year. This rule for crediting self-employment income is not followed during years in which an individual is found to have a compensable disability, i. e., his disability determination date under section 219 (c) of the Social Security Act (as amended by the bill) occurs, nor is it followed for the year he attains age 65 or for subsequent years. In these instances, the first unit of $200 of self-employment income will be charged to the first calendar quarter of the year and succeeding units to each succeeding quarter. This method will generally result in crediting self-employment income to calendar quarters which will be most beneficial to the individual.

Crediting of wages paid in 1937

Subsection (c) of section 213 of the Social Security Act as amended by the bill retains the provisions of the present law governing determinations of quarters of coverage for wages paid during 1937 when wages were reported on a semi annual basis.

INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

Section 214 of the Social Security Act as amended by the bill modifies the requirements for eligibility for old-age and survivors insurance benefits to take account of the extension of coverage and the addition of benefits for permanent and total disability, as proposed in the bill.

Fully insured individual

Under section 214 (a) (1) a fully insured individual may qualify himself for old-age insurance benefits and his dependents, as defined in the bill, for all types of dependents and survivors benefits. Under the present law (sec. 209 (g)), an individual is fully insured if he had at least one quarter of coverage for each two quarters elapsing after 1936 (or after attainment of age 21, if later) and before death or attainment of age 65, or if he had 40 quarters of coverage. Section 214 (a) (1) (B) of the Social Security Act as amended by the bill provides another means of qualifying as a fully insured individual. An individual can qualify if he has not less than 20 quarters of coverage within the 40-quarter period ending with the quarter in which he attained retirement age or with any subsequent quarter, or ending with the quarter in which he died. This will permit newly covered individuals to become fully insured for all types of old-age and survivors benefits within 5 years after the effective date of the bill even if they had no previous quarters of coverage. Of course, presently covered workers will also be given the advantage of this new qualifying condition.

Section 214 (a) (1) is also different from existing law in that it excludes from the count of quarters in the elapsed period used for determining fully insured status all quarters any part of which are

included in a period of disability unless they are quarters of coverage. This assures that an individual will not lose insured status for old-age or survivors benefits during or on account of any period during which he is entitled to permanent and total disability benefits under title II of the Social Security Act.

Under the provisions of the bill, an individual who becomes permanently and totally disabled cannot become entitled to the new disability benefits if he attains age 65 before the expiration of the 6-month waiting period required for such benefits. In a very few cases, such an individual might lose his fully insured status during his waiting period and thus not be eligible either for disability or old-age benefits. To avoid such a loss of all benefits to an individual who would, but for his attainment of age 65, have become entitled to disability benefits, section 214 (a) (2) of the Social Security Act as amended by the bill provides for treating him as having fully insured status beginning with the month in which he would have become entitled to such disability benefits.

Currently insured individual

Section 214 (b) of the Social Security Act as amended by the bill defines the term "currently insured individual" to mean any individual who had not less than 6 quarters of coverage during the 13-quarter period ending with the quarter in which he died, excluding from such period any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage. In the case of any individual who is not fully insured at the time of his death, mother's and child's insurance benefits and a lump-sum death payment may nevertheless be payable if he meets the requirements of a currently insured individual. The only substantive change from existing law made in this definition is to exclude from the count of the quarters in the elapsed period any quarter any part of which is included in a period of disability. This change corresponds with the change made in the definition of fully insured individuals for the protection of permanently and totally disabled individuals.

COMPUTATION OF PRIMARY INSURANCE AMOUNT AND DISABILITY INSURANCE BENEFIT

Section 215 of the Social Security Act as amended by the bill provides the method of computing an individual's primary insurance amount (from which old-age and survivors benefits are computed), an individual's disability insurance benefit, and an individual's average monthly wage. This section is not applicable however in the cases where the conversion table in section 111 of the bill applies.

Primary insurance amount and disability benefit

Subsection (a) of section 215 defines an individual's "primary insurance amount" or "disability insurance benefit" as an amount equal to the sum of (*a*) his base amount multiplied by his continuation factor, and (*b*) one-half of 1 percent of his base amount multiplied by the number of his years of coverage (commonly called the "increment"). If the primary insurance amount or disability insurance benefit thus computed is less than $25, it is to be increased to $25.

Base amount

Subsection (b) of section 215 defines an individual's "base amount" (as used in subsection (a)) as an amount equal to 50 percent of the first $100 of his average monthly wage plus 10 percent of the next $200 of such wage.

Average monthly wage

Subsection (c) of section 215 defines the "average monthly wage," from which the base amount is computed, as the quotient obtained by dividing an individual's total wages and self-employment income during those years which were years of coverage after his starting date by 12 times the number of such years of coverage or by the number 60, whichever is greater. The starting date is 1936, 1949, or the year in which the individual attained age 21, whichever yields the highest average monthly wage for an individual.

As an example, consider an individual who entered covered employment for the first time in 1950 and had covered wages and self-employment income totaling as follows: 1950, $2,000; 1951, $2,000; 1952, $300; 1953, $500; 1954, none; 1955, $1,000; 1956, $2,000; and 1957, $2,220. He had 6 years of coverage (1950, 1951, 1953, 1955, 1956, and 1957), with a total of $9,720 in those years. His average monthly wage is then $9,720 divided by 72 or $135.

An average monthly wage of less than $50 is to be increased to $50. This will prevent the total family benefits payable on any one wage record from being reduced below $40 a month by the application of the maximum benefit provisions of section 203.

This subsection also provides for excluding, in the computation of the average monthly wage, the excess over $3,600 for any calendar year after 1949 of an individual's wages plus his self-employment income. For purposes of this computation, the total of an individual's wages and self-employment income for any year, and the amount of his average monthly wage, if not a multiple of $1, shall be reduced to the next lower multiple of $1.

Continuation factor

Subsection (d) of section 215 defines the continuation factor by which the base amount is multiplied in obtaining the primary insurance amount. The continuation factor is the quotient obtained by dividing the number of an individual's years of coverage after his starting date or the number 5, whichever is greater, by the number of his continuation factor years. If the quotient thus obtained is greater than 1, it is reduced to 1. An individual's starting date for this purpose is 1949 or 1936, whichever results in the higher continuation factor. The number of continuation factor years is defined as the calendar years elapsing after the individual's starting date (or after the year in which he attained the age of 21 if that is later) and prior to the year in which he died or attained retirement age (age 65), whichever first occurred or, in disability cases, prior to the year in which his disability determination date (see sec. 219 (c)) occurred.

Year of coverage

Subsection (e) of section 215 defines a year of coverage as a calendar year prior to 1950 in which an individual was paid $200 or more in wages or a calendar year after 1949 in which the sum of the wages

paid to him and the self-employment income derived by him is $400 or more. As indicated above, years of coverage are used as the basis for figuring the average monthly wage, the continuation factor, and the increment.

Treatment of wages and self-employment income in year of computation

Section 215 (f) sets an ending date for the period over which an individual's average monthly wage and years of coverage are to be determined. When an individual files an application for old-age or disability insurance benefits, his average monthly wage and his years of coverage are to be determined (prior to any recomputation under sec. 215 (g)) by including only the wages paid him prior to the quarter in which he filed such application and the self-employment income for taxable years ending prior to the date of such filing. Since individuals receiving disability insurance benefits are automatically transferred to the old-age insurance benefit rolls upon attainment of age 65, at which time their benefit amount must be computed anew, their ending date for purposes of computing the average monthly wage and the years of coverage in connection with the old-age insurance benefits is the date on which they became 65. In computing the average monthly wage and the years of coverage of any individual who dies, no wages (other than compensation credited under the Railroad Retirement Act) paid in or after the quarter of death will be counted.

Recomputation of benefits

Subsection (g) of section 215 defines the conditions under which an individual's primary insurance amount or disability insurance benefit will be recomputed to provide higher benefits on the basis of wages or self-employment income not included in the original computation or in previous recomputations of these amounts.

Paragraph (1) of this subsection permits recomputation of benefit amounts only as provided in the succeeding paragraphs, except that the primary insurance amount of a World War II veteran who dies after 1949 and before July 27, 1954, is to be recomputed under the circumstances provided in section 217 (b) of the Social Security Act, as amended by the bill.

Paragraph (2) permits a recomputation of an old-age insurance benefit, upon application, to take account of wages paid to and self-employment income derived by the individual since his last computation or recomputation, but only if, because of the receipt of wages or self-employment income, his benefits have been subject to deduction (whether or not any deductions have actually been made at the time) under section 203 (b) (1) or (2) for 12 months within a period of 36 months occurring after 1949 and after his last recomputation. Such a recomputation will not include wages paid in the year in which the application for recomputation is filed or self-employment income for any taxable year ending after such filing. This provision is designed to avoid frequent recomputations which would result in negligible increases in benefits at a disproportionate administrative cost.

Paragraph (3) provides for automatic recomputation (without application) of a primary insurance amount or disability insurance benefit to include self-employment income for a taxable year which had not been completed at the time of application and the income for which was not taken into account in the original computation of the average

monthly wage, but only in the infrequent case of an individual who, when his benefit amount was computed upon his application for old-age or disability insurance benefits, had less than 5 years of coverage. This recomputation is made at the close of that taxable year. Since the average monthly wage of an individual who has less than 5 years of coverage is nevertheless required to be computed by dividing his wages and self-employment income during his years of coverage by 60, it was thought desirable to give him the advantage of any self-employment income derived during the taxable year in which his application was filed as soon as that year ended.

Paragraph (4) provides for a recomputation in certain cases of the primary insurance amount upon which survivors benefits or a lump-sum death payment are based when an individual entitled to old-age insurance benefits dies. The recomputation may be made only if the deceased individual comes within the provisions of paragraph (3) or if he would, upon application, have been entitled to a recomputation under paragraph (2) in the month of his death or if he had been paid compensation for employment under the Railroad Retirement Act which is treated as wages under title II of the Social Security Act for purposes of survivors benefits. If the deceased individual would have been eligible for a recomputation under paragraph (2), the recomputation for his survivors includes only self-employment income for taxable years prior to his last one, the wages paid prior to the year of his death, and any railroad compensation paid before his death; if he would not have been eligible for a recomputation under paragraph (2) at his death, the recomputation includes only the wages and self-employment income considered at his last computation plus the railroad compensation.

Paragraph (5) prevents any recomputation from reducing benefits otherwise payable. No recomputation is to be effective unless it results in a higher primary insurance amount or disability insurance benefit. If it does this, but happens to result in a lower average monthly wage, the lowering of such wage will not be effective for purposes of the maximum on family benefits payable on the same wage record (sec. 203 (a)).

Rounding of benefits

Section 215 (h) of the Social Security Act as amended by the bill provides that any monthly benefit which, after reduction under applicable sections of the Social Security Act (203 (a) and 219 (e)), is not a multiple of $0.10, shall be raised to the next higher multiple of $0.10.

OTHER DEFINITIONS

Retirement age

Section 216 (a) defines "retirement age" as age 65. This makes no change in existing law; it is inserted only for convenience in reference.

Wife

Section 216 (b) makes a small change in the definition of "wife." Under existing law, an individual is considered to be the wife of a primary beneficiary only if she has been married to him for at least 36 calendar months before her application is filed unless she is the mother of his son or daughter. The bill changes this time limit to 3

years. The change eliminates anomalies which have arisen as between couples married early in a month and those married later in a month.

Widow

Section 216 (c) amends the definition of widow in several respects. Under existing law a woman to be considered a widow of an insured individual must be the mother of his son or daughter or must have been married to him for not less than 12 calendar months before he died. For the reasons stated above in connection with the change in the definition of "wife," the time period is changed to 1 year. In addition, this subsection (as amended) provides that if a widow had legally adopted her husband's son or daughter before that child attained age 18, or if she and her husband together had legally adopted a child under age 18, she need not have been married for a year before his death to qualify for benefits.

Former wife divorced

Section 216 (d) adds a new definition, "former wife divorced," which is used (in sec. 202 (e) of the Social Security Act as amended by the bill) with reference to mother's insurance benefits. A woman divorced from a deceased individual is considered to be a former wife divorced only if she meets one of the following conditions: (1) She is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under 18, or (3) she was married to the deceased individual at the time both of them legally adopted a child under 18.

Child

Section 216 (e) amends the definition of "child" to correspond with the change made for "wife," so that the time required to establish a parent-child relationship, in cases of adopted children or stepchildren, is expressed in terms of years rather than of months. A further change permits the adopted child of a deceased individual to qualify as a "child" without regard to the length of time elapsing after the adoption and before the adopting parent's death.

Determination of family status

Section 216 (f), which is identical with sections 209 (m) and (n) of the existing Social Security Act, contains rules for determining when an individual is the wife, widow, child, or parent of an insured individual and when a wife or widow is considered as living with her husband.

Effective dates of sections 209 to 216, inclusive, of the Social Security Act as amended by section 104 of the bill

Section 104 (b) of the bill provides that the amendment made by section 104 (a) is, with certain exceptions, to take effect January 1, 1950.

The new requirements for insured status (sec. 214 of the amended act) and the new definitions in section 216 (wife, etc.) are effective in the case of applications for monthly benefits for months after 1949. Thus, an individual who died or attained age 65 prior to 1950 may under the bill have an insured status even though he did not have such status at the time he died or attained such age. Consistent with section 202 (h) (2) of the Social Security Act as amended by the bill, applications for benefits for the month of January 1950 may be filed

as early as October 1949. The insured-status provisions are effective in the case of applications for lump-sum death payments, however, only with respect to deaths occurring after 1949.

The new benefit computation provisions in section 215 of the Social Security Act take effect January 1, 1950. These provisions, however, are not applicable where a primary benefit was paid for a month before 1950, or where the wage earner died before 1950 and a monthly benefit was paid on the basis of his wages for a month before 1952 or a lump-sum death payment was made. Benefits paid on the basis of such an individual's wages for months after 1949 are not to be computed under the new provisions of the Social Security Act but are instead to be increased as provided in section 111 of the bill. If such wage earner becomes entitled to a recomputation under section 215 (g), then the recomputation will be made under the new provisions of section 215.

WORLD WAR II VETERANS

Section 105 of the bill adds a new section 217 to the Social Security Act, which replaces the present section 210 guaranteeing temporary survivor protection to certain World War II veterans. The new section provides veterans with wage credits for World War II military service, and continues without change or extension the survivor protection now provided under section 210.

Subsection (a) of section 217 would provide World War II veterans (including, with certain minor exceptions, individuals who died in service) with wage credits of $160 for each month any part of which was spent in military or naval service during World War II. The wage credits would be used in determining the monthly benefits payable to a veteran and his dependents, or to his survivors, for any month after 1949 regardless of whether death occurred prior to 1950, and in determining the lump-sum death payment payable to the survivors of a veteran who dies after 1949. The subsection would not apply to any benefit or payment if a larger benefit or payment would be payable without its application.

Subsection (b) is included so as to carry over into the amended law, with appropriate changes to take account of other amendments to the Social Security Act, the provision for the special 3-year survivor protection for veterans under section 210 of the present Social Security Act.

Paragraph (1) of this subsection applies to those eligible veterans who died after 1949, and to those who died before 1950 where no lump-sum death payment, and no monthly benefit for any month prior to 1952, was paid. In such cases the new benefit formula (sec. 215 of the Social Security Act) will be used. In all other cases, the present section 210 of the act and the existing method of computing benefits (with the increase provided in sec. 111 of the bill through the conversion table) continue to apply. The paragraph provides that the veterans to whom it applies, and who die within 3 years after separation from service, will be deemed to have died fully insured with an average monthly wage of $160. For purposes of the increment given for each year of coverage, the veteran would be deemed to have been paid the required amount of wages in each year in which he had 30 days or more of wartime military service. The paragraph further provides that subsection (b) will not apply (1) if a

larger benefit or payment would be payable without it, (2) if pension or compensation is determined by the Veterans' Administration to be payable because of the veteran's death, (3) if the veteran died in service, or (4) if he was discharged or released from military service after July 26, 1951. These provisions are the same as those now contained in section 210.

Paragraph (2) of the subsection contains provisions substantially identical with those now in section 210 for effectuating cooperation between the Veterans' Administration and the Federal Security Administrator in order to carry out the provision in paragraph (1) that the subsection is inapplicable where veterans' benefits are payable.

Subsection (c) of the new section 217 provides that the parent of a World War II veteran who has died before 1950 shall have at least until July 1950 to file proof of support. Proof of support is ordinarily required to be filed by the parent within 2 years after the wage earner's death, as a condition of eligibility for parents' benefits. Parents of veterans who died prior to January 1, 1948, could therefore not become eligible for benefits on the basis of wage credits provided by the new section 217 (a) unless some extension of time for filing is given.

Subsection (d) authorizes annual appropriation to the trust fund of the sums necessary to meet the additional costs of the benefits and lump-sum death payments resulting from the section.

Subsection (e) contains definitions to be used for purposes of section 217. Paragraph (1) defines "World War II" as the period beginning with September 16, 1940, and ending at the close of July 24, 1947. (September 16, 1940, is the enactment date of the Selective Training and Service Act of 1940; July 25, 1947, is the date set as the termination of World War II by Public Law 239, 80th Cong., for purposes of the present sec. 210 of the Social Security Act.)

Paragraph (2) defines a "World War II veteran" as any person who served in the active military or naval service during World War II, and who, if discharged, was discharged under conditions other than dishonorable and either after 90 days of service or because of a service-connected disability. It does not, however, include any individual whose death while in the active military or naval service was inflicted (other than by an enemy of the United States) as lawful punishment for a military of naval offense.

COVERAGE OF STATE AND LOCAL EMPLOYEES

Section 106 of the bill would add to the Social Security Act a new section, numbered 218, under which the protection of the insurance program could be extended to employees of States and their political subdivisions and instrumentalities by means of agreements negotiated between the States and the Federal Security Administrator.

Purpose of agreement

Subsection (a) of section 218 provides that the Federal Security Administrator shall enter into an agreement at the request of a State for the purpose of extending old-age, survivors, and disability insurance coverage to the employees of the State or of any political subdivision or instrumentality of the State. The agreement is to include such provisions, not inconsistent with those specified in the bill, as the

State may request. The subsection also provides that, notwithstanding the general exclusions of agricultural labor, domestic service, or service performed by a student, such service may be covered (at the option of the State) if it is included under an agreement.

Definitions

Subsection (b) of section 218 defines certain significant terms used in the section.

Paragraph (1) provides that the term "State" shall not include the District of Columbia. As a consequence, no agreement could be made with the District. Agreements could be made, however, for covering the employees of Territorial and local governments in Hawaii, Alaska, and the Virgin Islands, and also (subject to the provisions of sec. 221) in Puerto Rico.

Paragraph (2) defines "political subdivision" to include instrumentalities of the State, of a political subdivision, or of any combination of the foregoing.

Paragraph (3) defines "employee" to include an officer of a State or political subdivision.

Paragraph (4) defines "retirement system" as "any pension, annuity, retirement or similar fund or system" established by a State or political subdivision. For purposes of determining the permitted coverage under an agreement, a "State-wide retirement system" is defined as a retirement system established by a State which covers (*a*) employees of the State and employees of one or more political subdivisions, or (*b*) employees of at least two political subdivisions.

Paragraph (5) defines "coverage group" primarily for purposes of subsection (c), which governs the coverage of groups which may be included in or excluded under an agreement. A coverage group in general would consist of employees of the State or employees of a single political subdivision, but, because of the special treatment accorded to members of retirement systems, all employees (whether State or local) covered by a State-wide retirement system would be excluded from the general coverage groups and regarded as constituting a separate coverage group.

Services covered

Subsection (c) of section 218 of the Social Security Act as amended by the bill specifies the services which may be covered by an agreement or modification of an agreement.

Paragraph (1) requires an agreement to cover any one or more coverage groups designated by the States.

Paragraph (2) provides that if any employees of a coverage group are to be covered by an agreement, then all employees in that coverage group (except for certain classes which might be excluded pursuant to paragraphs (3) or (5) of subsection (c) or pursuant to subsection (d)) would have to be included under the agreement. This provision is necessary to protect the system from adverse selection.

Paragraph (3) of subsection (c) permits the State to exclude from the agreement all services in any class or classes of elective or part-time jobs, or jobs compensated on a fee basis, in any coverage group. The State would also be permitted to exclude any services of an emergency nature.

Paragraph (4) gives the State the right to have the agreement amended to cover additional coverage groups or services not previously covered, so long as the extension is consistent with the other provisions of the section.

Paragraph (5) permits the State to exclude from any coverage group agricultural labor, domestic service or service performed by a student, if such service would be excluded from compulsory coverage under the act if performed for an employer other than a governmental unit.

Paragraph (6) prevents the agreement from applying to any services performed in a hospital, home, or other institution by a patient or inmate thereof or any services performed by an individual in a work relief or other program designed to relieve him from unemployment.

Referendum in case of retirement systems

Subsection (d) of section 218 outlines the conditions under which services performed in jobs covered by retirement systems may be included in an agreement.

Paragraph (1) requires that before jobs covered by a retirement system in effect when the agreement was entered into may be included in the original agreement, the State must request that they be included, and the governor of the State must certify that a written referendum was held and that not less than two-thirds of the voters voted in favor of being included. The voters must be employees in affected positions and persons 21 years of age or older who were receiving period payments under the retirement system.

Paragraph (2) establishes the same requirement regarding modifications of agreements; the requirement would apply to retirement systems in effect when the modification was agreed to.

Paragraph (3) specifies the period of time within which the written referendum must be held. It provides that the referendum must be held within the period beginning 1 year before the effective date of the agreement (or modification) and ending on the date the agreement (or modification) is entered into.

Payments and reports by States

Subsection (e) of section 218 requires the State to agree to pay amounts equivalent to the sum of the employee and employer taxes which would be imposed under sections 1400 and 1410 of the Internal Revenue Code if the services covered under the agreement constituted employment under section 1426 of such code. It also requires the State to agree to comply with regulations, relating to payments and reports, prescribed by the Administrator to carry out the purposes of the section.

Effective date of agreement

Section 218 (f) provides that an agreement or modification of an agreement might be made effective on a date specified in the agreement. However, no agreement or modification could be effective prior to January 1, 1950, or, except for an agreement or modification agreed to prior to January 1, 1952, prior to the calendar year in which it was consummated. This latter exception to the general rule for agreements or changes made prior to 1952 is intended to give the States sufficient time to negotiate the agreements in the early days of the new program without unduly penalizing their employees under the eligibility and benefit-computation provisions of the system because of unavoidable delay in this process.

Termination of agreement

Subsection (g) of section 218 of the Social Security Act as amended by the bill specifies the conditions under which an agreement may be terminated.

Paragraph (1) authorizes the State to terminate an agreement in its entirety or with respect to any coverage group. However, an agreement cannot be terminated in its entirety until the agreement has been in effect for at least 5 years, nor can it be terminated for any coverage group until the affected group has been covered for at least 5 years; furthermore, any such termination would be conditioned upon the receipt by the Administrator, after the end of the 5-year period, of 2 years' advance notice in writing. Consequently, the minimum duration of an agreement would be 7 years, and the minimum period of coverage for a single coverage group (as long as the agreement itself remained in effect) would also be 7 years.

Paragraph (2) would direct the Administrator to terminate an agreement in its entirety, or with respect to any coverage group, if it appeared, after reasonable notice and opportunity for hearing, that the State had failed, or was not able legally, to comply substantially with the terms of the agreement. The agreement would be terminated in its entirety if the lack of compliance affected all the services covered under the agreement; otherwise only those coverage groups affected would have their coverage terminated. The Administrator might give the State as long as 2 years to rectify the deficiency. If the State failed to do so, the termination would be effected.

Paragraph (3) provides that if an agreement with a State is terminated in its entirety no agreement with such State may be made again. If the termination affects only particular groups, those groups may not again be included under an agreement. This restriction is necessary to protect the insurance trust fund from excessive drains caused by movement into and out of the system.

Deposits in trust fund; adjustments

Section 218 (h) specifies that all payments received by the Secretary of the Treasury under State agreements shall be deposited in the trust fund. Overpayments or underpayments of amounts due would be adjusted, without interest, in accordance with regulations prescribed by the Administrator. Where overpayments cannot be adjusted in this manner the amounts overpaid will be paid out of the trust fund to the State.

Regulations

Section 218 (i) of the Social Security Act as amended by the bill provides that the regulations of the Administrator under the section shall be designed to make the requirements imposed on the States similar, so far as practicable, to requirements imposed on employers under the Federal Insurance Contributions Act and title II of the Social Security Act.

Failure to make payments

Section 218 (j) establishes penalties for failure by the States to pay the amounts due under the agreement on time. Interest at the rate of 6 percent per annum would be added where the State did not make payments when due. In addition, the Administrator might deduct the amount of such delinquent payments, plus interest, from grants

to the State under any other provision of the Social Security Act; for example, matching grants for public assistance. The amounts so deducted are to be deemed to have been paid to the State under that other provision, and are appropriated to the trust fund.

Instrumentalities of two or more States

Subsection (k) of section 218 provides that, at the request of any instrumentality of two or more States, the Federal Security Administrator may enter into an agreement with that instrumentality for coverage of its employees. As far as practicable, such an agreement must conform to the other provisions of the section.

Delegation of functions

Section 218 (l) of the Social Security Act, as amended by the bill, authorizes the Administrator, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under the section to any officer or employee of that agency, or to utilize the services and facilities of that agency in the administration of the section. The purpose of this provision is to enable the Federal Security Administrator to delegate routine duties in connection with the securing of wage records and similar functions. The expenses incurred by the agency whose services or facilities are utilized would be paid in advance or by way of reimbursement, as might be agreed upon.

PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

Section 107 of the bill contains provisions for the payment of monthly benefits to insured workers who are permanently and totally disabled. Title II of the Social Security Act is amended by the addition of sections 219 and 220, which specify the conditions for entitlement to and payment of disability benefits.

Conditions of entitlement

Section 219 (a) sets forth the conditions governing application for, and entitlement to, disability insurance benefits. Disability insurance benefits will be paid to insured workers who are unable to perform any substantially gainful work as the result of permanent and total disability, and to those who are blind. To qualify for such benefits, disabled individuals must be under 65 years of age, must apply for the benefits, and must, while permanently and totally disabled, serve a waiting period. Except for claimants who file delayed applications during a grace period before 1953, the waiting period consists of the month which includes the day on which disability is determined to have occurred (called the disability determination date, as defined in subsection (c)) and the six calendar months following such month. A longer-than-normal waiting period may result during the initial grace period prior to 1953, when claimants filing delayed applications may be permitted a disability determination date as far back as June 30, 1950 (see subsec. (c)) in order to protect their insured status.

Entitlement to permanent and total disability benefits begins with the first month after the waiting period and ends when the beneficiary ceases to be disabled, becomes 65, or dies. To be valid, an application must be filed no earlier than 7 months prior to the month of entitlement. Persons who file a late application may be paid retroactive disability insurance benefits for not more than 3 months.

Determination of insured status

Section 219 (b) provides that, to be insured for disability insurance benefits, a claimant must have (1) 6 quarters of coverage within the 13-quarter period which ends with the quarter in which his disability determination date occurred; and (2) 20 quarters of coverage within the 40-quarter period which ends with the quarter in which his disability determination date occurred. In case an individual was previously entitled to disability benefits, quarters in the previous period of disability (defined in subsection (i)), except the first and last quarters of such period if they are quarters of coverage, are excluded from the count of elapsed quarters for insured status.

Disability determination date

Section 219 (c) provides the method for determining the date on which, for benefit purposes, a disability is deemed to have begun. Where an individual has not worked for some time and alleges that this was due to disability, it may be medically and administratively difficult to ascertain accurately at what time in the past his condition became totally disabling. For this reason the existence of total disability will be recognized for benefit determination purposes for only a limited time prior to the filing of an application. The date on which the compensable disability is deemed to have begun is called the disability determination date.

Paragraph (1) provides that for claimants who file before 1953, the disability determination date will be whichever of the following days is the latest: The day the disability actually began; June 30, 1950; or the first day of the first quarter in which the claimant had insured status for disability benefits. The last of these dates allows for the relatively few cases where the individual is not insured in the quarter in which he actually became disabled but would become insured at some later date as the result of wages earned prior to disability but paid afterward, or as the result of the special rule where he is credited with $3,600 of wages and self-employment income. (See sec. 213 (a) (2) (B) (iii).) This rule will give permanently disabled workers who are potential claimants a reasonable period of time (as much as 2 years after first benefits are payable) in which to learn about their rights under the new provisions, and will protect their insured status if they should delay in filing. Following this grace period, the provisions of paragraph (2) will go into effect.

Paragraph (2) provides that for those who file after 1952, the disability determination date will be whichever of the following days is the latest: The day the disability actually began; the first day of the tenth month prior to the month of filing (thus allowing for the waiting period and the 3-month retroactive benefit period); or the first day of the first quarter in which the claimant had insured status for disability benefits. These limitations make it important for claimants to file timely application for benefits, since undue delay may result in the expiration of insured status. (See subsec. (b).)

Determination of disability

Section 219 (d) directs the Administrator to determine or redetermine periodically an individual's entitlement to disability insurance benefits, and authorizes the Administrator to provide by regulation for such examinations as he deems necessary to make these deter-

minations. Reexamination at regular intervals, such as 6 months or a year, would be prescribed according to the judgment of physicians reviewing each case; in cases where recovery was obviously impossible, such as dismemberment, reexamination might be waived. The Administrator is authorized to pay the necessary travel and subsistence expenses of the individual in connection with such examination; procedures would be similar to those followed by the Veterans' Administration. If the examining physician is not an employee of the United States, payment of a fee for the examination is authorized. Examination costs, including such fees, expenses of travel and laboratory analyses, will be paid from the trust fund by means of annual appropriations, in the same manner as present administrative expenses are paid.

Reduction of benefit

Section 219 (e) provides for adjustment of disability insurance benefits where workmen's compensation benefits are payable for the same disability during the same period of time. In such cases, before any deductions are made, the disability insurance benefit will be reduced by an amount equal to one-half of whichever of the two benefits is the smaller. Where disability insurance benefits have already been paid, the required reduction will be made by deductions from any other benefits; i. e., old-age or survivors benefits or subsequent disability benefits, payable under title II on the basis of the individual's wages or self-employment income. When a workmen's compensation benefit is paid on other than a monthly basis, reduction of disability benefits must be made in such amounts as will most nearly approximate the prescribed reduction in the case of those paid on a monthly basis.

Sometimes it may not be clear whether or not an individual will be eligible for a workmen's compensation benefit which would require a reduction of disability insurance benefits. In such cases, the Administrator may, as a condition to certification, require adequate assurance of reimbursement in case such workmen's compensation benefits do become payable. This might be accomplished through agreements under which workmen's compensation agencies, individual claimants, or insurance carriers would reimburse the trust fund in such cases, if permitted by State law; or, in the absence of suitable arrangements for reimbursement, disability insurance benefits can be reduced temporarily by an amount based on a presumed workmen's compensation benefit, pending final outcome of the individual's claim for workmen's compensation.

"Workmen's compensation benefit" is defined as a cash benefit, allowance, or compensation payable under any workmen's compensation law or plan of the United States or of any State.

Termination of entitlement to benefits by Administrator

Section 219 (f) empowers the Administrator to deny or terminate entitlement to benefits of any individual who has refused to submit himself for examination or reexamination in accordance with regulations, or has without good cause refused to accept available rehabilitation services under a State plan approved under the Vocational Rehabilitation Act after being directed by the Administrator to do so. What constitutes "good cause" will be a matter for administrative determination (subject to judicial review), based on findings of

special hardship or other valid considerations in individual cases. Benefits may also be denied or terminated if an individual is outside the United States and the Administrator finds that adequate arrangements have not been made for determining or redetermining such individual's disability. These provisions are designed to assure strict proof of disability and continuing disability in order to protect the trust fund and prevent the payment of benefits in doubtful cases.

Cooperation with agencies and groups

Section 219 (g): The Administrator is authorized by subsection (g) of section 219 to enter into voluntary working agreements or otherwise secure the cooperation of appropriate public and private agencies, groups, or organizations which may be able to assist disabled persons and aid in the effective administration of disability benefits. It is expected that there will thereby be achieved in this program the same close cooperation with local sources for aiding the disabled as exists today between the Bureau of Old-Age and Survivors Insurance and local agencies in meeting the needs of aged, widowed, and child beneficiaries.

Definitions of "disability" and "permanently and totally disabled individuals"

Section 219 (h) defines "disability" as inability to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent. To meet this definition, it will be necessary to show clearly through medical and other evidence that the individual's impairment does in fact render him incapable of performing any substantially gainful activity. Under this definition, conditions which usually respond to therapy and may normally be expected to result in recovery would be ruled out, unless there are circumstances in a particular case, such as advanced age of the claimant or history of previous episodes, which will lead medical judgment to the conclusion that the condition is permanent.

"Blindness" also constitutes "disability." "Blindness" is defined as central visual acuity of 5/200 or less in the better eye with correcting lenses; an eye in which the visual field is reduced to 5° or less concentric contraction is considered as having a central visual acuity of 5/200 or less. A medical finding of blindness would alone be sufficient proof that a claimant is a "permanently and totally disabled individual." Permanently disabled blind persons whose visual handicap does not meet this definition may, nevertheless, meet the general definition of disability if they are found unable to engage in any substantially gainful activity by reason of visual impairment.

A "permanently and totally disabled individual" is one who has a disability as defined above.

Definition of "period of disability"

Section 219 (i) defines "period of disability" as including the period of one or more consecutive calendar months for which an individual was entitled to a disability insurance benefit and, in addition, (1) where the application for disability benefits is filed before 1953, the six or more calendar months preceding such period and following the month in which the disability determination date occurs, or (2) where application for benefits was filed after 1952, the six calendar months preceding such period.

DEDUCTIONS FROM DISABILITY INSURANCE BENEFITS

Events for which deductions are made

Section 220 (a) of the Social Security Act as amended by the bill specifies the events which will cause disability insurance benefits to be suspended for any month. Deductions in the amount of the disability insurance benefit will be made for any month in which the beneficiary (1) rendered services for remuneration of more than $50 in any type of employment anywhere, whether or not included as employment for coverage purposes under section 210; or (2) is charged, pursuant to subsection (c), with net earnings of more than $50 from any type of self-employment, whether or not included as self-employment income under section 211 (see subsec. (d)); or (3) fails to submit himself for examination in accordance with regulations; or (4) refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act after direction to do so; or (5) is outside the United States, and no adequate arrangements have been made for determining or redetermining his disability. If in the judgment of the Administrator it will aid in the process of rehabilitation, the Administrator may, for a period not to exceed 12 months, suspend or modify the wage and self-employment earnings limitations of clauses (1) and (2) above with respect to any individual who is receiving rehabilitation services under an approved State plan.

Occurrence of more than one event

Section 220 (b) provides that only a single deduction will be made (i. e., an amount equal to 1 month's disability insurance benefit) for any month in which there occurs more than one of the conditions enumerated in subsection (a) which require deductions. Net earnings from self-employment which are charged to a particular month will be treated as an event occurring in that month.

Months to which net earnings are charged

Section 220 (c) prescribes the method for charging to specific months the net earnings from self-employment of disability-insurance beneficiaries. (See sec. 203 (e) of the Social Security Act as amended by the bill for similar, although not identical, provisions with respect to the net earnings from self-employment of all other types of beneficiaries.) Any month to which the net earnings so charged exceed $50 will be subject to a benefit deduction in accordance with section 220 (a) (2). No month of an individual's taxable year will be charged with more than $50 of net earnings from self-employment unless net earnings exceed the product of $50 times the number of months in such year. In this case, each month of the year is first to be charged with $50 of net earnings from self-employment; then the amount of net earnings in excess of the product is to be charged in units of $50, beginning with the last month of the taxable year and progressing toward the first month of the taxable year. The paragraph provides further that no part of the excess net earnings from self-employment is to be charged to any month (1) for which the individual was not entitled to a benefit under this title, or (2) in which any of the other deduction events enumerated in section 220 (a) occurred, or (3) in which the individual did not engage in self-employment. With respect to

item (3), an individual is presumed to have engaged in self-employment in a month until he shows to the satisfaction of the Administrator that he rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in determining his net earnings from self-employment. The methods and criteria for determining whether or not an individual has rendered substantial services will be established by regulations.

Special rule for computation of net earnings from self-employment

Section 220 (d) provides that, for individuals receiving disability insurance benefits, net earnings from self-employment will be computed in accordance with the provisions of section 211, enlarged to include income received from all types of self-employment, e. g., farming, holding public office, or serving as a minister. This subsection provides further that the net earnings of such individuals shall be computed without regard to sections 116, 212, 213, 251, and 252 of the Internal Revenue Code, which set forth special rules for computing gross income and deductions of nonresident aliens and citizens of the United States or its possessions residing abroad. The effect of these provisions is to take into account, in making benefit deductions, all net income from self-employment that a citizen or alien disability beneficiary may earn whether within or outside the United States.

Penalty for failure to report certain events

Section 220 (e) imposes a penalty deduction equal to 1 month's benefit, in addition to the regular deduction, for knowing failure to report promptly the occurrence in a month of any of the deduction events specified in section 220 (a) (other than the charging of net earnings from self-employment in excess of $50, which is treated separately in subsection (f)). The first penalty deduction in any individual case will, however, not exceed 1 month's benefit, regardless of the number of months for which the individual failed to report.

Report to Administrator of net earnings from self-employment

Section 220 (f) imposes a penalty deduction, equal to the benefit for the last month in the taxable year, for failure to report, by the fifteenth day of the third month after the close of the taxable year, net earnings from self-employment which would cause regular deductions under section 220 (a) (2). After the fourth month following the close of the taxable year, a penalty deduction in the same amount will be imposed for each month or fraction of a month during which such failure continues; but the total number of penalty deductions may not exceed the number of months in the taxable year for which the individual received and accepted benefits and for which deductions for self-employment are imposed (see sec. 220 (a) (2)). For a first failure to report, only one penalty deduction will be imposed, even though more than one such deduction would otherwise be made by this subsection. If, before the end of the taxable year, the Administrator is reasonably certain, from information received, that an individual's earnings for that year will result in benefit deductions, he may immediately suspend such individual's benefit payments until he determines whether or not deductions will be imposed for that year. The suspensions so made are in the nature of temporary deductions. After the report for the year becomes available and the deductions to be imposed are finally established, any necessary adjust-

ment for the difference between the current suspensions and the deductions imposed by section 220 (a) would then be made. He is also authorized to require an individual, before the close of the taxable year, to make a declaration of estimated net earnings from self-employment for that year and furnish other necessary information. Failure to comply will constitute justification for assuming the individual will have earnings for which deductions will be imposed for the taxable year in question.

EFFECTIVE DATE IN CASE OF PUERTO RICO

Section 108 of the bill adds a new section 221 to the Social Security Act which provides that Puerto Rico will be covered under title II of the Social Security Act if the Governor certifies to the President of the United States that the Puerto Rican Legislature has adopted a concurrent resolution to the effect that it desires coverage. Coverage of Puerto Rico would be effective on January 1 of the first calendar year beginning more than 90 days after receipt by the President of the Governor's certification.

RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

Section 109 of the bill makes a number of technical amendments in section 205 of the Social Security Act and is intended principally to clarify the statute of limitations in the present act which governs the circumstances under which corrections or changes may be made in earnings records maintained by the Administrator.

Because of the addition of benefits for a former wife divorced (sec. 202 (e) of the Social Security Act), section 109 (a) of the bill provides for adding such individuals to the persons listed in section 205 (b) of the Social Security Act who may request information regarding a wage earner's or self-employed person's record.

Section 109 (b) of the bill revises section 205 (c) of the act in several respects including changes necessary to provide for maintaining records of earnings of self-employed persons. Paragraph (1) of the revised 205 (c) includes definitions of "accounting period" and of "time limitation" for convenience of reference and because of certain necessary differences between the reporting of wages and of self-employment income. The "time limitation" applied to wages and self-employment income is coordinated with the corresponding period within which taxes may be assessed. A definition of "survivor" is included to simplify references throughout the subsection.

The term "accounting period" is defined as a calendar quarter in the case of wages and a taxable year in the case of self-employment income. The term "time limitation" is defined as 4 years 1 month in the case of wages and 4 years 2 months 15 days in the case of self-employment income. The term "survivor" is defined to mean a spouse, former wife divorced, child, or parent who survives the wage earner or self-employed person.

Paragraphs (2) and (3) of the revised section 205 (c) continue the provisions of existing law as now contained in section 205 (c) (1) of the Social Security Act and make such provisions applicable to self-employment income. They direct the Administrator to establish and maintain records of the earnings of individuals and to inform them,

upon request, of the amounts in such records. They also make the records evidence of the earnings of individuals and the absence of entries for any period evidence that no wages were paid or self-employment income derived during such period.

Paragraph (4) states the conditions under which the Administrator's records may be revised. Prior to the expiration of the time limitations, the Administrator may revise his records if any error in them is brought to his attention. This is the same as existing law. Changes, however, have been made in the provisions relating to the effect of the records and revisions which may be made in them after the expiration of the time limitations. As changed, the provisions relating to the Administrator's records after the 4-year time limitation provide that, after such period, (1) the amounts of wages or self-employment income as shown on the records for any period shall be conclusive for such period; (2) the absence of any entry in the records as to the wages alleged to have been paid by an employer in an accounting period shall be presumptive evidence that no wages were paid by such employer in the accounting period; and (3) the absence of an entry as to self-employment income in an accounting period is conclusive unless it is shown that a tax return of such income was filed before the expiration of the time limitation following the accounting period. However, certain corrections are specifically permitted after the end of the time limitation.

The presumption that no wages were paid an individual by an employer in a quarter in the absence of an entry of such wages in the records may be overcome by proof that the wages had been paid.

Where no entry of self-employment income appears on the records and it is shown that a tax return was filed by the individual within the time limitation, the Administrator is required to enter upon the record the self-employment income for such period.

The present provision of 205 (c) (3) of the Social Security Act, permitting revision of the records after the time limitation if the Administrator was on notice of an error before the end of the period, is deleted. Determination of what constitutes "notice" has proved administratively cumbersome. Instead paragraph (5) of section 205 (c) as revised by the bill authorizes corrections after the time limitation if an application for monthly benefits or a lump-sum payment is filed within the time limitation and no final decision has been made on it, or if a written request for a revision of the records is made within the time limitation, but no such revision may be made after final decision upon such application or upon such request.

In addition, the conditions under which the Administrator may correct his records after the end of the time limitation, even though no application for benefits or revision was filed within the period, are expanded in ways designed to correct certain anomalies occurring under existing law. The revised section 205 (c) would permit revision after the end of the time limitation—

(1) To correct any mechanical, clerical, or other errors apparent on the face of the records.

(2) To transfer items to or from records of the Railroad Retirement Board, if such items were reported to the wrong agency.

(3) To delete or reduce any items entered through fraud.

(4) To conform the Administrator's records with specified tax returns or informational statements filed with the Commis-

sioner of Internal Revenue. However, in the case of a tax or information return in respect of self-employment income filed after the end of the time limitation following the taxable year, corrections of the Administrator's records will not be made except to include self-employment income for such year in an amount not in excess of the amount (if any) which has been deleted (after the end of the time limitation) as payments erroneously included in such records as wages paid to such individual during such taxable year. This prohibition against entries with respect to self-employment income after the end of the time limitation applies not only to cases in which the individual voluntarily files a tax return, but also to cases in which the Commissioner asserts an underpayment of the self-employment tax.

(5) To include wages paid by an employer to an individual in an accounting period where there is a complete absence of any entry in the records of wages having been paid by such employer during such period.

(6) To enter certified items transferred by the Railroad Retirement Board in cases in which survivors benefits under the Social Security Act are to be based on a combination of social-security wages and railroad compensation.

Paragraph (6) of the revised section 205 (c) continues the requirement in existing law that written notice of any deletion or reduction of wages be given to the individual whose record is involved where he has previously been notified by the Administrator of his wages for the accounting period involved. Notice of a deletion or reduction of self-employment income is required to be given to the individual involved in all cases because such individuals, having made out their own returns, have notice of the amount of self-employment income that should be shown on the records. An individual's survivor is also to be notified of any deletion or reduction if either the individual or the survivor has previously been notified of the amount of wages and self-employment income appearing on the Administrator's records for the accounting period involved.

Paragraph (7) of the revised section 205 (c) gives the Administrator discretion to prescribe the period, after any change or refusal to change his records, within which an individual or his survivor may be granted a hearing upon request. Under the present law, the hearing must be requested before the running of the time limitation or within 60 days thereafter; but may not be requested thereafter. Thus some individuals have a very long period within which to make a request while other individuals have no opportunity to request a hearing. Under the amendment, the Administrator will have the authority to establish reasonable and equitable regulations governing the period within which a hearing must be requested.

Paragraph (8) continues existing law providing for judicial review (as provided in section 205 (g)) of the Administrator's decisions under section 205 (c).

Section 109 (c) of the bill further amends section 205 of the Social Security Act by the addition of three new subsections. These deal with special problems arising out of extension of coverage to employees of nonprofit institutions and certain Federal employees and the necessity for continuing the provisions of existing law for the coordination

between survivors benefits under the Social Security Act and the Railroad Retirement Act.

The new subsection (o) gives effect to the special arrangements for covering employees of nonprofit organizations without jeopardizing the tax-exempt status of these organizations. In the provisions of the bill amending the Internal Revenue Code it is provided that nonprofit organizations are entitled to an exemption from the employer tax of the program, but that an organization may waive its exemption and pay the employer tax. Subsection (o) provides that if the employer has waived his exemption the employee will receive full credit toward benefits for wages paid for employment for the nonprofit organization; otherwise the employee will receive credit for only half the wages paid for such employment.

The new subsection (p) provides that if no person exists who could, upon application, become entitled to a monthly survivors annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of that section, with respect to the death of an employee (as defined in such act), railroad compensation shall be counted on the same basis as old-age and survivors insurance wages or self-employment income in determining the rights of the employee's survivors to a lump-sum death payment or to monthly survivors benefits under the Social Security Act. The subsection would not permit transfer of compensation credited by reason of military service where the employee is credited with wages under title II of the Social Security Act for such service for the same period of time. None of the provisions of the subsection would be applicable where larger benefits would be payable under title II without its application. This section, like the new section 202 (j) provided for in section 101 (a) of the bill, is necessary to continue the existing coordination of survivors benefits under the railroad retirement and old-age and survivors insurance programs.

Paragraph (1) of the new subsection (q) provides that the Federal Security Administrator shall not make determinations as to employment or wages with respect to service in the employ of the United States or its wholly owned instrumentalities, but shall accept the determinations of the head of the appropriate Federal agency or instrumentality. This provision represents an extension of present provisions of title II of the Social Security Act applicable to services for the Maritime Commission and the Bonneville Power Administration. Heads of agencies or instrumentalities are authorized by paragraph (2) to make necessary certifications to the Federal Security Administrator with respect to services under their jurisdiction. Paragraph (3) makes the subsection applicable to service in certain activities conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense (such as post exchanges) and designates the Secretary of Defense as the head of such instrumentalities for the purposes of the title.

MISCELLANEOUS AMENDMENTS

Section 110 of the bill makes several changes of a technical nature in the remaining provisions of title II of the Social Security Act.

Since States entering into agreements with the Federal Security Administrator for coverage of the State and local employees are re-

quired (under the new sec. 218 of the Social Security Act) to pay amounts equivalent to the employer and employee taxes to the Secretary of the Treasury, provision is made for including such amounts as part of the trust fund (sec. 201 (a)).

The time for the filing of the annual report of the Board of Trustees of the trust fund has been moved from the first day of each regular session of the Congress to March 1 of each year in order to give the Federal Security Agency the additional time which experience has shown it needs in order to assemble the data required for this report (sec. 201 (b)).

Although the Board of Trustees is now required to submit an annual report to the Congress, there is no authorization to have this report printed. It is therefore necessary each year to pass a resolution authorizing the printing of this report, in order, among other things, to obtain a sufficient number of printed copies for the Members and the staff of the Congress. Section 110 of the bill would amend the applicable provisions of the Social Security Act so as to authorize the printing of the annual report as a House document (sec. 201 (b)).

Under the present law, all taxes collected for the old-age and survivors program are appropriated to the trust fund, but any required refunds of such taxes are made from general revenues. The bill would change this by authorizing such refunds to be made from the trust fund after 1949 (sec. 201 (f)).

In order to facilitate the operations of the Board of Trustees of the trust fund, the bill would amend the Social Security Act so as to designate the Commissioner for Social Security of the Federal Security Agency as secretary of the board (sec. 201 (b)). The board would also be given the additional function of recommending administrative procedures and policies designed to effectuate the proper coordination of the social insurances (sec. 201 (b)).

The bill would eliminate from provisions relating to the trust fund the authorization to appropriate to it from the general funds of the Treasury such additional sums as may be required to finance the benefits and payments provided by the insurance program.

In view of the addition of disability insurance to the existing program, the heading of title II of the Social Security Act and the title of the Federal old-age and survivors insurance trust fund have been amended to include a reference to disability insurance.

This section of the bill would also do what has already been accomplished in effect by the Reorganization Plan of 1946 by changing all references to the Social Security Board in title II of the Social Security Act to the Federal Security Administrator. In addition, references in title II to the Federal Insurance Contributions Act (the short title of the Internal Revenue Code provisions relating to collection of taxes for the old-age and survivors insurance program) have been changed to subchapters A and F of the Internal Revenue Code in order to avoid confusion and to include the new provisions of the code relating to the collection of taxes from the self-employed.

INCREASE OF EXISTING BENEFITS

Section 111 (a) of the bill provides a table by which the primary insurance amount of certain individuals who have died or received primary insurance benefits before 1950 may be increased. This

method of increasing the benefits of individuals now on the rolls will permit substantial administrative savings, as compared with individual recomputation of benefit amounts, and will assure that the increased amounts of benefits will reach the beneficiaries within a reasonable time. The table has been so constructed that, on the average, benefits derived by its use will be about 70 percent higher than at present. The percent of increase is larger for the lower benefits than for higher ones.

The table to be used is as follows:

I Primary insurance benefit before 1950	II Primary insurance amount after 1949	III Assumed average monthly wage for purpose of computing maximum benefits	I Primary insurance benefit before 1950	II Primary insurance amount after 1949	III Assumed average monthly wage for purpose of computing maximum benefits
$10	$25.00	$50.00	$29	50.00	133.00
$11	26.30	52.00	$30	50.90	141.00
$12	27.50	54.50	$31	51.80	149.00
$13	28.70	57.00	$32	52.70	157.00
$14	29.80	59.50	$33	53.60	165.00
$15	30.90	62.00	$34	54.50	173.00
$16	32.00	64.50	$35	55.40	181.00
$17	33.10	66.50	$36	56.30	189.00
$18	34.20	68.50	$37	57.20	196.00
$19	35.20	70.50	$38	58.10	203.00
$20	36.30	72.50	$39	59.00	210.00
$21	37.40	74.50	$40	59.90	217.00
$22	38.70	77.50	$41	60.80	224.00
$23	40.30	82.50	$42	61.70	231.00
$24	42.40	88.50	$43	62.60	238.00
$25	44.50	97.00	$44	63.50	244.00
$26	46.30	106.00	$45	64.40	250.00
$27	47.80	116.00	$46	64.40	250.00
$28	49.00	125.00			

Subsection (b) provides that the table shall be used to determine the increased primary insurance amount for any person to whom a primary insurance benefit was paid for a month before 1950. Thus, both the old-age benefit for any month after 1949 and the dependents and survivors benefits based on the primary insurance amount of an individual who had received a primary insurance benefit before 1950 will be increased as shown in the table. The table will also be used to determine the new primary insurance amount in the case of an individual who died before 1950, where a monthly benefit based on his wages was paid for any month prior to 1952 or a lump-sum death payment was made on the basis of his wages. In these cases of death prior to 1950, the primary insurance benefit (to which the table is to be applied) would be determined under the existing provisions of title II of the Social Security Act, except that if the deceased individual was a World War II veteran his primary insurance benefit would be determined under the provisions of section 217 (a) of the amended act, if this would result in a higher primary insurance benefit for him. The primary insurance benefit so determined would then be increased according to the table.

Under these provisions, the table will be applied where the primary insurance benefit has been calculated under the old formula and some benefit has been paid on the basis of that calculation. Most claims for survivors benefits and for lump-sum death payments based on

deaths occurring prior to 1950 will have been made and a payment certified prior to 1952. However, in those cases in which no payment has been made for a month before 1952 for a death occurring before 1950, the calculation of benefits will be made on the basis of the new formula as if the death had occurred after 1950. This will reduce the administrative problems connected with the change in the method of calculating benefits.

In the case of any individual living after 1949 who was entitled to but was not paid primary insurance benefits prior to 1950 (because he never actually "retired"), and in the case of any individual who died prior to 1950 and on the basis of whose record no monthly benefit was paid for any month prior to 1952 and no lump-sum death payment was made, the primary insurance amount is determined under the new formula contained in section 215 of the Social Security Act as amended by this bill.

Subsection (c) provides that the primary insurance benefit of any living individual to whom a primary insurance benefit was paid for any month prior to 1950 shall, without application, be recomputed under the existing benefit formula as of December 1949 if the individual rendered services in that month for wages of $15 or more, or if he is a World War II veteran. In the latter case, the recomputation is to be made after the inclusion of wage credits on account of military service as provided in section 217 (a) of the Social Security Act as amended by this bill.

If the recomputed amount is larger than the previous amount, that larger amount shall be the primary insurance benefit used in column I of the table. The effect of this subsection is to base the individual's increased primary insurance amount on the highest primary insurance benefit which his wage record could yield as of December 1949.

Subsection (d) of section 111 of the bill provides that if the primary insurance amount of an individual is determined by use of the table, his average monthly wage shall, for the purpose of determining the maximum amount of family benefits on his wage record, also be determined by the table. This will assure maximum benefits reasonably related to the new levels of the primary insurance amounts established by the table. The new average wage so determined will not be reduced, for purposes of the maximum, as the result of any recomputation under section 215 (g) of the Social Security Act.

Subsection (e) provides that when the table is to be used and an individual's primary insurance benefit falls between the amounts shown on any two consecutive lines in column I of the table (i. e., where it is not a multiple of $1), his primary insurance amount and average monthly wage shall be determined by regulations which will yield results consistent with those obtained under the preceding provisions for individuals whose present primary insurance benefits are a multiple of $1. An example of how this subsection would be applied follows: If an individual had a primary insurance benefit before 1950 of $27.25, his primary insurance amount after 1949 will be $48.10, which is one-fourth of the way between $47.80 (the new primary insurance amount for an individual whose primary insurance benefit before 1950 was $27) and $49 (the new primary insurance amount for an individual whose primary insurance benefit before 1950 was $28). In such a case the assumed average monthly wage for the purpose of computing maximum monthly benefits after 1949

will be $118.25, which is one-fourth of the way between $116 (the assumed average monthly wage of an individual whose primary insurance benefit before 1950 was $27) and $125 (the assumed average monthly wage of an individual whose primary insurance benefit before 1950 was $28). The provision for reducing the average monthly wage, if it is not a multiple of $1, to the next lower multiple of $1 (sec. 215 (c) (3) (C) of the Social Security Act as amended by the bill) does not apply to the assumed average monthly wage since column III of the table states specifically that the amounts therein are the ones which will be applied for purposes of section 203 (a) of the Social Security Act as amended by the bill. Furthermore, since the individual benefits, as distinguished from the average monthly wage, which are not a multiple of $0.10, are to be rounded to the next higher multiple of $0.10 (pursuant to sec. 215 (h) of the Social Security Act as amended by the bill), the primary insurance amount will be $48.10 for individuals who had a primary insurance benefit before 1950 falling within the range of $27.18 to $27.25, both inclusive; and for all such cases the assumed average monthly wage, for the purpose of computing the maximum monthly benefits payable on the same wage record, will be $118.25.

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

RATE OF TAX ON WAGES

Section 201: This section amends clauses (2) and (3) of sections 1400 and 1410 of the Internal Revenue Code. Under existing law the rate of the employees' tax and of the employers' tax for the calendar years 1950 and 1951 is 1½ percent; and the rate of each such tax for the calendar year 1952 and subsequent calendar years is 2 percent. Under the amendment the rates of each tax are as follows:

	Percent
For the calendar year 1950	1½
For the calendar years 1951 to 1959, inclusive	2
For the calendar years 1960 to 1964, inclusive	2½
For the calendar years 1965 to 1969, inclusive	3
For the calendar year 1970 and subsequent calendar years	3¼

EXEMPTION OF NONPROFIT ORGANIZATIONS

Section 202: Subsection (a) of this section makes a technical amendment to section 1410 of the Internal Revenue Code, which section prescribes the rates of employers' tax. The amendment substitutes "SEC. 1410. IMPOSITION OF TAX." for "SEC. 1410. RATE OF TAX." and adds the subheading "(a) RATE OF TAX.—". This subsection of the bill also adds section 1410 (b) which contains a reference to section 1412, added by the bill, containing an exemption from the tax imposed by section 1410 of the code.

Subsection (b) of this section of the bill amends part II of subchapter A of chapter 9 of the Internal Revenue Code by adding at the end thereof a new section 1412. Section 1412 (a) exempts from the tax imposed by section 1410 certain organizations organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, provided a waiver filed by such an organization-employer

pursuant to section 1412 (b) is not in effect. (Existing law provides no exemption to such organizations from the employers' tax imposed by sec. 1410, but such organizations are not now taxed under such section because sec. 1426 (b) (8), which is changed by sec. 205 (a) of the bill, excludes services performed in the employ of such organizations from the definition of employment.) Section 1412 (b) permits employers described in section 1412 (a) to file waivers of the exemption accorded them by section 1412 (a). An organization-employer which has duly filed a waiver of its exemption from the employers' tax is liable for such tax with respect to wages paid during the period such waiver is in effect. The liability of such employer for the tax is in all respects the same as the liability of any other employer for the tax and is collectible and enforceable in the same manner as the liability of any other employer. The waiver and any notice of termination or of revocation of the notice of termination are required to be filed in such form and manner, and with such official of the Bureau of Internal Revenue, as may be prescribed by regulations made under the Federal Insurance Contributions Act. The waiver shall be effective for the period beginning after the close of the calendar quarter in which filed, but in no case prior to January 1, 1950. The organization may terminate the waiver, effective at the end of a calendar quarter, upon giving 2 years' advance notice, provided the waiver has been in effect for not less than 5 years prior to the receipt of such notice. An organization which files a notice of termination may revoke such notice by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of revocation. Section 1412 (c) provides for the termination of the waiver by the Commissioner of Internal Revenue under circumstances involving failure or inability of the employer to comply with the provisions of the Federal Insurance Contributions Act. The Commissioner is required to give such employer not less than 60 days' advance notice in writing that the period covered by such waiver will terminate at the end of the calendar quarter specified in such notice. The Commissioner may revoke such notice of termination by giving to the employer, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation. Neither notice of termination nor notice of revocation may be given by the Commissioner to an employer without the prior concurrence of the Federal Security Administrator. Section 1412 (d) provides that if a waiver is terminated by the employer, no waiver may again be made by such employer pursuant to section 1412.

Subsection (c) of this section of the bill provides that the amendments made by section 202 of the bill shall be applicable only with respect to remuneration paid after December 31, 1949.

FEDERAL SERVICE

Section 203: Subsection (a) of this section amends part II of subchapter A of chapter 9 of the Internal Revenue Code by adding after section 1412 (added by sec. 202 of the bill) a new section 1413. Section 1413 makes ineffectual as to the tax imposed by section 1410 of the code (with respect to remuneration paid after 1949) those provisions of any statute (irrespective of the date of enactment thereof) which grant to any instrumentality of the United States an exemp-

tion from taxation, unless such statute grants a specific exemption from the tax imposed by section 1410 by an express reference to such section. The exemptions from Federal taxation granted by various existing statutes to certain Federal instrumentalities without specific reference to the tax imposed by section 1410 are rendered inoperative insofar as the exemptions relate to the tax imposed by section 1410, without the necessity of specifically amending such exemption statutes. Some Federal instrumentalities whose exemption from the tax imposed by section 1410 is rendered inoperative by section 1413 are as follows: Federal Reserve banks, Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Reconstruction Finance Corporation, the Federal National Mortgage Association, Federal land banks, national farm-loan associations, Federal Farm Mortgage Corporation, Federal intermediate credit banks, Central Bank for Cooperatives, production credit corporations, production credit associations, regional banks for cooperatives, Federal home-loan banks, and Federal credit unions. With respect to subsequent legislation of Congress which might grant a general exemption from taxation to an instrumentality of the United States, section 1413 provides, as a rule of construction, that such general exemption (lacking a specific reference to the tax imposed by sec. 1410) is not to be construed as providing an exemption from the tax imposed by section 1410.

Subsection (b) of this section of the bill amends section 1420 of the code, relating to the collection and payment of the taxes imposed by sections 1400 and 1410 of the code, by adding at the end thereof a new subsection (e). Section 1420 (e) relates to the employees' and employers' taxes imposed with respect to certain services performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States. The head of the Federal department, agency, or instrumentality, having control over the services performed in the employ of such department, agency, or instrumentality, or such agent or agents as may be designated by such head, shall (1) determine whether an individual has performed services which constitute employment as defined in section 1426 of the code, (2) determine the amount of remuneration which constitutes wages as defined in section 1426, and (3) make the required return and payment of the taxes imposed by sections 1400 and 1410. A person making such return may, for convenience of administration, make payments of the employers' tax imposed under section 1410 without regard to the $3,600 limitation in section 1426 (a) (1) (as amended by sec. 204 (a) of the bill), and he shall not be required to file a claim for refund, or obtain a refund, of any amount paid as tax under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). This provision does not authorize such person to disregard the $3,600 limitation as to remuneration paid for services included in returns made by his reporting unit.

The provision will relieve a person making a return on behalf of any Federal department or agency of ascertaining whether any wages have been reported for the particular employee during the calendar year by any other reporting unit of any Federal department or agency and will relieve any person making a return on behalf of a wholly owned instrumentality of ascertaining whether any wages paid the particular employee during the calendar year by such instrumentality

have been reported by any other reporting unit of such instrumentality. The head or agent of an instrumentality in determining the amount of remuneration for services performed in employment which constitutes wages as defined in section 1426 may not take into consideration amounts of remuneration paid by any other instrumentality or any Federal department or agency.

Section 1420 (e) is also made applicable to services, performed by a civilian employee who is not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, the Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or any other activity, conducted at installations of the National Military Establishment for the benefit and morale of personnel of the armed forces by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense. For purposes of section 1420 (e) the Secretary of Defense is deemed to be the head of any such instrumentality.

Subsection (c) of section 203 of the bill amends section 1411 of the code, relating to adjustments of the employers' tax imposed by section 1410 of the code, by adding thereto a special provision with respect to remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1949. The amendment provides that, for the purposes of section 1411, each head of a Federal department, agency, or instrumentality who makes a return pursuant to section 1420 (e) of the code and each agent, designated by the head of a Federal department, agency, or instrumentality, who makes a return pursuant to section 1420 (e) shall be deemed a separate employer. Thus, adjustments of the tax imposed by section 1410 will be made by the reporting unit by which the erroneous underpayment or overpayment was made. For the corresponding amendment with respect to the employees' tax imposed by section 1400 of the code and for the provisions with respect to special refunds of employees' tax in the case of Federal services, see section 1401 (d) (4) of the code, as added by section 204 (c) of the bill.

Subsection (d) of section 203 of the bill provides that the amendments made by such section shall be applicable only with respect to remuneration paid after December 31, 1949.

DEFINITION OF WAGES

Section 204: This section, applicable only with respect to remuneration paid after 1949, amends section 1426 (a) of the Internal Revenue Code, which defines the term "wages" for the purposes of the Federal Insurance Contributions Act, and also amends section 1401 (d) of the code, relating to special refunds of employees' tax imposed by section 1400 of the code. Subsection (a) of this section of the bill amends section 1426 (a), which contains the definition of wages. Under existing law the term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash, with certain specific exceptions. The amendment retains this provision of existing law which precedes the numbered paragraphs containing the exceptions. The bill increases the $3,000 limitation contained in section 1426 (a) (1) of existing law to $3,600, and adds thereto an amendment which provides that remuneration specifically excepted from wages shall be disregarded in computing the amount

of remuneration with respect to employment which constitutes wages. Thus, if during a calendar year an employee receives remuneration from his employer on account of medical or hospitalization expenses in connection with sickness or accident disability, and if such remuneration is excluded from the definition of wages under the provisions of section 1426 (a) (2) or (4) (as amended by the bill), such remuneration paid to the employee will not be taken into account in applying the $3,600 limitation. Section 204(a) of the bill also adds a provision with respect to the computation of the $3,600 limitation where one employing entity is succeeded by another employing entity under certain prescribed conditions.

The annual $3,600 limitation on the amount of remuneration with respect to employment that constitutes wages applies only to remuneration received by an employee from the same employer. Under existing law, where during a calendar year an employee is employed by a new employer, the first $3,000 of remuneration with respect to employment paid to him by the new employer during that year constitutes wages and is subject to tax regardless of the amount of such remuneration which might have been paid to him in the same year by a prior employer. In applying this rule, the Bureau of Internal Revenue has held that, if a member of a partnership dies and the trade or business is continued without interruption by the surviving partners who retain all the employees who have been performing services for the former partnership, the dissolution of the old partnership by operation of law and the organization of the new partnership result in the new partnership being considered as a new employer. The new partnership, under the Bureau's rulings, is taxed on the first $3,000 of remuneration with respect to employment paid, during the calendar year in which it was formed, to an employee who had been employed by the predecessor partnership and whose services were retained, although the predecessor may in the same year have already paid tax on wages of $3,000 paid to such employee. Similar results have been reached as a consequence of a corporate merger or consolidation, or where an individual incorporates his business and continues to operate the same enterprise through ownership of all the stock of the corporation.

The amendment made by this section of the bill prevents the duplication of tax in cases such as those described above and in all other cases where an employer acquires substantially all the property used in a trade or business of another person, or used in a separate unit of such a trade or business, if immediately after the acquisition the employer employs in his trade or business (whether or not in the same trade or business in which the acquired property was used) an employee who immediately prior to the acquisition was employed in the trade or business of the predecessor. If the acquisition involves only a separate unit of the trade or business of the predecessor, the employee need not have been employed by the predecessor in that unit provided that he was employed in the trade or business of which the acquired unit was a part. Under the amendment remuneration with respect to employment paid to such employee by the predecessor (or considered as having been paid by the predecessor) during the calendar year in which the acquisition occurs (and prior to the acquisition) is attributed to the successor employer for the purpose of determining whether such employer has in such calendar year paid $3,600 wages

to such employee. The application of the amendment may be illustrated by the following example:

Example: The Y corporation acquires all the property of the X manufacturing company and immediately after the acquisition employs in its trade or business employee A, who, immediately prior to the acquisition, was employed by the X company. The X company has in the calendar year in which the acquisition occurs (and prior to the acquisition) paid $2,000 of wages to A. If the Y corporation pays to A in that year remuneration with respect to employment of $2,000, only $1,600 of such remuneration will be considered to be wages. For the purposes of the $3,600 limitation, the Y corporation will be credited with the $2,000 paid to A by the X company. If, in the same calendar year, the property is acquired by the Z company from the Y corporation and A immediately after the acquisition is employed by the Z company in its trade or business, no part of the remuneration paid to A by the Z company in the year of the acquisition will be considered to be wages. The Z company will be credited with the remuneration paid to A by the Y corporation and also with the wages paid to A by the X company (considered for the purposes of the amendment as having also been paid by the Y corporation).

In the case of a transfer or acquisition of property by a corporation exempt from income tax under section 101 (6) of the code, the activity in which such corporation is engaged is considered to be its trade or business for the purpose of determining whether the transferred property was used in the trade or business of the predecessor and for the purpose of determining whether the employment by the predecessor and the successor of an individual whose services were retained by the successor constituted employment in a trade or business. Thus, if a charitable or a religious organization acquires all the property of another such organization and retains the services of employees of the predecessor, remuneration paid to such employees by the predecessor in the year of the acquisition (and prior to such acquisition) will be attributed to the successor for the purposes of the $3,600 limitation.

A successor employer may receive the credit for remuneration paid to an employee by a predecessor only if the acquisition included substantially all the property used in a trade or business of the predecessor, or in a separate unit of such a trade or business. All the property used in the separate unit of a trade or business may consist of all the property used in the performance of an essential operation of the trade or business, or it may consist of all the property used in a relatively self-sustaining entity forming a part of the trade or business. For example, if the R company, which manufactures a type of motor-driven machine, discontinues the manufacturing of motors and transfers all the property used in such manufacturing to the S company, the S company will be considered to have acquired the motor manufacturing unit of the R company. Similarly, the acquisition of one of a chain of retail stores will constitute the acquisition of a separate unit of the trade or business of the predecessor.

Paragraph (2) of section 1426 (a) as amended by the bill retains the provision of existing law which excludes from the term "wages" the amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance

or annuities, or into a fund, to provide for any such payment), on account of (1) an employee's retirement, or (2) an employee's sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability of an employee, or (4) the death of an employee. Under present law payments made under a plan or system providing for death benefits are not excluded from wages if the employee has certain options or rights, such as the option to receive, instead of the provision for such death benefit, any part of such payment made by the employer, or the right to assign the death benefit or to receive a cash consideration in lieu thereof. The amendment removes such conditions imposed under existing law with respect to payments providing for death benefits. Paragraph (2) excludes from wages only those payments which are made for one or more of the stated purposes.

Paragraph (3) of section 1426 (a) as amended by the bill excludes from wages any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement, irrespective of whether such payment is made pursuant to a plan or system such as is contemplated under section 1426 (a) (2).

Paragraph (4) of section 1426 (a) as amended by the bill excludes from wages any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer. This provision of law will have application in any instance where the payment is not made pursuant to a plan or system and therefore is not excepted from wages by section 1426 (a) (2). In order for a payment to be excepted under this provision, the payment made by the employer to, or on behalf of, the employee must be made by reason of the employee's sickness or accident disability or by reason of medical or hospitalization expenses in connection with such employee's sickness or accident disability and there must have elapsed immediately prior to the calendar month in which the payment is made at least six consecutive calendar months during which the employee did no work for the employer.

Paragraph (5) of the amended section 1426 (a) contains an additional exclusion from the term "wages" with respect to certain payments from or into a trust exempt from tax under section 165 (a) of the code or under or to an annuity plan which meets the requirements of section 165 (a) (3), (4), (5), and (6). Under this paragraph a payment made by an employer into a trust or annuity plan is excepted from wages at the time of such payment, if the trust is exempt from tax under section 165 (a) of the code or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6) at the time the payment is made thereto. A payment to, or on behalf of, an employee from a trust or under an annuity plan is also excepted from wages under this paragraph if at the time of the payment to, or on behalf of, the employee, the trust is exempt from tax under section 165 (a) or the annuity plan meets the requirements of section 165 (a) (3), (4), (5), and (6). However, a payment made to an employee of an exempt trust as remuneration for services rendered as such employee and not as a beneficiary of the trust is not within the exclusion.

Paragraph (6) of the amended section 1426 (a) continues without change the existing exclusion from wages (sec. 1426 (a) (3)) of payments by an employer (without deduction from the remuneration of, or other reimbursement from, the employee) of the employees' tax imposed by section 1400 of the code and employee contributions under State unemployment-compensation laws.

Paragraphs (7) and (8) of the amended section 1426 (a) contain additional exclusions from the term "wages." Paragraph (7) excludes any payment of remuneration made in any medium other than cash (as, for example, lodging, food, clothing, or car tokens or weekly transportation passes) to an employee for services not in the course of the employer's trade or business (including domestic service in a private home of the employer). The additional exclusion provided by paragraph (8) eliminates from the term "wages" the remuneration (other than vacation or sick pay) of a stand-by employee who has attained age 65 and whose employment relationship has not terminated, if the employee does no work for the employer in the period for which such remuneration is paid.

Section 1426 (a) as amended by the bill contains no provision comparable to paragraph (4) of existing law which excludes from the term "wages" dismissal payments which the employer is not legally required to make. Therefore, a dismissal payment, which is any payment made by an employer on account of involuntary separation of the employee from the service of the employer, will constitute wages subject, of course, to the $3,600 limitation, irrespective of whether the employer is, or is not, legally required to make such payment.

Section 1426 (a) as amended by the bill expressly includes as remuneration paid to an employee by his employer cash tips or other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him; except that, in the case of cash tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of 10 days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter is considered as remuneration paid by his employer, and payment of the amount so reported is considered as having been made to the employee on the date on which such report is made to the employer. The determination of whether cash tips or other cash remuneration is customarily received by an employee will depend, not on the identity of the employee, but in a large part, on whether the service is of such a nature and is rendered under such circumstances and in such place or business establishment as makes the receipt of such payment by the individual performing the services not unusual. If a restaurant, hotel, or other establishment includes a specified amount in the bill presented to the customer or patron as a charge in lieu of tipping, the amount thereof collected by the employer and turned over to the employee is remuneration to the employee at the time paid by the employer and will not be treated, under the amendment, as a tip which constitutes remuneration only when reported to the employer by the employee. An example of an employee receiving "other cash remuneration" (i. e., other than tips) is found in the case of an individual having the status of an employee who pays for merchandise obtained from his employer for resale and retains the total amount for which such merchandise is sold.

Subsection (b) of section 204 of the bill amends section 1401 (d) (2) of the code, relating to special refunds of employees' tax paid on aggregate wages in excess of $3,000 received by an employee from more than one employer during any calendar year after the calendar year 1946. The amendment restricts the scope of section 1401 (d) (2) to wages received during the calendar year 1947, 1948, or 1949.

Subsection (c) of section 204 of the bill amends section 1401 (d) of the code by adding thereto new paragraphs (3) and (4). Section 1401 (d) (3) has the effect of conforming the special refund provisions to the increase in the limitation on wages from $3,000 to $3,600. Paragraph (3), relating to wages received after 1949, provides that if by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1949, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 of the code and deducted from the employee's wages, whether or not paid to the collector, which exceeds the tax with respect to the first $3,600 of such wages received.

The new section 1401 (d) (4), applicable to remuneration paid after 1949, contains special rules relating to special refunds and adjustments of employees' tax in the case of Federal employees and special rules relating to special refunds of employees' tax in the case of State employees. Under subparagraph (A) of section 1401 (d) (4) each head of a Federal department, agency, or instrumentality who makes a return pursuant to section 1420 (e) of the code and each agent, designated by the head of a Federal department, agency, or instrumentality, who makes a return pursuant to such section are deemed to be separate employers for the purposes of section 1401 (c) of the code, relating to adjustments of employees' tax, and section 1401 (d) (3), relating to special refunds of employees' tax; and, for the purposes of section 1401 (d) (3), the term "wages" includes the amount, not to exceed $3,600, determined by each such head or agent as constituting wages paid to an employee. Adjustments of the employees' tax imposed by section 1400 of the code shall be made by the reporting unit by which the erroneous underpayment or overpayment was made. (For provisions relating to adjustments of employers' tax in the case of Federal employees, see sec. 1411 of the code, as amended by sec. 203 (c) of the bill.) The amount of remuneration of each employee reported on a return of a reporting unit to be included as "wages" shall under no circumstances be in excess of $3,600 for a calendar year and shall include only such amounts of remuneration as the reporting unit shall have determined to constitute "wages" as defined in section 1426. The amendment is intended to protect fully an employee of the United States or of an instrumentality wholly owned by the United States from the payment of tax imposed under section 1400 in an amount in excess of the tax imposed with respect to the first $3,600 of remuneration which is determined to constitute "wages" as defined in section 1426.

Subparagraph (B) of section 1401 (d) (4) makes the special refund provisions in section 1401 (d) (3) applicable to amounts equivalent to employees' tax deducted in any calendar year after the calendar year 1949 from employees' remuneration by States, political subdivisions, or instrumentalities pursuant to agreements made under section 218 of the Social Security Act (added by sec. 106 of the bill).

Subsection (d) of section 204 of the bill provides that the amendment made by subsection (a) shall be applicable only with respect to remuneration paid after December 31, 1949; and that, in the case of remuneration paid prior to January 1, 1950, the determination under section 1426 (a) (1) of the code (prior to its amendment by the bill) of whether or not such remuneration constituted wages shall be made as if subsection (a) of section 204 of the bill had not been enacted and without inferences drawn from the fact that the amendment made by such subsection is not made applicable to periods prior to January 1, 1950.

DEFINITION OF EMPLOYMENT

Section 205: This section amends subsection (b) of section 1426 of the Internal Revenue Code, which defines the term "employment" for the purposes of the Federal Insurance Contributions Act, and also amends subsections (c), (e), (g), (h), (i), and (j) of section 1426 of the code, which contain definitions pertinent to determinations of employment.

Subsection (a) of this section of the bill, effective January 1, 1950, amends section 1426 (b). Under the amendment the term "employment" is defined to mean any service performed after December 31, 1936, and prior to January 1, 1950, which constituted employment under the law applicable to the period in which such service was performed; and also to mean (1) any service performed after December 31, 1949, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel or American aircraft (both as defined in sec. 1426 (g)) under a contract of service entered into within the United States or during the performance of which the vessel or aircraft touches at a port in the United States (including an airport, in the case of an aircraft), if the employee is employed on and in connection with the vessel or aircraft when outside the United States, and (2) any service performed outside the United States after December 31, 1949, by a citizen of the United States as an employee of an American employer (as defined in sec. 1426 (i)).

That portion of section 1426 (b) (of existing law) which precedes the numbered paragraphs (these contain the exclusions from the term "employment") is changed substantively in only two respects. First, the definition is extended to include service on or in connection with an American aircraft to the same extent as service, already included in the definition, on or in connection with an American vessel. Second, the definition is extended to include service performed outside the United States by a citizen of the United States as an employee of an American employer (the definition of the term "American employer" is discussed below in the explanation of subsection (e) of this section of the bill). Under existing law service performed within or without the United States (which otherwise constitutes employment) is covered irrespective of the citizenship or residence of the employer or employee. Under the amendment this is true with respect to service performed either within the United States or on or in connection with an American vessel or American aircraft, but in the case of service performed outside the United States, other than on or in connection with an American vessel or aircraft, only service (which otherwise constitutes

employment) performed by a citizen of the United States for an American employer is covered.

The definition of the term "employment" under the amendment, as applied to service performed prior to January 1, 1950, is subject to the pertinent exceptions under the law applicable to the period in which the service was performed. The definition applicable to service performed on and after that date continues unchanged some of the exceptions contained in the present law, omits or revises others, and adds certain additional ones.

Paragraph (1) continues the existing exception of agricultural labor, but the definition of the term contained in subsection (h) of the existing section 1426 is amended by subsection (d) of this section of the bill.

Paragraphs (2) and (3) take the place of the exclusions set forth in paragraphs (2) and (3) of existing law. The existing paragraph (2) excludes from employment domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; and the existing paragraph (3) excludes from employment casual labor not in the course of the employer's trade or business. Subparagraph (A) of the new paragraph (2) excludes from employment services not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm (as defined in sec. 1426 (h)) which is operated for profit. Generally, a farm is not operated for profit, if it is occupied primarily for residential purposes, or is used primarily for the pleasure of the occupant or his family such as for the entertainment of guests or as a hobby of the occupant or his family. Subparagraph (B) of the new paragraph (2) excludes from employment domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university.

The new paragraph (3) excludes from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed in any calendar quarter by an employee, but only if the cash remuneration paid to an individual for such service is less than $25 or such service is performed by an individual who is not regularly employed by the employer to perform such service. The amendment substitutes a cash and regularity-of-employment test for the test set forth in existing law governing casual labor. The cash test refers to the cash paid for services performed during a calendar quarter, regardless of when paid. Paragraph (3) provides that an individual shall be deemed, for the purposes of such paragraph, to be regularly employed by an employer during a calendar quarter only if (1) such individual performs for such employer service of the prescribed character during some portion of at least 26 days during the calendar quarter, or (2) such individual was regularly employed (determined in accordance with the test hereinbefore referred to in this sentence) by such employer in the performance of service of the prescribed character during the preceding calendar quarter. As used in paragraph (3), the term "cash remuneration" includes checks and other monetary media of exchange.

Paragraph (4) continues without change the present family employment exclusion.

Paragraph (5) continues without change the present exclusion of service performed on or in connection with a vessel not an American vessel, but extends the exclusion to service performed by an individual on or in connection with an aircraft not an American aircraft if such individual is employed on and in connection with such aircraft when it is outside the United States.

Paragraphs (6) and (7) supersede paragraph (6) of existing law. The existing paragraph excludes from employment service in the employ (1) of the United States or (2) of an instrumentality of the United States which is either wholly owned by the United States or exempt from the employers' tax imposed by section 1410 of the code by virtue of any other provision of law. The effect of the new paragraphs (6) and (7) is to include as employment a portion of the Federal services excluded from employment under existing law.

The new paragraph (6) excludes from employment service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the employers' tax imposed by section 1410 of the code by virtue of any other provision of law which specifically refers to section 1410 of the code in granting the exemption from the tax imposed by such section. (In connection with par. (6), see the explanation of sec. 1413, added by sec. 203 (a) of the bill.)

The new paragraph (7) excludes from employment service performed in the employ of the United States Government, or in the employ of any instrumentality of the United States which is partly or wholly owned by the United States, but only if (1) such service is covered by a retirement system, established by a law of the United States, for employees of the United States or of such instrumentality, or (2) the service is of the character described in any one of a list of 13 special classes of excepted services. Determinations as to whether the particular service is covered by a retirement system of the requisite character are to be made on the basis of whether such service is covered under a law enacted by the Congress of the United States which specifically provides for the establishment of such retirement system.

The special classes of excepted Federal services (in addition to services covered under a federally established retirement system) are as follows:

(A) Service performed by the President or Vice President of the United States or by a Member of the Congress of the United States, a Delegate to the Congress, or a Resident Commissioner;

(B) Service performed in the legislative branch of the United States Government (service in the judicial branch of the U. S. Government is excluded from employment under paragraph (7) by reason of the fact that all service performed in such branch is covered by a retirement system established by congressional enactment);

(C) Service performed in the field service of the Post Office Department;

(D) Service performed in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the actual taking of any census (exclusive of clerical or other employees employed for work other than in the actual taking of the census);

(E) Service performed by an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because of payment on a contract or fee basis;

(F) Service performed by an employee for nominal compensation of $12 or less per annum;

(G) Service performed in a hospital, home, or other institution of the United States by a patient or inmate thereof;

(H) Service performed by an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of May 29, 1930, because such employee is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

(I) Service performed by a consular agent appointed under the authority of section 551 of the Foreign Service Act of 1946;

(J) Service performed by student nurses, medical or dental interns, residents-in-training, student dietitians, student physical therapists, or student occupational therapists, assigned or attached to a hospital, clinic, or medical or dental laboratory operated by any department, agency, or instrumentality of the Federal Government, or by certain other student employees described in section 2 of the act of August 4, 1947;

(K) Service performed in the employ of the Tennessee Valley Authority in a position which is covered by a retirement system established by such Authority;

(L) Service performed by an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency; or

(M) Service performed by an employee who is employed under a Federal relief program to relieve him from unemployment.

The new paragraphs (6) and (7) have the effect of extending coverage to Federal service (including service in the employ of instrumentalities of the United States) not covered under a Federal retirement system and not included in one of the special classes listed above in paragraphs (A) to (M), inclusive. Service performed by most civilian and all military personnel of the United States will be excluded from employment since such services are covered by a retirement system established by a law of the United States. On the other hand, service (which otherwise constitutes employment) in the employ of some instrumentalities of the United States, such as Federal credit unions, Federal home loan banks, Federal Reserve banks, national farm loan associations, and production credit associations, will be covered employment under the amendments made by the bill.

Paragraph (8) supersedes the existing exclusion from employment of service performed for State governments, their political subdivisions, and certain of their instrumentalities. The new paragraph (8) is divided into subparagraphs (A) and (B). Subparagraph (A) excludes from employment service (other than service to which subpar. (B) is applicable—that is, certain service performed in the employ of a political subdivision of a State in connection with the operation of a public transportation system) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions. Although State and local government employees (other than those to whom coverage is extended under subpar. (B)) are not covered for the purposes of the taxes imposed under the Federal Insurance Contributions Act, provision is made under title II of the Social Security Act for the coverage of such employees for purposes of benefits by means of State compacts.

Subparagraph (B) excludes from employment service performed in the employ of any political subdivision of a State (including an instrumentality of one or more political subdivisions of a State) in connection with the operation of any public transportation system, subject to the exception set forth in such subparagraph.

The effect of such exception is to include as employment service performed by an employee in the employ of any political subdivision of a State (including an instrumentality of one or more political subdivisions) in connection with the operation of any public transportation system whose service is not included under an agreement entered into pursuant to section 218 of the Social Security Act (relating to the coverage of State and local government employees for the purposes of title II of the Social Security Act) and (1) who became an employee of such political subdivision in connection with and at the time of its acquisition after 1936 of such transportation system or any part thereof; and (2) who prior to such acquisition rendered services which constituted employment in connection with the operation of such transportation system or part thereof. However, in the case of an employee described in clauses (1) and (2) of the preceding sentence who became such an employee in connecion with an acquisition made prior to January 1, 1950, service of the prescribed character performed by such employee will not constitute employment if the political subdivision employing him files with the Commissioner of Internal Revenue prior to January 1, 1950, a statement that it does not favor the inclusion under subparagraph (B) of any employee acquired in connection with any such acquisition made prior to January 1, 1950.

Paragraph (9), which takes the place of the existing exclusion from employment of service performed for certain religious, charitable, scientific, literary, educational, or humane organizations, excludes service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order. The change in this provision extends coverage to service performed for such nonprofit organizations, except as such service may be excluded under the new paragraph (9) or other numbered paragraphs of section 1426 (b) of the code. The exclusion contained in the new paragraph (9) applies to the performance of services which are ordinarily the duties of such ministers or members of religious orders. The duties of ministers include the ministration of sacerdotal functions and the conduct of religious worship, and the control, conduct, and maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations), under the authority of a religious body constituting a church or church denomination.

Paragraph (10) continues without change the existing exclusion of service performed by an employee or employee representative covered by the railroad retirement system.

Paragraph (11) revises certain exclusions contained in paragraph (10) of existing law, and omits others. Subparagraph (A) of paragraph (11) excludes service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the code, if the remuneration for such service is less than $100 ($45 or less under existing law). The dollar test under subparagraph (A) is the amount earned in a calendar quarter and not the amount paid in a

calendar quarter. Subparagraph (B) excludes service performed in the employ of a school, college, or university, whether or not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university.

Paragraphs (12) and (13) continue without change the present exclusion of service performed in the employ of a foreign government or of a wholly owned instrumentality of a foreign government under certain prescribed conditions.

Paragraph (14) continues without change the exclusion of service performed by certain student nurses and interns.

Paragraph (15) continues without change the present exclusion of certain fishing services.

Paragraph (16) continues without change the present exclusion of services performed in the delivery and distribution of newspapers, shopping news, and magazines under certain prescribed conditions.

Paragraph (17) continues without change the present exclusion of service performed for an international organization.

Paragraph (18) excludes from employment service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (1) the fitness of such individual to perform such service, (2) the geographical area in which such service is to be performed, (3) the volume of goods or commodities to be sold or distributed, or (4) the selection or solicitation of customers. The requirement as to fitness does not include a requirement as to the age or sex of the individual.

Subsection (b) of section 205 of the bill, effective January 1, 1950, amends subsection (e) of section 1426 of the code, which defines the term "State." The new subsection (e) contains three separate numbered paragraphs. The new paragraph (1) defines the term "State." Under the existing law the term "State" includes Alaska, Hawaii, and the District of Columbia. The amendment also includes within such term the Virgin Islands and, on and after the effective date specified in section 1633 of the code (i. e., the date on which the provisions of title II of the Social Security Act are extended to Puerto Rico), Puerto Rico. The new paragraph (2) provides that the term "United States" when used in a geographical sense includes the Virgin Islands and, on and after the effective date specified in section 1633, Puerto Rico. The new paragraph (3), relating to the term "citizen of the United States," provides that an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of section 1426 of the code, as a citizen of the United States prior to the effective date specified in section 1633. Paragraph (3) is designed to exclude from employment (prior to the effective date specified in sec. 1633) services performed by such a citizen of Puerto Rico who works in Puerto Rico (or elsewhere outside the United States) as an employee for an American employer (as defined in sec. 1426 (i)).

Subsection (c) of section 205 of the bill amends subsection (g) of section 1426 of the code, which defines the term "American vessel," by making a change in the heading of such subsection and by adding a definition of the term "American aircraft." The term "American aircraft" is defined, for purposes of the Federal Insurance Contributions Act, to mean an aircraft registered under the laws of the United States. Subsection (g) of this section of the bill provides that the amendment made by subsection (c) shall be applicable only with respect to services performed after December 31, 1949.

Subsection (d) of section 205 of the bill amends subsection (h) of section 1426 of the code, which defines the term "agricultural labor" for purposes of the Federal Insurance Contributions Act. Subsection (h) of existing law contains four numbered paragraphs. The new subsection (h) likewise contains four numbered paragraphs. Paragraph (1) of existing law relates primarily to service performed on a farm, in the employ of any person, in cultivating the soil or in raising or harvesting any agricultural or horticultural commodity. Paragraph (2) of existing law relates primarily to service performed in the employ of the owner, tenant, or other operator of a farm in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, if the major portion of the service is performed on a farm. The new paragraphs (1) and (2) continue without change the provisions of paragraphs (1) and (2) of existing law.

Paragraph (3) of existing law includes as agricultural labor the following services even though not performed on a farm: Services performed in connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes. The new paragraph (3) includes as agricultural labor only services performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton. The effect of the amendment to paragraph (3) is to exclude from the definition of agricultural labor services performed in connection with the production or harvesting of maple sap, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, unless such services are performed on a farm (as defined in sec. 1426 (h)). Thus, services performed in connection with the operation of a hatchery, if not operated as part of a poultry or other farm, will be covered employment. Under the amendment services performed in the processing (as distinguished from the gathering) of maple sap into maple sirup or maple sugar do not constitute agricultural labor, even though such services are performed on a farm. Services performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes, do not constitute agricultural labor, unless the major part of such services is performed on a farm and such services are

performed in the employ of the owner, tenant, or other operator of a farm, in connection with the operation, conservation, improvement, or maintenance of such farm.

Paragraph (4) of existing law includes as agricultural labor service performed in the handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity, provided such service is performed as an incident to ordinary farming operations or, in the case of fruits or vegetables, as an incident to the preparation of such fruits and vegetables for market. Subparagraphs (A) and (B) of the new paragraph (4) are a complete revision of the afore-mentioned provisions of paragraph (4) of existing law. Under such subparagraph (A) the term "agricultural labor" includes service performed in the employ of the owner-operator, tenant-operator, or other operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity in its unmanufactured state, provided such operator produced more than one-half of the commodity with respect to which such service is performed. Under such subparagraph (B) the term "agricultural labor" includes service of the character described in the preceding sentence performed in the employ of a group of operators of farms (other than a cooperative organization), provided such operators produced all of the commodity with respect to which such service is performed. The tests "as an incident to ordinary farming operations" and "as an incident to the preparation of fruits or vegetables for market" have been stricken by the amendment and in lieu thereof three tests have been substituted, namely, the status of the person for whom the service is performed, the state of the commodity with respect to which the service is performed, and the extent to which such commodity was produced by the operator or group of operators in whose employ the service is performed.

Under existing law service of the prescribed character performed with respect to fruits or vegetables in the employ of any person constitutes agricultural labor, provided such service is performed "as an incident to the preparation of such fruits or vegetables for market"; and such service with respect to all other agricultural or horticultural commodities constitutes agricultural labor, if the service is performed "as an incident to ordinary farming operations." Under the amendment service of the character prescribed therein is included as agricultural labor only if performed in the employ of the operator of a farm or a group of operators of farms (other than a cooperative organization). The term "operator of a farm" as used in paragraph (4) means an owner, tenant, or other person in possession of a farm and engaged in the operation of such farm. Service of the prescribed character performed in the employ of a cooperative organization does not constitute agricultural labor. The term "organization" as used in subparagraph (B) includes corporations, joint-stock companies, and associations which are treated as corporations under the Internal Revenue Code. For the purposes of such subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than

20 at any time during the calendar quarter in which the service involved is performed.

Under the amendment service of the prescribed character with respect to an agricultural or horticultural commodity constitutes agricultural labor only if the service is performed with respect to such commodity in its unmanufactured state. The effect of this provision is to exclude from the definition of agricultural labor under paragraph (4) any service of the prescribed character performed with respect to a commodity the character of which has been changed from its raw or natural state by a processing operation. For example, the slicing and sun-drying or dehydration of apples are not processing operations which change the character of the apples, but the grinding of dried apples or the pressing of raw apples into cider is a processing operation which changes the character of the apples from their raw or natural state. Where the service of the prescribed character is performed in the employ of the operator of a farm, such service does not constitute agricultural labor under the amendment unless such operator produced *more than one-half* of the commodity with respect to which the service is performed. Where the service is performed in the employ of a group of operators of farms (other than a cooperative organization), such service does not constitute agricultural labor under the amendment unless such operators produced *all* of the commodity with respect to which the service is performed. The term "commodity" refers to a single agricultural or horticultural product, that is, all apples are to be treated as a single commodity, while apples and peaches are to be treated as two separate commodities. The service with respect to each such commodity is to be considered separately.

Subparagraph (C) provides in effect that service of the prescribed character performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption does not constitute agricultural labor under paragraph (4). This provision is in all material respects the same as that in existing law.

The new paragraph (4) continues without change the definition of the term "farm," but extends the application of such definition to the entire section 1426 of the code, rather than limiting it to the definition of the term "agricultural labor" as in existing law.

Subsection (g) of section 205 of the bill provides that the amendments to section 1426 (h) made by subsection (d) of this section of the bill shall be applicable only with respect to services performed after December 31, 1949.

The amendment of the definition of "agricultural labor" for the purposes of the Federal Insurance Contributions Act will automatically be applicable for the purposes of income-tax withholding on wages (for services performed after 1949), since section 1621 (a) (2) of the code (defining "wages" for income-tax withholding) provides that the term "wages" shall not include remuneration paid for "agricultural labor" as defined in section 1426 (h).

Subsection (e) of section 205 of the bill amends section 1426 of the code by striking out subsections (i) and (j), relating respectively to certain services performed for the War Shipping Administration or the United States Maritime Commission and to certain services performed for the Bonneville Power Administrator (these provisions are superseded by the new sections 1420 (e) and 1426 (b) of the code), and by

inserting in lieu thereof a new subsection (i). The new subsection (i) defines the term "American employer," for purposes of the Federal Insurance Contributions Act, to mean an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust all the trustees of which are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State. Subsection (g) of this section of the bill provides that the amendment made by subsection (e) shall be applicable only with respect to services performed after December 31, 1949.

Subsection (f) of section 205 of the bill conforms section 1426 (c) of the code, relating to the included-excluded rule for determining employment, to the change in the paragraph number of the exclusion from employment of service performed by an individual covered under the railroad retirement system.

DEFINITION OF EMPLOYEE

Section 206: Subsection (a) of this section amends subsection (d) of section 1426 of the Internal Revenue Code, which defines the term "employee" for the purposes of the Federal Insurance Contributions Act.

The provisions of subsection (d) of section 1426, as amended by the bill, are identical with the provisions of section 210 (k) of the Social Security Act as amended by section 104 (a) of the bill. The term "employee", for the purposes of the Federal Insurance Contributions Act, has exactly the same meaning as when used in title II of the Social Security Act as amended by the bill. A detailed discussion of the new definition appears in the explanation in this report of the term "employee" as defined in section 210 (k) of the Social Security Act (added by section 104 (a) of the bill).

Subsection (b) of section 206 of the bill provides that the amendment made by subsection (a) shall be applicable only with respect to services performed after December 31, 1949.

SELF-EMPLOYMENT INCOME

Section 207: Subsection (a) of this section amends chapter 9 of the Internal Revenue Code by adding thereto subchapter F, entitled "Tax on Self-Employment Income". Subchapter F, the short title of which is the "Self-Employment Contributions Act", is comprised of sections 1640 to 1647, both inclusive.

Rate of tax

Section 1640 imposes an income tax for each taxable year beginning after December 31, 1949, upon the self-employment income of every individual. (The term "self-employment income" is defined in section 1641 (b), which section is discussed below.) The rates of the tax on such income for the respective taxable years are as follows:

For taxable years:	*Percent*
Beginning in 1950	2¼
Beginning after Dec. 31, 1950, and before Jan. 1, 1960	3
Beginning after Dec. 31, 1959, and before Jan. 1, 1965	3¾
Beginning after Dec. 31, 1964, and before Jan. 1, 1970	4½
Beginning after Dec. 31, 1969	4⅞

Definitions

Section 1641 defines certain terms for the purposes of the Self-Employment Contributions Act.

Definition of net earnings from self-employment

Subsection (a) of section 1641 defines the term "net earnings from self-employment" for purposes of the Self-Employment Contributions Act. Such term is defined to mean—

(1) the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under chapter 1 which are attributable to such trade or business; plus

(2) the distributive share of such individual (whether or not distributed) of the net income or loss, as computed under chapter 1 of the code, from any trade or business carried on by a partnership of which he is a member;

subject to the exclusion of certain trades and businesses provided in section 1641 (c) and to certain special rules set forth in paragraphs (1) through (8) of section 1641 (a) for computing such gross income and deductions and such distributive share of partnership net income or loss.

The gross income and deductions of an individual attributable to a trade or business, for the purpose of ascertaining his net earnings from self-employment, are to be determined by reference to the applicable income tax provisions in chapter 1 of the code. The trade or business must be "carried on" by the individual, either personally or through agents or employees, in order for the income to be included in his "net earnings from self-employment." Accordingly, gross income derived by an individual from a trade or business carried on by him does not include income derived by a beneficiary from an estate or trust even though such income is derived from a trade or business carried on by the estate or trust.

An individual may be engaged in more than one trade or business. If so, his net earnings from self-employment are the aggregate of his net earnings from self-employment of each trade or business carried on by him. Thus, a loss sustained in one trade or business of an individual will operate to reduce the income derived from another trade or business of such individual.

The net earnings from self-employment of an individual include, in addition to the earnings from a trade or business carried on by him, his distributive share of the net income or loss from any trade or business carried on by each partnership of which he is a member. The individual's distributive share of the net income or loss of the partnership means his share of such net income or loss as computed under chapter 1 of the code, subject to the special rules set forth in section 1641 (a) (1) to (8) and the exemptions provided in section 1641 (c). In computing the net earnings from self-employment of a partner, if the taxable year of the partner is different from that of the partnership, the distributive share to be included in computing the net earnings from self-employment of the partner shall be based upon the net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1950) ending within or with the taxable year of the partner. Only a

partnership recognized as such for the purposes of chapter 1 is treated as a partnership for the purposes of determining the net earnings from self-employment of the partner. Accordingly, a partnership which constitutes an association taxable as a corporation under the provisions of chapter 1 is not recognized as a partnership for such purposes. Moreover, only the net income or loss derived by the partnership from carrying on a trade or business is taken into account. Any net income or loss of the partnership derived from sources clearly unrelated to the trade or business carried on by it is excluded in determining the net earnings from self-employment of the partners. The net earnings from self-employment of a partner include his distributive share of the net income or loss of a partnership of which he is a member, irrespective of the nature of his membership, as for example, as a limited or inactive member.

Special rules for computing the gross income and deductions of an individual from a trade or business and his distributive share of the net income or loss of a partnership from a trade or business are set forth in paragraphs (1) to (8), both inclusive, of section 1641 (a).

Paragraph (1) excludes rentals from real estate, including personal property leased with the real estate, and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer. If the individual is not in a trade or business as a real estate dealer, all rentals from real estate, and deductions attributable thereto, are excluded in computing his net earnings from self-employment. For the purpose of determining whether the individual is a real estate dealer, the tests are those applied under chapter 1 of the code in determining whether a person is engaged in the business of selling real estate to his customers. A person who merely owns real estate and receives rentals therefrom is not considered a real estate dealer. On the other hand, a person who is engaged in the business of selling real estate to customers with a view to the gains and profits that may be derived therefrom is a real estate dealer, and rentals received by him from such real estate are included for the purposes of determining his net earnings from self-employment.

Payments for the use or occupancy of entire private residences or living units in duplex or multiple-housing units are generally rentals from real estate. Except in the case of real estate dealers, such payments are excluded under paragraph (1), even though in part attributable to personal property furnished under the lease. On the other hand, payments for the use or occupancy of rooms or other space where services are also rendered to the occupant, such as for the use or occupancy of rooms or other quarters in hotels, boarding houses, or apartment houses furnishing hotel services, or in tourist camps or tourist homes, or for the use or occupancy of space in parking lots, warehouses, or storage garages do not constitute rentals from real estate.

Paragraph (2) excludes the income, and deductions attributable to such income, derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h) of the code. In case the services are in part agricultural and in part nonagricultural, the time devoted to the performance of each type of service is the test to be used to determine whether the major portion of the services would constitute agricultural

labor. If more than half of the time spent in performing all the services is spent in performing services which would constitute agricultural labor under section 1426 (h), all income, and deductions attributable to the income, shall be excluded. If only half, or less, of the time spent in performing all the services is spent in performing services which would constitute agricultural labor under section 1426 (h), all income, and deductions attributable to the income, shall be included. In every case the time spent in performing the services will be computed by adding the time spent in the trade or business during the taxable year by every individual (including the individual carrying on such trade or business and the members of his family) in performing such services. The operation of paragraph (2) is not affected by section 1426 (c), relating to the included-excluded rule for determining employment.

Paragraph (3) excludes dividends on any share of stock, and interest on any bond, debenture, note, certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest are received in the course of a trade or business as a dealer in stocks or securities. The effect of this paragraph is to exclude all dividends except dividends received by a dealer in stocks or securities in the course of his trade or business. Only interest of the specified character is categorically excluded for all persons other than dealers in stocks or securities. Other interest received in the course of any trade or business (such as interest received by a pawnbroker on his loans or interest received by a merchant on his accounts or notes receivable) is not excluded in computing net earnings from self-employment.

A dealer in stocks or securities is a merchant of stocks or securities, whether an individual or a partnership, with an established place of business, regularly engaged in the business of purchasing stocks or securities and reselling them to customers; that is, one who as a merchant buys stocks or securities and sells them to customers with a view to the gains and profits that may be derived therefrom. Persons who buy and sell or hold stocks or securities for investment or speculation, irrespective of whether such buying or selling constitutes the carrying on of a trade or business, are not dealers in stocks or securities.

Paragraph (4) excludes (1) gains or losses which are considered under chapter 1 of the code as gains or losses from the sale or exchange of capital assets, (2) gains or losses from the cutting or disposal of timber if section 117 (j) of the code is applicable to such gains or losses, and (3) gains or losses from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (A) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (B) property held primarily for sale to customers in the ordinary course of a trade or business.

The effect of this provision is to exclude from the computation of net earnings from self-employment all gains or losses which are treated as capital gains or losses under chapter 1 of the code, as well as gains or losses arising from the disposition or conversion of property which is not considered as either (1) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the

close of the taxable year, or (2) property held primarily for sale to customers in the ordinary course of a trade or business. Also in the case of timber, even though held primarily for sale to customers, gain or loss is excluded if section 117 (j) of the code is applicable to such gain or loss. For the purpose of paragraph (4) (C) of section 1641 (a), it is immaterial whether the property constitutes a capital asset within the meaning of section 117 (a) of the code or whether such property was held for more or less than 6 months. Moreover, it is immaterial for the purposes of paragraph (4) (C) whether a gain or loss is treated as a capital gain or loss or as an ordinary gain or loss for the purposes of chapter 1. For instance, where the character of the loss for income-tax purposes is governed by the provisions of section 117 (j) of the code, such loss is excluded under paragraph (4) (C) even though such loss is treated under section 117 (j) as an ordinary loss.

As used in paragraph (4), the term "involuntary conversion" means a compulsory or involuntary conversion of property into other property or money as a result of its destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation or the threat or imminence thereof. As used in such paragraph the term "other disposition" includes the destruction of property by fire, storm, shipwreck, or other casualty, even though there is no conversion of such property into other property or money.

Paragraph (5) provides that the deduction for net operating losses under section 23 (s) of the code shall not be allowed.

Paragraph (6) prescribes the treatment to be accorded income subject to community-property laws. Subparagraph (A) provides that if any of the income derived by an individual from a trade or business (other than a trade or business carried on by a partnership) is community income under community-property laws applicable to such income, all of the gross income and deductions attributable to the trade or business shall be treated as the gross income and deductions of the husband unless the wife actually exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife. "Management and control" of the type to which reference is made in paragraph (6) is not the management and control imputed to the husband under the community-property laws but management and control in fact. For example, a wife who operates a beauty parlor without any appreciable collaboration on the part of her husband will be considered as having substantially all of the management and control of such business, despite the provision of any community-property law vesting the right of management and control over community property in the husband, and the income and deductions attributable to the operation of such beauty parlor will be considered the income and deductions of the wife.

Subparagraph (B) provides that if any portion of a partner's distributive share of the net income or loss from a trade or business carried on by a partnership is community income or loss under the community-property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner; and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner.

Paragraph (7) provides that, in the case of any taxable year beginning on or after the effective date specified in section 1633 (i. e., the date on which the provisions of title II of the Social Security Act are extended to Puerto Rico), the term "possession of the United States," as used in section 251 of the code, shall not include Puerto Rico; and a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of the code. In applying the provisions of paragraph (7), a citizen of the United States who engages in the active conduct of a trade or business in Puerto Rico may find that his income from such trade or business is exempt from the income tax imposed by chapter 1 (by reason of the provisions of sec. 251 of the code) but that the same income (subject to the $3,600 limitation) is taxed as self-employment income.

Paragraph (8) excludes from net earnings from self-employment income derived from the business of publishing a newspaper or other publication, together with income derived from other activities conducted in connection therewith, where the newspaper or other publication has a paid circulation. The paragraph also excludes all deductions attributable to the production of such income. Under this paragraph an individual who, either alone or in partnership, publishes a newspaper, magazine, or periodical which is distributed at a price must exclude all income and deductions attributable to such publishing business in computing his net earnings from self-employment. Income from other activities conducted as an incident to the publishing business, such as job printing or the furnishing of news releases to radio stations, as well as the deductions attributable thereto, is likewise excluded under this paragraph.

In computing net earnings from self-employment, the rules applicable under chapter 1 of the code must be applied in determining the taxable year in which items of gross income are to be included and the taxable year for which deductions shall be taken. Thus, if an individual uses the accrual method of accounting in computing net income from a trade or business for the purposes of chapter 1, he must use the same method in computing the gross income and deductions for self-employment tax purposes. Likewise, if the taxpayer is engaged in a trade or business of selling property on the installment plan and he elects, under the provisions of section 44 of the code, to use the installment basis in computing income for the purposes of chapter 1 of the code, he must use the same basis in computing the gross income and deductions attributable to such trade or business for self-employment tax purposes.

Definition of "self-employment income"

Subsection (b) of section 1641 defines the term "self-employment income" for the purposes of the Self-Employment Contributions Act Such term is defined to mean the net earnings from self-employment derived by an individual, other than a nonresident alien individual, during any taxable year beginning after December 31, 1949, except for the exclusions provided in clauses (1) and (2) of such subsection.

Clause (1) excludes from self-employment income of an individual that part of the net earnings from self-employment which exceeds $3,600 reduced by the amount of the wages paid to the individual dur-

ing the taxable year. Thus, the maximum self-employment income of any individual for any taxable year (whether a period of 12 months or less) is $3,600; or, if wages are received, this maximum is reduced by the amount of such wages. For example, if during the taxable year no wages are received and the individual has $5,000 of net earnings from self-employment, he has $3,600 of self-employment income for such taxable year; or if the individual receives $1,000 of wages and also has $5,000 of net earnings from self-employment, he has only $2,600 of self-employment income for the taxable year. For the purposes of clause (1), the term "wages" includes remuneration paid to an employee for services included under an agreement entered into pursuant to section 218 of the Social Security Act (relating to the coverage of State employees). Clause (2) provides in effect that if an individual's net earnings from self-employment for the taxable year are less than $400, such individual has no self-employment income for such taxable year. It should be noted, however, that it is possible for an individual to have less than $400 of self-employment income. This would occur in a case in which the individual's net earnings from self-employment are $400 or more for a taxable year and the individual also receives more than $3,200 but less than $3,600 of wages during the taxable year. For example, if an individual has net earnings from self-employment for a taxable year of $1,000 and is also paid wages of $3,400 during the taxable year, his self-employment income for such taxable year is $200.

Section 1641 (b) further provides that, in the case of any taxable year beginning prior to the effective date specified in section 1633, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States (i. e., the 48 States, Alaska, Hawaii, and the District of Columbia) or of the Virgin Islands during the taxable year shall be considered, for the purposes of computing self-employment income, as a nonresident alien individual. Accordingly, the net earnings from self-employment of an individual described in the preceding sentence would not constitute self-employment income. Section 1641 (b) also provides that an individual who is not a citizen of the United States but who is a resident of the Virgin Islands or, after the effective date specified in section 1633, is a resident of Puerto Rico shall not, for purposes of computing self-employment income, be considered to be a nonresident alien individual. Accordingly, the net earnings from self-employment of such an individual may constitute self-employment income. The net earnings from self-employment of a citizen or resident of the United States (including the Virgin Islands and, after the effective date specified in sec. 1633, Puerto Rico) constitute self-employment income, except to the extent that such net earnings are excluded from self-employment income under clause (1) or (2) of section 1641 (b).

While a nonresident alien individual who derives income from a trade or business carried on within the United States (whether by his agents or employees or by a partnership of which he is a member) is taxed on such income under chapter 1 of the code, such individual (if he is treated under the Self-Employment Contributions Act as a nonresident alien) will not pay a self-employment tax on any portion of such income.

Trade or business

Subsection (c) of section 1641 provides that, for the purposes of the the Self-Employment Contributions Act, the term "trade or business" shall have the same meaning as when used in section 23 of the code, except that such term shall not include the performance of certain functions and services described in paragraphs (1) to (5), both inclusive.

Paragraph (1) provides that the performance of the functions of a public office does not constitute a trade or business. The term "public office" includes any elective or appointive office of the Federal Government or of a State or its political subdivision or of a wholly owned instrumentality of any one or more of the foregoing, such as President, Vice President, governor, mayor, secretary of state, Member of Congress, State representative, county commissioner, judge, county or city attorney, marshal, sheriff, register of deeds, or notary public.

Paragraph (2) provides that the performance of service by an individual as an employee as defined in the Federal Insurance Contributions Act, with two exceptions, does not constitute a trade or business. The exceptions are as follows:

(1) Service performed by an employee, who has attained the age of 18, in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by the employee at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

(2) Service performed by an employee, who has attained the age of 18, in the sale or distribution of goods or commodities for an employer, off the premises of the employer, under an arrangement whereby the employee receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such employer makes no provision (other than by correspondence) with respect to the training of the employee for the performance of such service and imposes no requirement upon the employee with respect to his fitness to perform such service, the geographical area in which such service is to be performed, the volume of goods or commodities to be sold or distributed, or the selection or solicitation of customers.

Paragraph (3) provides that the performance of service by an individual as an employee or employee representative as defined in section 1532 of the code, that is, an individual covered under the railroad retirement system, does not constitute a trade or business.

Paragraph (4) provides that the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order does not constitute a trade or business. This exception applies to the performance of services which are ordinarily the duties of such ministers or members of religious orders. The duties of ministers include the ministration of sacerdotal functions and the conduct of religious worship, and the control, conduct, and

maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations), under the authority of a religious body constituting a church or church denomination.

Paragraph (5) provides that the performance of service by an individual in the exercise of a profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, or optometrist, or as a Christian Science practitioner, or as an aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineer, or the performance of such service by a partnership, does not constitute a trade or business. The designations in this paragraph are to be given their commonly accepted meaning. Thus, the term "physician" means an individual who is legally qualified to practice medicine; and the term "lawyer" means an individual who is legally qualified to practice law. In the case of a partnership whose trade or business consists in the performance of service in the exercise of any of the designated professions, the partnership shall not be considered as carrying on a trade or business for purposes of the Self-Employment Contributions Act, and none of the distributive shares of income or loss of such partnership shall be included in computing net earnings from self-employment of any member of the partnership. On the other hand, where a partnership is engaged in a trade or business not within any of the designated professions, each partner must include his distributive share of the income or loss of such partnership in computing his net earnings from self-employment, irrespective of whether such partner is also engaged in the practice of one of such professions and contributes his professional services to the partnership.

Definition of employee and wages

Subsection (d) of section 1641 provides that, for the purposes of the Self-Employment Contributions Act, the term "employee" and the term "wages" shall have the same meaning as when used in the Federal Insurance Contributions Act. (For an explanation of these terms, see the discussion of secs. 204 and 206 of the bill.)

Definition of taxable year

Subsection (c) of section 1641 provides that, for the purposes of the Self-Employment Contributions Act, the term "taxable year" shall have the same meaning as when used in chapter 1 of the code. The subsection further provides that the taxable year of an individual for the purposes of the Self-Employment Contributions Act shall be a calendar year unless the individual has a different taxable year for the purposes of chapter 1, in which case the taxable year of such individual for the purposes of the Self-Employment Contributions Act shall be the same as his taxable year under chapter 1. Thus, if a taxpayer's net income under chapter 1 is computed upon the basis of a fiscal year, his taxable year for the purposes of the Self-Employment Contributions Act shall be such fiscal year. Likewise, if by reason of a change in accounting period or for some other reason a taxpayer makes a return under chapter 1 for a fractional part of a year, his taxable year for the purposes of the Self-Employment Contributions Act shall be the same period as that for which his return is made under chapter 1. However, section 47 (c) of the code, relating to placing net income on an annual basis for purposes of chapter 1 due to a change in accounting period, is not applicable to the computation of net earnings from self-

employment for purposes of the Self-Employment Contributions Act. If a taxable year of a taxpayer under chapter 1 of the code is terminated by the Commissioner of Internal Revenue under section 146 of the code, the taxable year of the taxpayer for purposes of the Self-Employment Contributions Act is likewise terminated.

Nondeductibility of tax

Section 1642 provides that the tax imposed by section 1640 upon self-employment income shall not be allowed as a deduction to the taxpayer in computing his net income for any taxable year for the purposes of the income tax imposed by chapter 1 of the code or by any act of Congress in substitution therefor.

Collection and payment of tax

Section 1643 makes provision for the collection and payment of the tax on self-employment income. Subsection (a) of section 1643 provides that the tax on self-employment income imposed by section 1640 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.

Subsection (b) of section 1643 provides that, if the tax on self-employment income is not paid when due, there shall be added as part of the tax interest at the rate of 6 percent per annum from the date the tax became due until paid.

Subsection (c) of section 1643 authorizes the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to prescribe the manner, times, and conditions, not inconsistent with the Self-Employment Contributions Act, under which the tax on self-employment income shall be collected and paid.

Subsection (d) of section 1643 provides that in the payment of the tax on self-employment income 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.

Overpayments and underpayments

Section 1644 provides that if the tax on self-employment income is overpaid or underpaid with respect to any taxable year, 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 applicable statute of limitations provided in section 3312 or 3313 of the code, as may be prescribed by regulations made under the Self-Employment Contributions Act.

Rules and regulations

Section 1645 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 as may be necessary for the enforcement of the Self-Employment Contributions Act.

Other laws applicable

Section 1646 provides that all provisions of law, including penalties and statutes of limitations, applicable with respect to the tax imposed by section 2700 of the code shall, insofar as applicable and not inconsistent with the provisions of the Self-Employment Contributions Act, be applicable with respect to the tax imposed by such act.

Title of subchapter

Section 1647 provides that subchapter F of chapter 9 of the code may be cited as the "Self-Employment Contributions Act."

Miscellaneous provisions

Section 207 (b) of the bill amends subchapter E of chapter 9 of the code by adding at the end thereof two new sections, namely, sections 1633 and 1634.

Effective date in case of Puerto Rico

Section 1633 provides that, if the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has resolved, by concurrent resolution, that it desires the extension to Puerto Rico of the provisions of title II (old-age, survivors, and disability insurance benefits) of the Social Security Act, then the effective date referred to in section 1426 (e) of the code (relating to the terms "State," "United States," and "citizen of the United States"), section 1641 (a) (7) of the code (relating to the computation of net earnings from self-employment in certain cases), and section 1641 (b) of the code (relating to the computation of self-employment income) shall be January 1 of the first calendar year which begins more than 90 days after the date on which the President of the United States receives such certification.

Collection of taxes in Virgin Islands and Puerto Rico

Section 1634 provides that, notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by the Federal Insurance Contributions Act and the Self-Employment Contributions Act 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.

Nonapplicability of section 3801

Section 207 (c) of the bill amends section 3801 of the code by adding at the end thereof a new subsection (g). Subsection (g) provides that the provisions of section 3801 shall not be construed to apply to any tax imposed by chapter 9 of the code.

MISCELLANEOUS AMENDMENTS

Your committee considers it desirable that the definition of the terms "wages" and "employment," as used in the Federal Unemployment Tax Act (subch. C of ch. 9 of the Internal Revenue Code), and the definition of the term "wages," as used in subchapter D of chapter 9 of the code, relating to the withholding of income tax at the source on wages, should be conformed in many respects to the definitions of those terms as used in the Federal Insurance Contributions Act, as amended by sections 204 (a) and 205 (a) of the bill.

Section 208 (a) (1) of the bill amends section 1607 (b) of the code, relating to the definition of the term "wages," so as to conform the provisions thereof, with two exceptions, to the provisions of section 1426 (a) of the code, as amended by section 204 (a) of the bill. The first exception is that under the amendment to section 1607 (b) (1) there is excluded from the definition of the term "wages" the amount of

remuneration paid to the employee during any calendar year in excess of $3,000, rather than the amount in excess of $3,600 as provided in the amendment of section 1426 (a) (1). The second exception is that the amendment to section 1607 (b) (7) (relating to remuneration paid in any medium other than cash for service not in the course of the employer's trade or business) does not include the reference to domestic service in a private home of the employer which is contained in the amendment to section 1426 (a) (7), since no change has been made in the domestic service exception under the Federal Unemployment Tax Act. For an explanation of the amendment to section 1607 (b), see the explanation in this report of the amendment to section 1426 (a) made by section 204 (a) of the bill. The amendment to section 1607 (b) is applicable only with respect to remuneration paid after December 31, 1949; however, it is provided in the bill that in the case of remuneration paid prior to January 1, 1950, the determination under section 1607 (b) (1) of the code (prior to its amendment by the bill) of whether or not such remuneration constituted wages shall be made as if this amendment had not been enacted and without inferences drawn from the fact that the amendment is not made applicable to periods prior to January 1, 1950.

Section 208 (b) (1) of the bill amends section 1607 (c) (3) of the code, relating to the exclusion from the definition of the term "employment" of casual labor not in the course of the employer's trade or business, so as to conform such provision (with one exception) to the provisions of section 1426 (b) (3) of the code, as amended by section 205 (a) of the bill. The one exception is that the amendment to section 1607 (c) (3) does not contain the last sentence of the amendment to section 1426 (b) (3), relating to domestic service in a private home of the employer, since no change has been made in the domestic-service exception under the Federal Unemployment Tax Act. For an explanation of the amendment of section 1607 (c) (3), see the explanation in this report of the amendment of section 1426 (b) (3) made by section 205 (a) of the bill. The amendment is applicable only with respect to services performed after December 31, 1949.

Section 1607 (c) (10) (A) (i) of the code excludes from the definition of the term "employment" service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the code, if the remuneration for such service does not exceed $45. Section 208 (b) (2) of the bill amends section 1607 (c) (10) (A) (i) so as to exclude from such definition service performed in any calendar quarter in the employ of such an organization if the remuneration for such service is less than $100. Section 1607 (c) (10) (E) of the code excludes from the definition of the term "employment" service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition). Section 208 (b) (3) of the bill amends section 1607 (c) (10) (E) so as to exclude such service regardless of the amount of the remuneration. These amendments to section 1607 (c) (10) are applicable only with respect to services performed after December 31, 1949, and will more

closely conform the treatment of such services under the Federal Unemployment Tax Act to that accorded to such services under the Federal Insurance Contributions Act as amended by section 205 (a) of the bill.

Section 208 (c) (1) of the bill amends section 1621 (a) (4) of the code, relating to the exclusion from the definition of the term "wages" of remuneration paid for casual labor not in the course of the employer's trade or business, so as to conform such income-tax withholding provision (with one exception) to the provisions of section 1426 (b) (3) of the code, as amended by section 205 (a) of the bill. The one exception is that the amendment to section 1621 (a) (4) does not contain the reference to domestic service contained in the amendment to section 1426 (b) (3), since no change has been made in the domestic service exception under the income-tax withholding provisions. For an explanation of the amendment of section 1621 (a) (4), see the explanation in this report of the amendment of section 1426 (b) (3) made by section 205 (a) of the bill. The amendment is applicable only with respect to remuneration paid after December 31, 1949.

Section 208 (c) (2) of the bill amends section 1621 (a) (9) of the code, relating to the exclusion from the definition of the term "wages" of remuneration paid for services performed as a minister of the gospel, by conforming such income-tax withholding provision to the provisions of section 1426 (b) (9) of the code, as amended by section 205 (a) of the bill. For an explanation of the amendment of section 1621 (a) (9), see the explanation in this report of the amendment of section 1426 (b) (9) made by section 205 (a) of the bill. Section 208 (c) (2) of the bill also amends section 1621 (a) of the code by adding thereto a new paragraph (10), relating to the exclusion from the definition of the term "wages" of remuneration paid for services performed by newspaper carriers and newspaper and magazine vendors, which provision conforms to the provisions of section 1426 (b) (15) of the code, redesignated section 1426 (b) (16) by section 205 (a) of the bill. Section 208 (c) (2) of the bill also adds at the end of section 1621 (a) of the code a provision relating to the treatment as remuneration paid by the employer of tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him. This provision is identical with the provision at the end of section 1426 (a) of the code, as amended by section 204 (a) of the bill. For an explanation of the provision, see the explanation in this report of the amendment by section 204 (a) of the bill. These amendments are applicable only with respect to remuneration paid after December 31, 1949.

Section 1403 (b) of the code provides a civil penalty of not more than $5 for each willful failure of an employer to furnish to an employee a wage statement as required by section 1403 (a) of the code. Section 208 (d) of the bill amends section 1403 (b) so as to make the penalty for each such willful failure exactly $5, and to provide that such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410 of the code. The amendment is effective with respect to violations of section 1403 (a) occurring on or after January 1, 1950.

TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT

REQUIREMENTS OF STATE PLANS

Titles I, IV, and X of the Social Security Act provide for payments to the States to assist them in meeting the cost of providing, respectively, old-age assistance, aid to dependent children, and aid to the blind. To be eligible for these Federal payments a State must submit a plan which is approved by the Federal Security Administrator as meeting certain requirements specified in the respective titles. Most of these requirements are identical for all three titles and, consequently, several of the amendments made by the bill in these requirements are identical.

Requirements relating to fair hearing and training program for personnel

Section 301 of the bill would amend section 2 (a) of the Social Security Act, which specifies the requirements State old-age assistance plans must meet in order to be approved and thereby make the State eligible for Federal payments. Clause (4) of section 2 (a) now requires State plans to provide for granting a fair hearing before the State agency administering or supervising the administration of the plan to an individual whose claim for old-age assistance is denied.

This clause would be amended to make it clear that such a hearing is also required in case the claim for assistance is not acted upon within a reasonable time.

Clause (5) of section 2 (a) of the Social Security Act now requires the State plan to provide such methods of administration as are necessary for the proper and efficient administration of the State plan. Among the amendments made to this clause in the 1939 revision of the Social Security Act was a specific inclusion of methods relating to the establishment and maintenance of personnel standards on a merit basis. The bill would amend clause (5) so as to include specifically as a method of administration a training program for the personnel necessary for administration of the plan.

These new requirements of State plans would take effect July 1, 1951.

The same changes would be made in clauses (4) and (5) of sections 402 (a) and 1002 (a) of the Social Security Act (relating to State plans for aid to dependent children and aid to the blind, respectively) by sections 321 and 341, respectively, of the bill.

Requirement relating to opportunity to apply for assistance and receive it promptly

The provisions of section 3 (a) of the Social Security Act are also amended by the bill by the addition of a new clause (9). This clause would add a specific requirement designed to make it clear that a State plan, in order to be approved, must provide that all individuals wishing to make application for assistance shall have an opportunity to do so and that assistance shall be furnished promptly to all eligible individuals. This new requirement would take effect July 1, 1951.

The same addition has been made by sections 321 and 341 of the bill to sections 402 (a) and 1002 (a), respectively, of the Social Security Act, although in the latter case the new clause is numbered (11).

Standards for institutions

Another addition made to section 2 (a) of the Social Security Act by section 301 of the bill would be applicable to State plans for old-age assistance which include payments to individuals in private or public institutions. In such cases, the State plans would, effective July 1, 1953, have to provide for the establishment or designation of a State authority or authorities to be responsible for establishing and maintaining standards for such institutions.

The same addition would be made to section 1002 (a) of the Social Security Act by section 341 of the bill, although in this case the new clause would be numbered (12). This requirement has not been made applicable to State aid to dependent-children plans.

Receipt of assistance under more than one plan

Under existing law it is not possible, because of the age requirements, for an individual to be eligible for aid under both a State plan for old-age assistance and a State plan for aid to dependent children. Under the new clause (11) of section 402 (a) of the Social Security Act (as added by sec. 321 (b) of the bill), however, the State plan for aid to dependent children must, to be approved, provide that no aid will be furnished under the plan with respect to any individual for any period for which he is receiving old-age assistance under a State plan approved under title I of the act. The reason for this requirement is the addition of the relative with whom a dependent child is living as a recipient who may be eligible for aid to dependent children with respect to which the Federal Government will make a contribution.

For similar reasons the existing requirement in section 1002 (a) (7) of the Social Security Act that approved State plans for aid to the blind prohibit payments to any individual for the same period that he receives aid under an approved plan for old-age assistance has been expanded to make the prohibition also applicable when aid to dependent children is furnished with respect to the individual for the same period.

These changes would take effect July 1, 1951.

Notification to appropriate law-enforcement officials

Section 321 (b) of the bill further amends section 402 (a) by the addition of a new clause (10), effective July 1, 1951, which would require an approved State plan for aid to dependent children to provide for prompt notice to appropriate law-enforcement officials in any case in which aid to dependent children is furnished to a child who has been deserted or abandoned by a parent.

Income and resources

Clause (8) of section 1002 (a) now requires an approved State plan for aid to the blind to provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid under the plan. Effective October 1, 1949, and until July 1, 1951, this clause would be amended to permit the State agency, if the State so desires, to disregard such amount of earned income, up to $50 per month, as the State vocational rehabilitation agency, administering the State plan approved under the Vocational Rehabilitation Act with respect to blind persons, certifies

will serve to encourage or assist the blind to prepare for, engage in, or continue to engage in remunerative employment to the maximum extent practicable. It should be noted that the language of the amended clause (8) does not contemplate or require individual certification by the Statc vocational rehabilitation agency.

Effective July 1, 1951, clause (8) would be further amended so as to continue the above amendments and to prohibit the consideration in determining the need of any blind individual claiming aid, of any income or resources which are not predictable or not actually available to the individual and to include specifically a requirement that the State agency, in making such determination, take into consideration the special expenses arising from blindness.

Examination by opthalmologist or optometrist

Section 341 (d) of the bill would add to the other requirements of State plans for aid to the blind a new clause (10) requiring, as a condition of approval, that the plan provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist. This requirement would become effective October 1, 1949.

Residence requirement

Section 342 of the bill would amend section 1002 (b) (1) of the Social Security Act which relates to residence requirements of State plans for aid to the blind. Under existing law the Federal Security Administrator is prohibited from approving any such plan which imposes, as a condition of eligibility for the aid furnished under it, any residence requirement excluding any resident of the State who has resided therein for 5 of the 9 years immediately preceding his application for aid and has resided therein continuously for 1 year immediately preceding his application. The bill would change this by prohibiting approval of any plan which excludes any resident meeting the 1-year continuous residence test except that, until July 1, 1951, it could impose a residence requirement not in excess of that contained on July 1, 1949, in the State plan approved under title X of the Social Security Act on or prior to such date.

COMPUTATION OF FEDERAL SHARE OF ASSISTANCE PAYMENTS

Old-age assistance and aid to the blind

Sections 3 (a) and 1003 (a) of the Social Security Act now provide for paying to each State (except Puerto Rico and the Virgin Islands which up to now have not been permitted to participate under the public assistance titles of the Social Security Act) with a plan approved under title I and title X, respectively, three-fourths of the first $20 of the average monthly assistance payment per recipient, plus one-half of the remainder of such average payment, but excluding that part of any payment to any individual in excess of $50. Sections 302 and 343 of the bill would amend sections 3 (a) and 1003 (a) of the Social Security Act so as to change this share to four-fifths of the first $25 of the average monthly payment per recipient, plus one-half of the next $10 of such average payment, plus one-third of the remainder. The individual maximum of $50 would be retained. These amendments would be effective October 1, 1949.

Effective on the same date, Puerto Rico and the Virgin Islands would be permitted for the first time to share in the Federal payments under these two titles. The Federal share for them would, however, be limited to that provided in the original Social Security Act in 1935, viz, one-half of the total sums expended under the approved plan as old-age assistance or aid to the blind, as the case may be, up to a maximum payment for any one individual of $30.

The present provision for sharing in one-half the necessary costs of administering the State plan is retained in both titles and is also made applicable to Puerto Rico and the Virgin Islands.

The existing section 3 (a) of the Social Security Act restricts payments which may be counted for purposes of a Federal contribution to those made to an individual who is 65 years of age or older. This restriction has been transferred to section 6 of the act, as amended by the bill. For reasons of convenience the present prohibition against making any Federal contribution toward payments to inmates of public institutions has been transferred (with the modifications explained below) from sections 3(a) and 1003 (a) of the Social Security Act to sections 6 and 1006, respectively.

Aid to dependent children

The Federal contribution toward State expenditures for aid to dependent children has also been changed (sec. 322 of the bill, amending sec. 403 (a) of the Social Security Act). The maximum on the portion of individual payments which will be counted in computing the Federal contribution has been retained at $27 for the first child and $18 for each additional child in the same family, except that for Puerto Rico and the Virgin Islands, which are made eligible for participation as of October 1, 1949, these amounts are $18 and $12, respectively—the same as in the original Social Security Act.

As of October 1, 1949, the United States will begin to share in the cost, under the approved State plans for aid to dependent children, of aid furnished to meet the needs of the relative with whom a dependent child receiving aid is living to the same extent as it shares in the cost of aid furnished dependent children. The maximum individual payment counted for this purpose will be the same as for the first child, i. e., $27. The inclusion of the relative with whom a dependent child is living would not, however, be applicable to Puerto Rico and the Virgin Islands.

The Federal share of the expenditures within the maximums of $27/27/18 is changed, as of October 1, 1949, from three-fourths of the first $12 of the average monthly payment per recipient plus one-half of the remainder, to four-fifths of the first $15 of such average payment plus one-half of the next $6 plus one-third of the remainder. The Federal share of the expenditures under the approved plan for Puerto Rico and the Virgin Islands will be one-half of all such expenditures up to the individual maximums of $27 and $18 (it was one-third in the original Social Security Act).

As at present, all States will be entitled to one-half of the necessary costs of administering their approved plans.

MEDICAL CARE PAYMENTS

At the present time only unrestricted cash payments to aged and blind persons, and with respect to dependent children, under the approved State plans are counted as expenditures with respect to which the Federal Government will make a contribution. Sections 303, 323, and 344 of the bill would amend sections 6, 406 (b), and 1006 (definitions of old-age assistance, aid to dependent children, and aid to the blind), respectively, so as to include medical care in behalf of eligible individuals as well as unrestricted cash payments. These expenditures for medical care, however, will be counted for purposes of a Federal contribution only to the extent that they, plus the unrestricted cash payment to the individual, do not exceed the maximum of $50 in the case of old-age assistance and aid to the blind ($30 for Puerto Rico and the Virgin Islands) and $27 or $18, as the case may be, ($18, and $12, respectively, in the case of Puerto Rico and the Virgin Islands) in the case of aid to dependent children.

PAYMENTS TO INDIVIDUALS IN PUBLIC MEDICAL INSTITUTIONS

Under the existing sections 3 (a) and 1003 (a) of the Social Security Act, payments to aged or blind individuals living in any public institution are not counted as expenditures under the approved State plan with respect to which the Federal Government will make a contribution.

Sections 303 and 344 of the bill would amend the provisions of sections 6 and 1006, respectively, so as to include as an expenditure with respect to which the Federal Government will make a contribution payments to individuals who are patients in a public medical institution. This amendment will be effective October 1, 1949. Excluded, however, would be payments to any individual who is a patient in an institution for tuberculosis or mental diseases and payments to individuals who have been diagnosed as having tuberculosis or psychosis and are patients in a medical institution as a result thereof. Under existing law there is no exclusion of payments to individuals in private medical institutions. For this reason the exclusions will not be effective until July 1, 1951.

INCLUSION OF RELATIVE IN AID TO DEPENDENT CHILDREN

As indicated in the discussion of the computation of the Federal share of assistance payments, title IV of the Social Security Act would be amended by the bill so as to include (effective October 1, 1949) payments and medical care to meet the needs of the relative with whom any dependent child is living. The amended section 406 (b), however, would permit such payments and medical care only for a month for which unrestricted cash payments have been made under the State plan with respect to a child in such relative's care.

Under existing law (sec. 406 (a)), the dependent child to be eligible must be 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." The new section 406 (c) of the act, which would be added by the bill, defines the "relative with

whom any dependent child is living" as one of such relatives with whom the child is living in such a place of residence.

TEMPORARY APPROVAL OF CERTAIN STATE PLANS FOR AID TO THE BLIND

Section 345 of the bill provides that for the period beginning October 1, 1949, and ending June 30, 1953, in the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have an approved plan for aid to the blind on January 1, 1949, the Federal Security Administrator shall approve a plan of such State for aid to the blind even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need) if it meets all other requirements under title X of the Social Security Act for approval of the plan. The Federal grant for such a State, however, shall be based only upon expenditures which would be included as expenditures for purposes of section 1003 (a) under a State plan approved without regard to the provisions of this section.

AID TO THE PERMANENTLY AND TOTALLY DISABLED

Section 351 of the bill would add to the Social Security Act a new title XIV with the heading "Grants to States for Aid to the Permanently and Totally Disabled." Except as explained below it follows the provisions of title I of the Social Security Act, which relates to grants to States for old-age assistance, as amended by the bill. This new title would be effective October 1, 1949.

Appropriation

Section 1401 of the new title authorizes an annual appropriation to carry out the purposes of the title and provides for paying the sums appropriated to States with approved plans for aid to the permanently and totally disabled. This section is the same as section 1 of the Social Security Act.

Requirements for State plans

Section 1402 (a) sets forth the requirements which State plans for aid to the permanently and totally disabled must meet in order to be approved by the Administrator. These provisions, which deal with such matters as the requirement of a single State agency to administer the plan, the requirement that a fair hearing be granted to individuals whose claims have been denied or have not been acted on in a reasonable time, etc., are the same as the requirements for State plans for old-age assistance contained in title I of the Social Security Act, as amended by the bill. There is, however, one exception. Clause (7) of the new section 1402 (a) requires the State plan to provide that no aid will be furnished to any individual under the plan with respect to any period with respect to which either he is receiving old-age assistance or aid to the blind, or aid to dependent children is furnished with respect to him, under a State plan approved under the Social Security Act. This provision is substantially the same as the provision in section 1002 (a) (7) of the act, as amended by the bill.

The new section 1402 (b) is the same as section 1002 (b) as amended by the bill. It requires the Administrator to approve any plan which

meets the requirements of section 1402 (a) except that he may not approve any plan which, as a condition of eligibility for assistance under the plan, imposes any citizenship requirement excluding any citizen of the United States or any residence requirement excluding any resident who has resided in the State continuously for 1 year immediately preceding his application for aid. The State may, however, until July 1, 1951, impose a residence requirement which is not in excess of that contained on July 1, 1949, in the State plan for the aid to the blind approved under title X of the Social Security Act on or prior to such date.

Payment to States

The new section 1403 (a) of the Social Security Act is the same as section 3 (a) as amended by the bill. It provides for making Federal payments to the States to meet the same proportions of their expenditures under the State plan for aid to the permanently and totally disabled as is provided under section 3 (a) in the case of old-age assistance.

Section 1403 (b) contains provisions relating to the mechanics of computing, certifying, and paying to the States the amounts to which they are entitled under section 1403 (a). These provisions are identical with the provisions of section 3 (b) of the Social Security Act.

Operation of State plans

The new section 1404 of the Social Security Act is the same as section 4 of that act. It relates to withholding Federal payments from States for failure to comply substantially with the requirements of the new title XIV.

Definition

The term "aid to the permanently and totally disabled," is defined in the new section 1405 of the Social Security Act as meaning money payments to or medical care in behalf of needy individuals who are permanently and totally disabled. As is true in the case of the definition of old-age assistance as amended by the bill (sec. 6 of the Social Security Act), payments to and medical care in behalf of individuals in public medical institutions are permitted; but effective July 1, 1951, there is an exclusion of payments to or medical care in behalf of any individual who is a patient in an institution for tuberculosis or mental disease or who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

CHILD-WELFARE SERVICES

Section 521 of the Social Security Act now authorizes appropriations for a cooperative program between the Federal Security Administrator and State public-welfare agencies in establishing, extending, and strengthening, especially in rural areas, child-welfare services. The amount authorized to be appropriated for each year for this purpose is now $3,500,000. Section 331 of the bill would increase this authorization to $7,000,000. This section of the Social Security Act now provides for the allotment of $20,000 to each State for child-welfare services with the remainder of the sum allotted on the basis of the relative rural population of each State. Section 331 of the bill would increase the $20,000 to $40,000.

The present section 521 of the act states the purposes for which the amounts allotted to the States may be used. To these purposes

would be added the payment of the cost of returning any run-away child under age 16 to his own community in another State where such return is in the interest of the child and the cost cannot otherwise be met.

These amendments to section 521 (a) of the Social Security Act would be effective with respect to fiscal years beginning after June 30, 1950.

MISCELLANEOUS AMENDMENTS

Section 561 of the bill amends other provisions of titles I, IV, V, and X of the Social Security Act so as to do what has already been accomplished in effect by Reorganization Plan No. 2 of 1946. It would substitute the Federal Security Administrator in these titles of the Social Security Act for the Social Security Board, the Children's Bureau, and the Secretary of Labor.

TITLE IV—MISCELLANEOUS PROVISIONS

COMMISSIONER FOR SOCIAL SECURITY

Section 401 of the bill repeals the present section 701 of the Social Security Act and section 908 of the Social Security Act amendments of 1939 (already repealed in effect by Reorganization Plan No. 2 of 1946) and substitutes a new section 701 of the Social Security Act establishing in the Federal Security Agency an office of Commissioner for Social Security. The Commissioner is to be appointed by the Federal Security Administrator and to perform such functions relating to social security as the Administrator shall assign to him.

REPORTS TO CONGRESS

Section 402 of the bill repeals section 541 (c) and section 704 of the Social Security Act and substitutes therefor a new section 704. This section would require the Administrator to make an annual report to the Congress at the beginning of each session on the administration of his functions under the Social Security Act. It would also authorize an additional 5,000 copies of the report to be printed for distribution to Members of Congress and to State and other public or private agencies or organizations interested in social security.

AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

Section 403 (a) (1) of the bill would amend the definition of State in section 1101 (a) (1) of the Social Security Act so as to include Puerto Rico and the Virgin Islands for purposes of titles I, IV, X, and XIV of the act. At the present time the term "State" includes Puerto Rico and the Virgin Islands only for title V. The amendment is necessary as a result of the extension of the public assistance titles to Puerto Rico and the Virgin Islands.

Section 403 (a) (2) of the bill would substitute for the present section 1101 (a) (6) of the Social Security Act a definition of the term "Administrator." As defined this term would mean the Federal Security Administrator unless the context otherwise required. Insofar as this substitution repeals the definition of employee now contained in section 1101 (a) (6) of the Social Security Act it is to be effective only with respect to services performed after 1949.

Section 403 (b) of the bill substitutes Federal Security Administrator for Social Security Board in section 1102 of the Social Security Act.

Section 403 (c) amends section 1106 of the Social Security Act so as to make the same substitution and also to substitute references to subchapters A and F of chapter 9 of the Internal Revenue Code for present references to the Federal Insurance Contributions Act. Section 403 (d) of the bill would substitute subchapters A, C, and F of chapter 9 of the Internal Revenue Code for the present references in section 1107 (a) of the Social Security Act to the Federal Insurance Contributions Act and the Federal Unemployment Tax Act.

Section 403 (e) of the bill would substitute the Federal Security Administrator for the Social Security Board in section 1107 (b) of the Social Security Act. This section of the act imposes a penalty on anyone who, with intent to obtain information as to the birth, employment, wages, or benefits of an individual, represents himself to be such individual or his wife, parent, or child. To this list of relatives would be added the "former wife divorced" and "widow" of the individual.

Section 403 (f) of the bill would add at the end of title XI of the Social Security Act a new section 1108 relating to the furnishing of wage record and other information.

Paragraph (1) of subsection (a) of the new section authorizes the Federal Security Administrator, upon request, to furnish wage record information (including account numbers) to State unemployment compensation agencies for use by such agencies in the administration of the State unemployment compensation or temporary disability insurance law. This information is to be furnished only to the extent consistent with the efficient administration of the Social Security Act.

Paragraph (2) of subsection (a) of the new section 1108 authorizes the Administrator to furnish special reports on wage and employment records and to conduct special studies and compile statistical data with respect to any matters related to the programs authorized by the Social Security Act. The furnishing of this information is also to be made only to the extent consistent with the efficient administration of the Social Security Act and subject to conditions and limitations deemed necessary by the Administrator.

Subsection (b) of the new section 1108 provides that the information authorized by subsection (a) is to be furnished only upon agreement by the agency, person, or organization requesting it to pay for the information in such amount as may be determined by the Administrator. This amount is not to exceed the cost of furnishing the information and, particularly in cases of nominal cost, the Administrator would be authorized to furnish the information without cost. This subsection also indicates the procedure to be followed in making these payments and provides that such payments be deposited in the Treasury as a special deposit to be used to reimburse the appropriations for the unit or units which performed the work or furnished the information.

Subsection (c) of the new section 1108 of the Social Security Act prohibits the furnishing of information under this section when it would violate the provisions in section 1106 of the Act, relating to the confidential nature of information obtained by the Administrator, or regulations prescribed under such section 1106.

VIEWS OF THE MINORITY ON H. R. 6000

PART I—THE COMPULSORY SOCIAL INSURANCE SYSTEM

We recommend that coverage of the social-insurance system be broadened and that the amount of benefit payments be increased.

We are unable, however, to support all the provisions of this proposed legislation. The provisions to which we are opposed, together with our recommended changes, are summarized below and analyzed in detail later in this statement.

The provisions we oppose will increase the cost of this system at its maturity by approximately $3,500,000,000 a year and this amount when added to the huge and pyramiding cost of the other features of the program may well mean the difference between the success or break-down of the system.

Our opposition to certain features of the bill is based, in addition to the cost factor, on our strong conviction that they are inconsonant with the fundamental purpose of compulsory social insurance.

In our opinion, the purpose of compulsory social insurance is to provide a basic floor of economic protection for the individual and his family and in so doing to encourage and stimulate voluntary savings through personal initiative and ambition. It should not invade the field historically belonging to the individual.

We believe that such a form of compulsory social insurance which unnecessarily takes from the individual funds which he would invest or otherwise use for building his own security is incompatible with our free-enterprise system. Accordingly, we do not conceive it to be a proper function or responsibility of the Federal Government either to compensate individuals for all types of losses in earning capacity or to provide a scale of benefits which pay substantially higher amounts to those with higher income.

We believe further that if this vast program is to fulfill its social objectives, the most important factor is to restrict the burden of its pyramiding cost within an amount which the economy can bear. This is so because in the final analysis the basis of all security is a productive economy, and the burden in any one year of the mounting cost of this program will have, in the main, to be paid for out of the production of the goods and services which the system seeks to distribute. In 20 years the pay-roll tax provided for in this bill will be 6.5 percent or a dollar cost based on present wage levels of over $8,000,000,000 a year for this one program alone. If this burden becomes too great, the system may well be repudiated by future generations, and if benefit payments are carried to extreme, the inevitable result of the companion tax burden will be a stifling of the incentive and ambition to produce.

SUMMARY OF OUR RECOMMENDATIONS

1. *Continuation of the present $3,000 wage base.*—Increasing the wage base to $3,600 as proposed in H. R. 6000 results in higher benefits to those better able to provide their own protection and does nothing to increase the benefits for those with average wages below $3,000 for whom the system should be primarily concerned. It increases the dollar cost of the system substantially, provides a windfall to persons near retirement who earn $3,600 or more, and unnecessarily complicates the keeping of wage records by employers who must continue to report unemployment taxes on a $3,000 wage base.

2. *Elimination of the automatic yearly benefit increase factor (the "increment").*—This provision increases the cost of the program by approximately $1,000,000,000 annually, discriminates against older workers and the irregularly employed, and automatically commits future generations to the payment of higher benefits than will be paid today.

3. *In conjunction with recommendations 1 and 2 above, we recommend using the highest 10 consecutive years in determining the average monthly wage.*—To assure more adequate protection for those who, owing to part-time employment, have average wages of $3,000 or less for whom the system should primarily be concerned, benefits payments should be based on the highest 10 consecutive years of earnings rather than on an average monthly wage determined over the entire working time of the individual as provided for in H. R. 6000.

4. *Elimination of the authority of the Treasury to extend definition of "employee".*—Paragraph 4 of the definition of "employee" gives to the Treasury Department virtually unlimited discretion, through authority to extend the definition of "employee," to determine where the impact of the social-security taxes will fall. As a result of this authority, large numbers of persons will have no way of knowing their social-security tax liability until the Treasury determines it for them.

5. *Realistic coverage for household workers.*—The bill purports t extend coverage to household workers but in reality does so for only a small group—1,300,000 of these workers are excluded under the bill. Coverage should be real, not theoretical.

6. *Teachers, firemen, and policemen with their own pension systems should be excluded.*—We recommend direct exclusion of teachers, firemen and policemen, who are already covered under their own retirement and pension systems. It would in our opinion be a mistake to take any action which might jeopardize these existing systems to which contributions have been made over long periods of time.

7. *Establishment of an independent system for Puerto Rico, the Virgin Islands, and other possessions.*—A social-security system specifically geared to the economic level of these islands is desirable. The extension of the proposed legislation to these possessions will, however, create many anomalies and unfortunate results which could otherwise be avoided.

8. *Continuation of existing law with respect to lump-sum death payments.*—More than 78,000,000 persons have already paid for the same private life-insurance protection which this provision in the bill would duplicate or replace. Encroachment by the Federal Government into this field is accordingly unjustified.

9. *Confine total and permanent disability payments to the public assistance program.*—Prior to launching into the hazardous and tre-

mendously costly field of disability insurance, opportunity should first be given to meet the problem through the sounder and less costly Federal grants-in-aid program. Such an opportunity is provided for in the bill by extending Federal participation to payments to all permanently and totally disabled persons who are in need. The cost of the proposed disability insurance program may well exceed $1,000,000,000 annually within the next few years.

EFFECT OF OUR RECOMMENDATIONS

If the above changes are made in this proposed legislation, the compulsory social-insurance system will be kept within its fundamental purpose and its cost and the necessary taxes required for its support will be substantially reduced. According to actuarial advice, the average annual saving until the maturity of the program, some 50 years hence, will be in the neighborhood of $1,250,000,000. This saving is real and not illusory and the result would be wholly compatible with the aims of the social-security program. More than that, an adoption of our recommendations will aid in preserving the proper relationship between security achieved through social insurance and that which is to be had through individual self-reliance. The approximately $60,000,000,000 so saved over this period would be available to the American people for their individual use in providing for their own additional financial security in the manner most appropriate and fitting to their own circumstances.

DISCUSSION OF OUR RECOMMENDATIONS

1. *Continuation of the present $3,000 wage base.*—Raising the wage base from $3,000 to $3,600 brings into sharp focus a basic conflict in the conception of the purpose of the compulsory social-insurance system. This conflict is whether the system should serve to afford economic protection at a basic level appropriate for those least able to provide for their own security, or whether it should now be expanded into a national retirement system of high benefits as a relatively complete means of furnishing retirement and survivors' benefits without any need for supplementation by the individual.

The original administration bill adopted the latter philosophy by increasing the wage base to $4,800, with the frank objective of selecting a base which would include all the wages of over 95 percent of the working population. This would leave only a very small group in the higher-income brackets with any earnings free from social-security taxation. The recommended increase from $3,000 to $4,800 was in no wise necessary to raise the amount of benefit payments to the desired level, or to assure the financial solvency of the system.

By compromising at a $3,600 wage base, the majority has recognized the inherent unsoundness of the administration's proposal. Nevertheless, the compromise represents a breach of basic principle, a matter which is more significant in its ultimate implications than in its immediate practical effect.

To justify increasing the wage base to $3,600, the question must be asked whether a man with $3,600 of earnings needs more social-insurance protection than one earning $3,000. The question answers itself. Some of the results of raising the wage base to $3,600 are as follows:

(*a*) Workers now near retirement age earning $3,600 or more would receive a windfall, since the additional benefits to which they would be entitled at retirement would exceed by far in value the total of their additional taxes on the extra $600 of wages. The extra benefits they would receive would be at the expense of the trust fund, which has been built up exclusively from taxes on incomes of $3,000 or less.

(*b*) Younger workers earning as much as $3,600 will, on the other hand, be subject to taxes totaling 20 percent more than if the wage base were kept at $3,000, in return for which their retirement benefits payable years later would be only 7½ percent more a month.

(*c*) The ability of all those earning over $3,000 a year to make their individual arrangements for additional financial security would be reduced.

(*d*) Employee pension plans established by employers, unions, or employers and unions jointly, would tend to use a lower level of benefits, because integration with the higher scale of social-security benefits would leave smaller residuals to be covered by the private pension plans.

(*e*) Employers would not only have to subsidize the social-security system more heavily through their payment of half the taxes, but they would also be subjected to heavier bookkeeping and clerical expense in order to make wage and tax reports for old-age, survivors, and disability insurance purposes on a $3,600 basis while continuing to report for unemployment-compensation taxes on a $3,000 basis.

2. *Elimination of the automatic yearly benefit increase factor (the "increment").*—We are opposed to the automatic one-half of one percent yearly benefit increase factor or "increment" provision contained in the bill because:

(*a*) The use of the yearly increment in computing the amount of benefit payments discriminates against older persons first entering the system with only a few years to retirement, and favors younger workers with steady employment. We agree with the Advisory Council on Social Security to the Senate Finance Committee, which unanimously recommended the elimination of the increment provision, that such discrimination is undesirable, and that the older workers should not be penalized.

(*b*) The increment also discriminates against those workers who do not have continuous employment. These workers are less able to provide for their own security than those who are regularly employed. The favoring of this group of steadily employed workers is, therefore, inconsistent with the social purposes of the system—to afford protection to those who are least able to save for their own financial security.

(*c*) By setting into operation an automatic escalator clause providing higher benefits in the future, when the costs of the system will be greatest, we are committing future generations to the payment of benefits on a scale which we are unwilling ourselves to pay today.

(*d*) The increment provision will increase benefits only slightly in the beginning, but the increase will grow larger and larger each year as more persons become eligible for benefits. Over the next 50 years, additional extra costs because of the increment will average

approximately $1,000,000,000 a year, or a total of $50,000,000,000. Approximately 40 or 50 years hence, the increment will increase cost as much as $2,000,000,000 a year. No justification has been advanced for imposing this additional cost on future generations.

The increment factor is not necessary in order that benefits may be related to length of service in covered employment or the amount of taxes paid by an individual into the system. This relationship is provided for in the bill by the so-called "continuation" factor, by which benefits are reduced pro rata for time spent in uncovered employment. Moreover, the argument that private pension systems and the Federal civil-service retirement system are precedents for an annual increment provision is unsound. The purpose of the increment in these systems is to encourage employees to remain at their jobs throughout their working careers. The matter of tenure of office is, however, of no concern under a national compulsory system where an individual can pass from job to job and still remain in covered employment. Many features of private pension and Federal retirement systems are inappropriate in this program, where the purpose is to provide a realistic floor of protection against economic hazards.

3. *In conjunction with recommendations 1 and 2 above we recommend the use of the highest 10 consecutive years in determining average monthly wage.*—With important classes of workers, particularly farm labor, still excluded from the social-security system, it is to be expected that a large number of workers will still shift back and forth between covered and uncovered employment, thereby creating a record of intermittent covered employment for social-security purposes. This will result in a pro rata reduction of benefits for these workers, because of the continuation factor in addition to that resulting from the inclusion in the wage record of years of relatively low earnings from other causes. In particular, years of coverage before World War II, when a lower wage level prevailed, may often be included and result in a further reduction in benefits to levels unsuitable to present-day inflated prices. Accordingly, some offset is needed to this double reduction in benefits, caused by proration and the use of prewar wage history. We believe that one way to provide such an offset would be to determine average wages on the basis of the best 10 years of consecutive employment, with suitable adjustments if there are less than 10 such years. In this respect, our recommendations are closer to the administration's original proposal than the committee's bill.

Use of the best 10 years of consecutive employment will also have the effect in many cases of eliminating earnings in early apprenticeship years, which are hardly appropriate as a basis for benefits payable some 40 or 50 years later in life. In addition, it introduces into the basic program an automatic mechanism which will tend to adjust future benefits to existing price levels.

4. *Elimination of the authority of the Treasury to extend the definition of "employee" for tax purposes.*—The tax rate contained in the majority bill is as follows:

Date	Employer	Employee	Self-employed
	Percent	*Percent*	*Percent*
1950	1½	1½	2¼
1951–59	2	2	3
1960–64	2½	2½	3¾
1965–69	3	3	4½
1970 and thereafter	3¼	3¼	4⅞

In view of this tax-rate differential contained in the majority bill it is important that every individual should be able to know from the statute itself whether he is an "employee" or a self-employed person. It is equally important, and only just, that employers know how many "employees" they have for social-security purposes.

Under existing law, the definition of "employee" for social-security purposes is particularly important in determining who is and who is not covered. This problem is, however, eliminated by the provisions of H. R. 6000 which extends coverage to the self-employed as well as to "employees." The sole purpose for defining "employee" is thus a tax purpose—who pays as an "employee" and who pays as a self-employed person, and when is an employer's tax payable.

Paragraph (4) of the majority definition makes the attainment of these objectives impossible. Millions of persons and thousands of businesses will not know their tax liability until it is determined for them by the Treasury Department.

The vital principle as to who shall make that determination is also involved. We believe that such determinations are the proper responsibility of the Congress and that Congress should accordingly clearly define the term "employee." This is done in paragraphs (1), (2), and (3) of the definition under which the common law rule of "employee" is broadened to include several groups. We approve of the principle of extension of the definition being made by congressional action, and exceedingly regret that the categories to be specifically enumerated under paragraph (3) did not receive the thorough consideration which we believe to be appropriate. Paragraph (4) vitiates this policy, however, and leaves this determination up to the Treasury Department and the Federal Security Agency and the courts. It reads:

The term "employee" means—

(4) Any individual who is not an employee under paragraphs (1), (2), or (3) of this subsection but who, in the performance of service for any other person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effects of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of the performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the ndividual for profit or loss.

A mere cursory glance at the wording of the above definition will show that at any time the Internal Revenue Bureau or the Federal Security Agency or the court wants to make a person an "employee" rather than a self-employed person, or vice versa, it can do so. This is true because in almost every case at least two or three of the "factors" as interpreted by them can always be cited in justification.

In view of the scope of the first three paragraphs of the new definition, and inasmuch as paragraph (3) can be modified to any extent desired by the Congress, there is manifestly no justification for paragraph (4). It was adopted by the majority under extreme pressure.

Paragraph (4) serves no social purpose. Instead it leaves the status of millions of our citizens to the almost unbridled exercise of administrative discretion and does so just at a time when they must for the first time determine at their peril whether they are to be covered as "employees" or as self-employed. It will result in the unsettling of many established business practices and produce endless costly litigation. Its adoption is a shameful departure from the constitutional

division of powers among the three branches of government and marks the surrender by the Congress of its prerogative and duty to define tax liability.

Appendix B contains an analysis of this problem prepared for the Committee on Ways and Means by the staff of the Joint Committee on Internal Revenue Taxation.[1]

5. *Realistic coverage for household workers.*—Under the bill only about one-third of the approximately 2 million household workers will be covered because of the requirement of 26 days of employment for one employer during a 3-month period. The effect of this requirement is to favor the more regularly employed household worker, and discriminate against those who work for more than one or two employers each week.

We believe the coverage to this group should be realistic and not theoretical and should be extended to all household workers who work at least 1 day a week for an employer for 6 days in different weeks of a 3-month period (calendar quarter). This test of regular employment will in our opinion oppose no greater burden on the housewife than the provision of 26 days contained in the bill and will afford protection to the group of these workers who need it the most.

Our recommendation for realistic coverage to household workers is predicated on the assumption that a simple and feasible method of collecting the necessary taxes from the housewife is effectuated by the Treasury Department and the Federal Security Agency.

6. *Teachers, firemen, and policemen with their own pension systems should be excluded.*—We recommend direct exclusion of teachers, firemen, and policemen who are already covered under their own retirement and pension systems. Their retirement systems are specifically designed for public employment and are better adapted to the needs of these groups than the broad social-security program. Moreover, in all cases their retirement payments are greater and can more easily be adjusted to their changing needs through local and State action. It would in our opinion be a mistake to take any action which might jeopardize these existing systems to which contributions have been made over long periods of time.

7. *Establishment of an independent system for Puerto Rico, the Virgin Islands, and other possessions.*—Recognizing that the livelihood and well-being of the people of Puerto Rico and the Virgin Islands are closely tied to our economy, we nevertheless believe that a separate social-insurance system should be established for these possessions because the extension of the proposed legislation to them will have undesirable results. For this reason the Advisory Council on Social Security to the Senate Finance Committee recommended that a thorough study be made. Some of the anomalies resulting from extending the proposed legislation to Puerto Rico and the Virgin Islands would be—

(*a*) A great number of contributors would receive benefits on a lavish scale as compared with recipients in the United States. A typical worker and his wife would, for example, receive a combined benefit equal to at least three-fourths of the worker's monthly wage.

(*b*) In many cases benefit payments would be larger than the wages themselves, because of the minimum benefit provision in H. R. 6000.

(*c*) Inasmuch as a large portion of the working population of these islands earns $50 or less per month, many individuals would draw

[1] This analysis begins on p. 33.

benefits and at the same time continue to work, since full benefits are payable unless the amount of earnings from wages or self-employment income exceeds $50 a month, or $600 a year.

(*d*) On the other hand, many individuals would have an insufficient wage base to meet the minimum requirements of "insured status," and, therefore, many who most needed protection would receive none.

(*e*) Our Federal income-tax laws do not apply to Puerto Rico which has its own tax system. Accordingly, a system for collecting the Federal social-security tax will have to be established in these islands and the cost of collecting this tax will in many cases be more than the tax itself.

8. *Payment of lump-sum death benefits.*—Existing law provides that a lump-sum death benefit equal to six times the primary insurance benefit will be paid upon the death of an insured worker if there are no survivors immediately eligible for survivors' benefits. This provision was added to the Social Security Act by the 1939 amendments on the theory of giving to all insured workers at least a partial return of the money which they had paid into the system; otherwise those who died without leaving survivors eligible for benefits would forfeit any equities in the system which they may be considered to have established through the payment of past taxes.

The new provision in the bill, however, provides that a lump-sum benefit equal to three times the primary amount will be paid whenever an insured worker dies, even though there are benefits payable to his survivors which are worth many times the amount he paid into the system through taxes. This change is completely inconsistent with the original purposes of the limited lump-sum death benefit, and can only be justified on the theory that the Social Security Act should provide life insurance for funeral benefits. In our opinion, this represents an improper encroachment by the Federal Government into a field which is adequately served by a form of private enterprise. Today over 78,000,000 persons—more than the entire number to be covered under the social-security system even when extended as this bill provides—now have life-insurance policies, and we see no purpose to be served by the Government entering into this field.

9. *Confine total and permanent disability payments to the public assistance programs.*—We recognize that permanent and total disability is a major economic hazard and that protection in this field is a concern of Government. We believe, however, that an opportunity should first be given to weigh the effectiveness of meeting this problem through State assistance programs to which the Federal Government contributes before embarking on a tremendous new Federal insurance program averaging at least $700,000,000 a year over the future and a possible cost of several times this amount. Accordingly we urged the extension of Federal participation to payments made by the States to permanently and totally disabled persons who are in need, and this has been provided for in the bill.

The extension of the social-insurance program to include permanent and total disability benefits was not recommended by any person who had had actual experience in the field. As a matter of fact the several experienced witnesses who appeared before the committee universally recommended against the adoption of the program at this time. An analysis of the actual workings of the proposed program was hardly touched upon during the hearings of the committee, and no plan has ever been presented to the committee outlining the actual adminis-

trative procedure to be used in determining eligibility for these payments. The Senate Advisory Council recommendation that permanent and total disability benefits be provided was made in conjunction with a universal coverage extension of old-age and survivors insurance and was predicated on the reduction in over-all percentage costs of the system which would be made by a broader extension of coverage. Moreover, the Advisory Council recommendation provided much stricter eligibility requirements than H. R. 6000. Even this recommendation was made with a strong dissent and the dissenting members were the only members of the Council who had had actual experience with disability insurance.[1]

(*a*) *Cost of the proposed disability insurance program.*—Cost estimates of this program are only speculative at best but a fair estimate of the maturing cost of this program is set forth below. The figures developed by the actuary assigned to this committee are somewhat below these figures, but it is almost universally agreed that any estimates of the cost of disability insurance are subject to a wide range of error and thus could be considerably above the intermediate estimates which the actuary has presented. The administrative cost for the first year is estimated by the Federal Security Agency to be over $20,000,000; the number of claimants, at least 300,000; and the number of additional employees needed to handle the program, at over 5,000, not counting doctors on contract. The number of claimants will grow to at least 1,500,000 within 15 years when the annual cost may well be about $1,000,000,000 a year.

TABLE 1.—*Cost of permanent and total disability insurance contained in H. R. 6000*

Calendar year	Amount	Percentage of pay roll	Calendar year	Amount	Percentage of pay roll
1950			1980	1,100,000,000	0.8
1955	$300,000,000	0.3	1985	1,100,000,000	.8
1960	700,000,000	.5	1990	1,100,000,000	.8
1965	1,000,000,000	.7	1995	1,200,000,000	.8
1970	1,100,000,000	.8	2000	1,200,000,000	.8
1975	1,100,000,000	.8			

(*b*) *The experience of insurance companies.*—The experience of life-insurance companies in this field was well-nigh disastrous. It was, however, suggested before the committee during the hearings that the experience of the life-insurance companies was not necessarily the fate of this program as administered by the Federal Government because the insurance companies did not have complete control of their selection of risks, whereas under the proposed program a control of the selection of risks would be had by compulsory coverage. Such an assertion can only be supported by demonstrating that the proportion of persons under the proposed Federal plan who are subject to both a substantial risk of unemployment or reduced incomes would be smaller than among a selected group such as those to whom individual insurance policies had been issued. No such demonstration has been volunteered, and we believe the exact opposite condition would exist. By extending coverage to all workers who had earned a given minimum and worked for certain periods in covered employment, the Government is bringing in millions of workers, including many women, with very low income-earning capabilities, and in periods of

[1] The dissenting opinion is set forth in full in appendix A of this statement, beginning on p. 28.

unemployment the incentive to get on the benefit rolls will be great indeed.

Furthermore, the life-insurance companies found that during the depression of the 1930's the percentage increases in the rates of disability among workers insured under group-insurance contracts were at least as great as under individual policies, which are usually relied upon as the distinguishing factor in the difficulties encountered by life-insurance companies in granting disability benefits and in the proposed Federal plan. The workers insured under group insurance are, however, more nearly comparable to the workers who would be covered under a Federal program. Indeed, those brought together under a Federal plan would probably constitute a greater hazard from a disability standpoint than those insured by the companies under group policies.

(c) *Benefits as a matter of "right."*—An ailment that disables one does not necessarily disable another. The proposal of the bill to limit benefits to those who have "inability to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent" is a test which states a very clean cut and objective criterion. However, on analysis and in application to actual cases, no such objectivity can be carried out. Whether an individual can or cannot engage in any substantial gainful employment is a matter of judgment even though full information is had as to the exact degree of impairment. Many individuals today are regularly engaged in earning a living who could pass the proposed test as it will be administered, because the decision to continue to work or stop work depends in the main on ambition, business opportunity, or financial necessity rather than physical handicap; and if benefits as proposed under this bill are established as a matter of "right," there will be a great many to whom the temptation to live off the Government will be irresistible.

(d) *Duplication of benefits.*—Provision is made in the bill for the duplication of disability benefits with workmen's compensation benefits payable in replacement of wages, up to one-half the amount of the smaller of the two benefit payments. Total benefits payable between the two programs will therefore become attractive, in comparison with take-home pay, to those whose original urge to work was never overdeveloped. To avoid abuses which such duplication of coverage would foster, many State workmen's compensation benefits will have to be cut back for disabilities lasting longer than 6 months or, at the least, needed liberalizations will be avoided. In fact, this provision for partial duplication of payments with workmen's compensation benefits is apparently intended as an opening wedge for the taking over by the Federal Government of all benefits in the workmen's compensation field now regulated by the States.

THE COST OF H. R. 6000

The cost in any year of the proposed legislation is the sum of the amount paid out in benefits and the cost of administration. Today benefits amount to approximately $600,000,000 a year and administrative costs approximately $50,000,000 a year.

The number of beneficiaries actually drawing benefits is approximately 2,500,000, and there are today approximately 1,300,000 persons who are eligible to draw benefits but are not doing so because they or their husbands are working.

According to advice from the actuary assigned to the committee, the cost of H. R. 6000 will increase approximately as follows:

TABLE 2.—*The cost of H. R. 6000*

Calendar year	Benefits	Benefits as percentage of pay roll	Calendar year	Benefits	Benefits as percentage of pay roll
1950	$1,300,000,000	1.1	1980	$8,400,000,000	6.2
1955	2,600,000,000	2.2	1985	9,500,000,000	6.9
1960	3,800,000,000	3.2	1990	10,600,000,000	7.6
1965	5,000,000,000	4.0	1995	11,300,000,000	7.9
1970	6,200,000,000	4.8	2000	11,700,000,000	8.1
1975	7,300,000,000	5.5			

The above figures are only intermediate ones and are, of course, subject to a considerable range of variation because of the unpredictability of the movement in the future of the various factors involved. The figure for four or five decades hence could under very reasonable assumption be as much as 20 to 25 percent higher or lower.

These future costs are costs for which commitments are being made today, and the Government in underwriting the system is morally and politically obligated to supply the necessary cash to meet these costs. This it must do through taxation or borrowing, or a combination of the two.

In determining what is financially feasible for any particular program in the broad field of social security, pensions, health, and welfare, it is imperative to obtain insofar as possible some general idea of the over-all cost of all the combined welfare programs together with contemplated programs in the near future. If this is not done, there is grave danger that what might be feasible today may become financially impossible tomorrow.

Mr. Altmeyer, Social Security Administrator, has indicated that a pay-roll tax of 15 percent applied to all wages and self-employment income up to $4,800 or an approximate $21,000,000,000 a year might cover all the recommended administration welfare programs, exclusive of public assistance.[1] A great many believe this figure to be far too low.

Moreover, it is the history of social-welfare programs that very few are ever cut back despite the costs because of the political implications of revoking what may have become to be regarded as vested rights. Accordingly, if the Congress now commits future generations to social-welfare programs costing more than our free-enterprise system can pay in taxes, we can expect little practical political opportunity to later bring benefit levels down to what the economy can afford.

We have set forth a table designed to present a general idea of the over-all estimated future costs of all existing and recommended social-security, pension, health, and welfare programs, exclusive of veterans' programs. It will be noted that for old-age survivors and permanent disability insurance we have included the costs of the program recommended by the Administration in H. R. 2893 which were somewhat more costly than H. R. 6000. The figures contained in this table are in general in accord with similar estimates contained in a series of articles appearing in the Congressional Record of April 18, 19, 20, 21, 22, 25, 27, 29, and May 2 of this year, and in the official published hearings held by the committee from March 24 through April 27, 1949, on Social Security Act amendments of 1949.

[1] United States News and World Report, April 15, 1949.

TABLE 3[1]—*Estimate of total cost of existing and all recommended*

	1950		1960		1970	
	Low	High	Low	High	Low	High
Old-age and survivors insurance[2]	$1,800,000,000	$2,000,000,000	$4,700,000,000	$7,100,000,000	$7,600,000,000	$10,900,000,000
Temporary disability[3]	500,000,000	750,000,000	1,500,000,000	2,200,000,000	1,600,000,000	2,400,000,000
Health insurance	15,000,000	15,000,000	3,600,000,000	6,000,000,000	6,000,000,000	6,500,000,000
Unemployment insurance	1,500,000,000	2,000,000,000	2,000,000,000	4,000,000,000	2,000,000,000	4,000,000,000
Public assistance[4]	1,300,000,000	1,400,000,000	900,000,000	900,000,000	800,000,000	800,000,000
General health and welfare[5]	600,000,000	600,000,000	2,300,000,000	2,300,000,000	1,500,000,000	2,500,000,000
Railroad retirement[6]	400,000,000	500,000,000	550,000,000	700,000,000	700,000,000	850,000,000
Civil-service retirement	300,000,000	350,000,000	400,000,000	500,000,000	550,000,000	700,000,000
Total	6,415,000,000	7,615,000,000	15,950,000,000	23,700,000,000	20,750,000,000	28,650,000,000

[1] Does not include veterans' programs.
[2] As recommended in the administration bill H. R. 2893, includes permanent and total disability.
[3] As recommended in the administration bill, H. R. 2893.
[4] As recommended in the administration bill, H. R. 2892.
[5] Exclusive of health insurance. Includes grants to States for hospital construction and maintenance and other similar costs paid from the General Treasury.
[6] Including unemployment and temporary disability benefits for railroad workers.

social security, pensions, health and welfare program for 50 years

1980		1990		2000	
Low	High	Low	High	Low	High
$10, 100, 000, 000	$14, 700, 000, 000	$12, 200, 000, 000	$18, 200, 000, 000	$13, 100, 000, 000	$20, 600, 000, 000
1, 600, 000, 000	2, 400, 000, 000	1, 700, 000, 000	2, 500, 000, 000	1, 700, 000, 000	2, 500, 000, 000
6, 500, 000, 000	7, 000, 000, 000	7, 000, 000, 000	7, 500, 000, 000	7, 500, 000, 000	8, 000, 000, 000
2, 000, 000, 000	4, 000, 000, 000	2, 000, 000, 000	4, 000, 000, 000	2, 000, 000, 000	4, 000, 000, 000
700, 000, 000	700, 000, 000	600, 000, 000	600, 000, 000	500, 000, 000	500, 000, 000
2, 000, 000, 000	3, 000, 000, 000	2, 500, 000, 000	3, 500, 000, 000	3, 000, 000, 000	3, 500, 000, 000
750, 000, 000	950, 000, 000	800, 000, 000	1, 000, 000, 000	800, 000, 000	1, 000, 000, 000
700, 000, 000	950, 000, 000	800, 000, 000	1, 100, 000, 000	900, 000, 000	1, 200, 000, 000
24, 350, 000, 000	33, 700, 000, 000	27, 600, 000, 000	38, 400, 000, 000	29, 500, 000, 000	41, 300, 000, 000

This table shows that if all programs, as recommended by the Administration, were adopted, the over-all cost of all social security, pensions, health and welfare programs, exclusive of veterans' programs, would mount within the next few decades to somewhere between $30,000,000,000 and $40,000,000,000 a year.

We call attention to the statement made by Sir Stafford Cripps in reviewing the cost of social welfare in England as reported in the New York Times, April 7, 1949:

> There are, of course, economies that we can make, and are making, in our administration, particularly as regards terminal expenditure from the war, and temporary services arising out of the war. But these economies are, in the main, in terms of fractions of a million, whereas the new expenditure as regards social services increases by tens of millions. We have, therefore, to face the fact that as long as the defense forces and the social services are maintained, whatever Government is in power, a very high rate of taxation will continue to be necessary.
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> * * * * * * *
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> When I hear people speaking of reducing taxation and at the same time see the costs of social services rising rapidly in response very often to the demands of the same people, I sometimes wonder whether they appreciate the old adage: "We cannot have our cake and eat it."
>
> * * * * * * *
>
> We have chosen, quite deliberately—and in this all parties have participated—to have our benefits in the form of extended social services. * * * Each year, and year after year, we must provide, out of taxation, the money required for these services and for our defense. * * * From a financial point of view, this means a large budget and high taxation.

PART II—PUBLIC ASSISTANCE AND WELFARE SERVICES

SUMMARY OF OUR POSITION

1. We favor the extension of Federal participation in payments made by the States to permanently and totally disabled needy persons as provided for in the bill by the addition of title XIV to the Social Security Act. As discussed in part I of this statement, we believe that destitution arising from permanent and total disability is a proper concern of government, and we have accordingly recommended the enactment of this program. Its effect will be to liberalize and broaden benefit payments by the States to permanently and totally disabled needy persons and to establish a laboratory for testing the effectiveness of this method of meeting the permanent and total disability problem. As a result of the practical experience and first-hand observation thus gained, subsequent improvements and extensions of this program can be made as circumstances warrant.

2. We also favor extending Federal participation to the adult "caretaker" of a dependent child as provided for in the bill. This will result in better care for the child and in the more equitable apportionment of Federal funds among these dependency groups.

3. We further recommend the sharing by the Federal Government in the cost of payments now being made by the States and localities to the needy aged, blind, and totally disabled in public medical institutions, as provided for in this bill.

4. We question, however, the new matching formula contained in the bill for the following reasons:

   (*a*) It will reduce the incentive of the States to provide adequate payments for the aged, the blind, dependent children, and the permanently and totally disabled, and discriminates against States which are doing their part in favor of States which are not meeting their full responsibility;

(*b*) It deviates from the principle of public assistance;

(*c*) It will encourage the use of this program for political purposes; and

(*d*) It lends further impetus to the shifting of a basic State responsibility to that of the Federal Government.

THE PROPOSED NEW FORMULA

(*a*) *The proposed formula will reduce the incentive of the States to provide adequate payments and discriminates against States which are doing their part in favor of States which are not meeting their full responsibility.*—Public assistance programs were originally initiated by the States, and the Social Security Act of 1935 established Federal grants-in-aid to assist them in improving and strengthening their programs for old-age assistance (title I), aid to dependent children (title IV), and aid to the blind (title X).

The original formula was on a 50–50 basis with the maximum individual payment that the Federal Government would match being $30 per month for old-age assistance and aid to the blind. For aid to dependent children, the Federal Government provided $1 for each $2 of State and local money with the matchable individual payments not exceeding $18 per month for the first child and $12 for each additional child in the family.

In 1939 the Federal maximums were increased to $40 for old-age assistance and aid to the blind, and Federal matching aid for dependent children was established on a 50–50 basis.

By the 1946 amendments, Federal funds were paid under a matching formula on the basis of two-thirds of the first $15 of the average monthly payment per recipient plus one-half the remainder within maximums of $45 for old-age assistance and aid to the blind. For aid to dependent children the matching formula was two-thirds of the first $9 of average monthly payment per child plus one-half the remainder within the individual maximums of $24 for the first child and $15 for each additional child.

Effective October 1, 1948, the Federal Government now provides three-fourths of the first $20 of the average monthly payments plus one-half of the remainder within a maximum of $50 for old-age assistance and aid to the blind. Under the aid to dependent children the Federal share is three-fourths of the first $12 of the average payment per child plus one-half of the remainder within the maximum of $27 for the first child and $18 for each additional child.

As shown from the above the fact that the Federal Government would match at least $1 for every $1 spent by the States within the permissible maximum has always been a basic and essential feature of this program. The result of this policy has been that the States have increased their average payment for the needy aged from $16 in 1936 to $44 today, from $9 to $29 for a dependent child, and from $24 to $46 for the blind. No Federal action should therefore be taken which would reduce this incentive of the States to continue their progress in raising their level of payments.

But such action is now proposed under the new formula contained in the bill.

This formula provides that Federal funds shall equal four-fifths of the first $25 per recipient, plus one-half of the next $10 but only one-third of any additional amount over $35 up to the $50 maximum.

Under this formula, therefore, while States receive $25 of Federal funds for a $35 payment, the States desiring to maintain or increase this benefit to an adequate amount would receive only one Federal dollar for every two State dollars. This is a deterrent, not an incentive, to States to raise their payments, and it marks a fundamental departure from the established principle of Federal matching on at least a dollar-for-dollar basis.

We call particular attention to the fact that under the proposed formula any State could cut its share of expenditures for public assistance by one-half by merely reducing its average assistance payments from $50 to $35—a temptation which may be great in the face of rising costs of State governments.

The general effect of the formula can be illustrated by showing the Federal amount received where assistance payments average $25 and where benefit payments are at a $50 level. Where payments average $25, 80 percent of the funds come from Federal sources; on the other hand, where payments average $50, only 60 percent comes from Federal funds.

(*b*) *It deviates from the principle of public assistance and Federal-State relationship.*—Public assistance for the aged and dependency groups was designed to serve as a transitional method to take care of these until the old-age and survivors insurance program was sufficiently matured to handle most of this protection on a contributory basis. Residual cases could then be handled locally at local expense. On this basis the program was designed to encourage and assist the States to pay adequate benefits to needy people within the purview of the program. The practical effect of the proposed formula will, however, be to discourage States from paying adequate benefits and to encourage them to make payments only up to $35. When a person is entirely destitute, particularly in urban areas, it is manifest that $35 is hardly sufficient for any reasonable living standards throughout the country, as the majority apparently believe. The result of the proposed formula is to start a trend in old-age assistance away from the case work determination of individual need and turn it into a mass-production benefit-roll technique for which the system was never designed.

(*c*) *It encourages the use of this program for political purposes.*—Political pressures within States have already resulted in placing persons on the rolls who are not qualified for benefits. Although, for example, the national average for aged persons on the assistance rolls is 228 for every 1,000 over 65, the State of Louisiana has placed 8 out of every 10 persons over 65 on the old-age assistance rolls—an increase of over 100 percent in the past year. Providing four Federal dollars for each State dollar to those States which have old-age assistance payments of only $25 encourages abuse.

(*d*) *The proposed formula lends impetus to the shifting of a State responsibility to the Federal Government.*—Public assistance is essentially a State responsibility. This was recognized in the original recommendation on the President's Committee of Economic Security in 1935 and is implicit in the fact that aside from sharing in the costs of assistance and administration, the role of the Federal Government has been limited to that of setting minimum standards and providing technical advice on administrative problems. Under the proposed formula, however, impetus is lent to the tendency to shift this responsibility to the Federal Government. Under the proposed formula 80 percent of a $25 payment will come from the Federal Government,

and 71 percent of a $35 payment. A gradual shifting of this responsibility will lead to the imposing of this program on the Federal Government rather than the absorption on a local level of cases not provided for under the insurance program.

Regard should be given to the relatively favorable position of the States to meet their own obligations in comparison to that of the already over-burdened Federal Government.

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ROY O. WOODRUFF.
THOMAS A. JENKINS.
RICHARD M. SIMPSON.
ROBERT W. KEAN.
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NOAH M. MASON.
THOMAS E. MARTIN.
HAL HOLMES.
JOHN W. BYRNES.

ADDITIONAL MINORITY VIEWS

Excellent though the majority's findings are in many respects, I regret to dissent from the majority report of the committee. I concur in the major portion of the findings of the minority report, but wish to express these additional views. My dissent from the bill reported out does not stem from opposition to a liberalized social-security program; instead it arises from the fact that the bill reported out fails in some major respects to do the very things a liberal and effective social-security program should do.

The old-age and survivors insurance program is a grossly unsound and ineffective tool for the social-security purposes it attempts to accomplish. Because it is so unsound and ineffective, I cannot agree that the mere extension of its coverage or a mere numerical revision of its benefit formula, such as the majority of the committee proposes, can bring about significant improvement. Instead, the very fundamentals of the program should be objectively reexamined, and to the extent that such reexamination indicates the need for drastic overhauling of the program, that overhauling should be done, even though it proves necessary to abandon completely those concepts on which the present program rests.

I should like to outline what I consider the major shortcomings of the old-age and survivors insurance program, both in its present form and as it would be amended by the reported bill. At the same time I shall indicate what I believe is the necessary remedy.

I. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM FAILS TO PROVIDE AUTOMATIC BENEFITS FOR THE MAJORITY OF THOSE PERSONS WHO ARE IN NEEDY CATEGORIES NOW

The program makes grandiose promises for the future. Even with its coverage excluding certain occupations, as under the reported bill, the great majority of the aged population of a half century from now will be eligible for the program's benefits, since most of the young men starting out to work now or in recent years will have full opportunity to get the required calendar quarters in covered employment at some time during their working lifetime. Most of today's young women either will similarly succeed in getting these calendar quarters

or will be married to men who so succeed, so that they too will qualify for benefits either in their own right or on behalf of their husbands.

But what of today's older population? Of the 5.2 million men now aged 65 and over, only one-third are insured under the program, and of the 5.5 million women of these ages, only one-fourth are either insured themselves or are the wives or widows of insured men. This is because only those who are still fortunate enough to have remained at work for much of the time since the program actually started in 1937 could obtain the calendar quarters of employment needed to be insured today. Many of the men over 65 today were already too old to be at work back in 1937, or were already disabled or unemployed. Many of the women are wives or widows of men who had already left work by 1937; in fact, many of today's widows had already become widows by that date or before 1940 and so could not qualify for benefits.

True, the Social Security Act includes a program of old-age assistance said to be designed for the benefit of those who were too old to qualify under the insurance program. But old people do not want the stigma of receiving assistance benefits which are based on a needs test. They want automatic benefits, even though modest in amount, that they can call their own. The old-age assistance programs, even when conscientiously administered, have proved shamefully dishonest in their results. Some old people, of the most deserving type, have remained in need rather than go on assistance. Other old people have become a burden upon their conscientious, but poor, children. Those who get assistance benefits have, in some cases, concealed their assets in order to qualify for the benefits; on the other hand, hundreds of thousands of even more deserving people have declined to do this and at the same time have suffered harsh deprivations. Other deserving individuals without assets of any kind have finally had to apply for this assistance, but it has broken their spirit, destroyed their independence, and changed their entire outlook on life.

The men now aged 65 or over who are eligible for social-security insurance benefits come, by and large, from the more well-to-do portion of the aged population, since these men either have worked recently or are still working. If we were to remove from consideration the more opulent one-third of the older male population, and concern ourselves only with the poorer two-thirds, who might be said to be in the economic levels of qualifying for public assistance in the more liberal assistance States, we would find that probably only about one-fifth of this poorer group have qualified for benefits under the insurance program. This indicates the degree to which the insurance program has failed to take care of those older persons for whom its benefits should be primarily available.

It is said that the extension of coverage, as provided in the bill reported by the committee, will tend to remedy this situation. The majority of those of today's old people who are ineligible for insurance benefits are no longer regularly employed, so that the mere extension of coverage to those occupations not now covered cannot help them. Such extension of coverage may make it even more probable for future generations of old people to become insured, but it cannot take today's old people off public-assistance rolls or help those old people who are now in distressing circumstances because they cannot get insurance benefits and refuse to apply for public assistance.

What is needed is an extension of automatic benefits (i. e., benefits available without a needs test) to the millions of old people who could not qualify under a wage-record insurance program and yet who, over their past working lifetime, have worked just as faithfully as the more fortunate few who now qualify. No other way can possibly provide these deserved benefits.

There are those who frown upon the idea of paying every citizen an old-age benefit. These critics should examine the present program. Under this program, we are now paying a privileged few, some of whom are independently wealthy, amounts that are many, many times more than what they have paid in. Under our old-age assistance program, which is part of social security, one State has now on the assistance rolls 8 out of every 10 of its inhabitants over 65 years of age. Every taxpayer in the country is helping to carry these loads.

What we say of the old people is equally true of the other categories in need. Mere extension of coverage will not put onto the insurance-benefit rolls those orphan children whose fathers have already died. Should the Congress decide to go into the field of permanent disability benefits, the method provided for in the bill of the majority is unsound, costly, and very inequitable and unjust. Mere provision of disability insurance on a wage-record basis cannot put on the benefit rolls the large number of people under age 65 who are now permanently disabled. It can never help the hopeless cripple who has been such all his life. The administration's proposal offers nothing but relief for the crippled individual who as a child never knew what it was to run and play. It can never help the individual who is stricken by some dreaded disease before he reaches his working age and never gets the chance to hold a job. Such provisions may help some of the disabled of later generations, but we should not overlook today's needy or leave them to the mercy of public assistance, if the field of total disability benefits is going to be entered by the Federal Government.

II. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM FAILS TO MAKE THE MOST SOCIALLY ADVANTAGEOUS DISTRIBUTION POSSIBLE OF FUNDS AT ITS DISPOSAL

Social-security funds are necessarily limited in amount, since they depend upon the amount of economic productivity in the Nation and the possibility of drawing off a portion of this productivity for social-security purposes that is not too large to injure the Nation's economic health. Because of this limitation, it is of the utmost importance that these funds be distributed wisely.

But the insurance program fails to make this wise distribution because it is tied down by the concept that benefit amounts should vary directly with the worker's former wage level. This concept of "the higher the wage, the higher the benefit" has generally been rationalized on the ground that a greater "wage loss" is suffered when a higher-paid worker dies or retires than when a lower-paid worker does. But I feel that this concept results in a maldistribution of social-insurance funds and ignores the important fact that the higher-paid worker should be expected to accumulate far greater resources than the lower-paid with which to supplement his social-insurance benefit. In fact, this concept is so inconsistent with the social-insurance objective set forth above, that the reverse concept of "the lower the wage, the higher the benefit" would be more nearly correct.

It is my belief that benefits should be uniform in amount and independent of previous wage history. A system providing uniform benefits would recognize the fact that since the amounts available for social security are necessarily limited in total, it is far better to divide up these amounts without discrimination than to pinch one man's benefit in order to deal more generously with another man.

A social-security system, subsidized as it intrinsically is from public funds, should not be the medium for continuing the higher-paid worker's differential in living standard over that of his lower-paid fellow citizen. It is the function of the higher-paid man's greater personal resources to provide a supplemental benefit for the purpose of continuing this differential. While the higher-paid man may not wish to make such provision, he has the choice to do so. And he has a choice of methods by which to do it. If he prefers not to use private channels, such as thrift or insurance organizations, or union or other cooperative funds, he should have the opportunity of using public, but not subsidized, channels.

A claim which has been made for the variable benefit concept is that under it are reflected geographic differences in living costs. This claim can hardly be taken seriously since benefit variations within almost any fair-size town will be much greater than variations in benefit averages as between different towns or different parts of the country. It has been well established that variations in average expenditures between one locality and another reflect variations in living standards much more than they do variations in living costs. And to the extent that an individual's need for a higher benefit is due to a genuine local variation in living cost, it is the function of his own community or State, whose increased living cost is matched by increased fiscal capacity, to make up that benefit differential to him by means of State-financed public assistance, and not the function of the Nation-wide social-security program.

The benefit differential cannot be justified on the ground of individual equity. Primary insurance benefits which would be awarded in 1950 under the bill proposed here by the majority, for a worker who has been steadily employed at an average of $250 a month, are $16 a month greater than the benefits for a worker steadily employed at $100 a month. Yet, less than $2.47 differential in primary benefit amounts can be justified actuarially by the higher contributions of the $250-a-month man. In other words, the higher-paid man has paid for $2.47 more in benefits but receives $16 more in benefits. This small actuarially justified differential is due in part to the newness of the program, for, at present, contributions pay only a small part of the benefit costs. But it is doubtful whether, even in the long run and under the higher contribution rates of the committee bill, the differential in employee contributions will ever justify the differential in benefits between the lower-paid and the higher-paid worker. While it is true that the higher-paid worker derives a benefit which is lower relative to his previous earnings than that of the lower-paid worker, and also that the higher-paid worker pays a larger relative share of the cost of his benefits than does the lower-paid worker, the important fact is that the higher-paid worker derives a greater dollar profit than the lower-paid worker.

A case in point showing that the present system does not make a proper social distribution of funds is that of the corporation official,

whose salary is somewhere above $250 a month, who has been under social security since it started, who retired in 1949, and whose wife is the same age. Under existing law, this husband and wife are drawing $67.80. This man has paid into the trust fund a total in his lifetime of $390, or less than the amount that he and his wife are drawing out in 6 months. The measure before us would raise this man's benefits to $64.40 and the wife's benefits to $32.20 or a total of $96.60. This increase is given to them without any needs test.

The pending measure so departs from a social program as to make the insurance benefits for an orphan, in some instances, conditioned on whether or not that orphan was born in wedlock; yet, this same program makes possible old-age-retirement benefits as a matter of right to the professional gambler or any other person who makes his livelihood in an unlawful enterprise.

A widow, whose husband was not under social security, or whose husband died prior to 1940, receives no payments from the Federal Government without going on relief.

Take another case of a young lady who, upon reaching her majority, gives up her career and her opportunity for marriage, to care for her invalid mother. Suppose the mother lives until she is 80, and by that time the small resources of the family are exhausted. This daughter will never be entitled to any social security payments as a matter of right based on a wage record. She can only look to relief.

A system of uniform benefits would remove these inequities and correct this socially adverse distribution.

III. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM FAILS TO PROVIDE THE FLEXIBILITY NECESSARY TO KEEP ITS BENEFITS IN LINE WITH SOCIAL AND ECONOMIC CHANGES

A major purpose of the committee bill is that of adjusting the benefits of the insurance program to meet the changes in living costs which have transpired since the present law's benefit formula was adopted. I cannot view the remedy as a satisfactory one, and I view the very problem as evidence of the program's basic unsoundness.

Can the benefit-formula revision of the committee bill, coupled with the special-adjustment schedule for benefits already on the rolls, rectify the benefit-wage relationship for a substantial number of years to come? Obviously not. In view of the constantly changing levels of prices and wages, the revision would only be a temporary expedient. If wage and price levels fall substantially in future years, the ratio of benefits to wages could be disastrously high, both socially and economically. The more probable long-term trend, however, is upward, and not many years may elapse before this trend will give rise to a demand for further adjustment. It should be remembered, too, that the real urgency in such times is that of the situation of those who will already be on the beneficiary rolls. Those who will still be working will see their benefit amount (as it appears on paper) rise somewhat with rising wage levels and can, of course, hope that Congress will make further revision in the benefit formula before their retirement or death.

Does not this need for continual revision of the benefit formula, and in particular the even more urgent need for repeated special-adjustment schedules for benefits for those already on the rolls, point

clearly to the absurdity of basing benefits on wage histories? Will it not, in fact, soon make a shallow mockery of the claim that benefits are based on wage histories? Can a social-insurance system presume to meet social needs of the future on the basis of records of the past and present? Not only in terms of benefit levels but also in terms of various other economic and social factors, we are powerless to outline properly tomorrow's needs and to promise benefits accordingly. A retirement age of 65, for example, may well become obsolete in a future population whose age composition and health characteristics could be such that 65 would be too low an age, both biologically and economically, for superannuation.

A private insurance company or a privately funded pension system cannot readily do other than to promise those now insured or covered in such company or system specific future benefits dependent upon present premiums or contributions, which in turn may be dependent upon present income levels. But a social-insurance system need not have the limitation of this inflexibility. And, in fact, this very limitation on the part of private insurance and private pensions makes it the more urgent that social insurance possess the flexibility to be automatically adaptable to economic and social change.

As will be shown further on, this flexibility does not connote instability; nor need it be achieved through the medium of public assistance. In fact, today's dual system of Federal insurance benefits for the selected few and Federal-supported public assistance for many of the remainder is responsible for much of today's instability. At the present time the average old-age assistance monthly payment exceeds the average primary insurance benefit by about $18. The passage of this measure would probably put the insurance benefit amount in the lead, but the race would only have begun. The insurance beneficiary, misled into thinking he has paid for his own benefit, is resentful of the assistance recipient's receiving a comparable amount without having paid contributions toward it; and the latter, who suspects the actual truth that the insurance beneficiary has paid only an infinitesimal portion of the cost of his benefit, rightly resents the fact that he himself has had to submit to a needs test in order to get assistance. The two systems will therefore compete with each other for increasing political favor, and this competition, combined with the extreme long-range cost increases inherent in the measure before us, could prove to be a major inflationary factor in the Nation's economy.

Under the present system, this Government is saying to a young man 21 years of age that they will pay him a definite amount upon retirement at his retirement age. He is not only promised the exact amount that he will receive upon retirement, if his age is then 65, but how much he will receive each month if he lives to be 90. What the price level will be at the time he is 90, what he will need, or what the taxpayers can afford to pay at that time, are all factors that are totally disregarded. What will happen is that future Congresses will have to revise his benefit formula. What, then, is the value of all these wage records? Why maintain a huge, staggering bureaucracy to maintain wage records that will have to be disregarded later?

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

100 years from now, but so long as the Government of the United States stands. It is totally unmoral.

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

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

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

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

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

In 10 years the annual cost will be $3,800,000,000.
In 20 years the annual cost will be $6,200,000,000.
In 30 years the annual cost will be $8,400,000,000.
In 40 years the annual cost will be $10,600,000,000.
In 50 years the annual cost will be $11,700,000,000.

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

In 10 years the annual cost will be $4,200,000,000.
In 20 years the annual cost will be $6,800,000,000.
In 30 years the annual cost will be $9,500,000,000.
In 40 years the annual cost will be $11,900,000,000.
In 50 years the annual cost will be $13,000,000,000.

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

2. No definite scheme for meeting these greatly increasing costs has been established. The alleged reserve now in the trust fund is already $7,000,000,000 short, and the program is new.

3. Proposed combined rates of employer and employee contributions are so small that acturial costs are not met even with respect to the youngest workers now covered, for whom contributions will be paid throughout their working lifetime.

In addition to the above conditions, which spell uncertainty for the program's future, the following conditions also seem incorrect for a social-insurance program:

4. The present tax structure is highly regressive.

5. Incomplete coverage, by which I mean not only incomplete coverage of the working population but more particularly the exclusion from benefits of most of those now old, disabled, or orphaned, means that the cost of employer contributions and eventual Government subsidy are borne by those who cannot benefit from the program.

The fact that the cost of the program will so greatly increase over future years, or rather that the number of beneficiaries is so small now as compared to future years, is unfortunate in a number of respects. It signifies the fact, as indicated at the beginning of this report, that the program is not doing its job now and will not be for some decades to come. But it also means, I am convinced, that no suitable method of financing can be found. To adopt a method requiring contributions of the level actuarial type would be a political impossibility, and even if it could be achieved it would have the adverse effect that in the early years of the program much more would be taken out of the Nation's economy than would be put back into it in the form of benefits. On the other hand, not to require level actuarial contributions would mean, as is now the case, that—even with respect to the youngest workers—benefit costs would be underfunded and the public would have no real appreciation of the true costs of the program.

Another objection to a program in which the number of beneficiaries is much smaller in the early years than in the later years is that, regardless of what financing method is adopted, there will be an uncontrollable tendency toward undue liberalization of individual benefit amounts. With only relatively few beneficiaries on the rolls now and in the immediate future, it is only too simple a matter to propose that individual benefit rates be approximately doubled; that primary benefit amounts in excess of $100 a month be promised, as well as combined husband-and-wife amounts of $150 a month. With only a relatively small number of present beneficiaries and with present benefit disbursements far below contribution receipts, the ability to fulfill these promises over the next few years seems to be all that matters, and the tremendous future cost, which will result when there is a much larger number of persons for whom we have made commitment of these benefit amounts, is too easily ignored.

I insist that a realistic program be established in which the number of beneficiaries now will be at least comparable to the number in the future. Under such a program, careful thought would necessarily be given to any liberalization of benefit amounts, for the cost of any such liberalization would be felt immediately.

Under such a plan, disbursements from the program would require matching by incoming revenue, either over each year or over a short period of years, thus affording a definite program of financing.

It has been frequently pointed out that those now in receipt of primary insurance benefits under the program have paid but a very small portion of their cost. Of the primary beneficiaries now on the rolls, virtually none have paid more than $400 in employee contributions, some have paid less than $10, and the average amount of total employee contributions for these benefits has been less than $150. Yet the actuarial value of the benefits, as of the time of the beneficiary's being placed on the benefit rolls, has averaged about $3,000, and if allowance were made for the value of possible wife's and other benefits, the value would be much greater. While over the long run employee-contribution totals will become much higher than at present, they will not pay for a significant portion of benefit costs.

Let us consider the case of a man who is now 40 years of age. Let us assume that he has been under old-age and survivors insurance since it started in 1937, that he and his wife are the same age, and that both will reach 65 at the same time. We will also assume that his average monthly wage has been $200. This man will have paid in in taxes according to the schedule in present law the sum of $1,440, and his employer a like amount, or a total of $2,880.

This amount would have purchased him a monthly benefit of $14.10 on an actuarial basis. However, under existing law he would draw $47.95 a month and his wife would draw $23.98, or a total of $71.93. In less than 3½ years he and his wife would draw out everything that he and his employer have paid in, even though he would have been covered for 37 long years. The actuaries say that the total value of all these benefits under existing law is $9,770. Under the pending measure his benefits will be raised to $71.10 a month, his wife's to $35.60 a month, or a total of $106.70 a month.

Now let us take the case of a much older man, one who reached 65 years of age on January 1 of this year, and has been under social security since it started, at an average monthly wage of $100. We will also assume that his wife is the same age. This man has only paid in a total of $144 in taxes and his employer has paid a like amount. Actuarially, this would have purchased for him a monthly benefit of only $1.45. Under the present law he receives $28 a month as long as he lives and his wife receives $14. Should his wife live longer than he does, she will draw $21 a month as long as she lives.

The actuarial value of this man's benefits is $3,460 and the wife's and widow's benefit is $2,240 or a total actuarial value of $5,700. This is provided at a cost to the man and his employer of $288. The measure before us will raise this man's monthly benefit to $49 a month and his wife's benefit to $24.50 a month, and if he dies first the widow will then receive $36.80 a month—all of this for the total cost of $288.

The proponents of the present program, as liberalized by the pending measure, claim to prefer insurance payments to assistance, and a contributory program to a noncontributory one. What they propose, however, is just the reverse of this stated preference. They favor a program which would leave for large numbers of needy persons only needs-test assistance, while at the same time favoring others with virtually noncontributory insurance benefits. A plan which would provide automatic benefits for all those now old, or otherwise entitled to benefits, would require the portion of the population now working to pay a cost equivalent to the value of their own benefits, and such a plan would therefore be contributory in its effect. The generation now working would be paying for the benefits of those now old (or the survivors of those now dead), with the assurance that when they become old their benefits (or if they are then dead, the benefits to their survivors) would be paid for by the generation then working. Such a program, I feel, would be both sound socially and sound financially.

I submit that in any given year, those individuals who are so blessed as to have a job and good health so that they can produce, should carry the load for those unable to produce for themselves in that particular year, that the cost should be paid in full in that year, and that when the year closes, nothing is owed and nothing is promised.

Such a method will eliminate this huge bureaucracy now administering social security, it will eliminate the use of a costly and useless system of wage records, and it will not be committing future generations of taxpayers of 20 years, 50 years, or 70 years from now, to the untold billions to which the present system is committing them.

I propose a program of modest benefit amounts, one that could be borne by a present tax rate not much greater in total effect than the cost of Federal grants for public assistance plus the combined amounts of employer and employee contributions at present. But I would prefer that this tax be in the form of an addition to the current normal income tax rates. The pay-roll tax, as noted above, is regressive in effect. The employer portion of the pay-roll tax can probably be adequately justified for financing hazards directly related to current employment, such as loss of wages due to temporary absence from work, but we cannot see its rationale as a method for financing long-term benefits relating to the one-time hazards of death, or old age.

How much can the Nation spend in any one year for social security? If we pay our social-security bill each year as we go, and a specific tax is levied for that purpose, the taxpayers—through the powerful medium of public opinion—will prevent those payments from getting too high. On the other hand, the aged, the orphaned, and the widowed, likewise can exert a great influence on public opinion and thus prevent benefits from becoming too low. These two forces should balance each other. This is not accomplished under the present program because of its cumbersomeness, alleged reserve system, and the binding commitments it makes on future generations.

V. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM IS ADMINISTRATIVELY COMPLEX

Under the present law, it is claimed, the wage record system has worked well and with little cost in comparison with the benefits of the program. Yet it appears that the system is a wasteful one if, as I believe, a program at least as satisfactory can be developed without the use of wage records. Moreover, even though the most modern labor-saving devices have been applied in the operation of the wage record system, the cost is substantial.

Let us consider how a wage record is used in our present social-security law. If a young lady 18 years of age goes to work in an office, she must apply for and receive a social-security number. Every time her employer pays her he deducts her tax and adds the employer's tax and sends a record of this tax and wage paid, to the Government. The Social Security Administration opens an account for her and the taxpayers must employ Government workers to handle, preserve, and maintain that record, probably for 70 or 80 years. This young lady may work a few months and get married. Years later she may go back to work for a month or two, further social security taxes are paid and a further report of wages paid; this results in some more expensive Government bookkeeping. She may work periodically several times during her life but never enough to qualify for old-age insurance. Yet the taxpayers must maintain this expensive wage record for her.

Or take the case of a man who starts to work and works continuously, the keeping of his wage record by the Government is expensive. It is very likely that several times before he dies the cost

of living and prices generally will change to the extent that the benefits that he is to receive have to be changed, thereby rendering these past wage records entirely useless. We must also not forget that many very fine citizens, who lead productive lives and make their contribution to society, never have a wage record. It is exceedingly difficult, and in some cases almost impossible, to apply the present program to those citizens.

Approximately 8,000 of the 15,000 employees engaged in the administration of the present program are directly concerned either with the enforcement of the pay-roll tax or the processing of the quarterly employer reports and the maintenance of the many millions of wage accounts. Practically all of these operations, and some portions of the remaining operations, could be dispensed with, if benefits were independent of wage records.

Under extension of coverage, the administrative effort required in employment-tax enforcement will be greatly increased, and the percentage increase in administrative costs will be much greater than the percentage increase in the number of persons covered. The definition of the term "employee," which proved so difficult for the committee, and the definitions of "covered wages" and "self-employment income," likewise difficult, are problems which are not necessary if we follow a system that is not based upon wage records.

On the other hand, financing old-age and survivors insurance benefits by an income tax method, without wage records, would not only eliminate the above costs but would add practically no cost to the present expense of collecting income taxes.

CONCLUSION

I have, in the foregoing paragraphs, presented only some general ideas of how I would overhaul the insurance program. To put these ideas in somewhat more concrete, but not at all final, form, I am submitting the following outline of tentative benefit proposals:

1. Payment of old-age benefits to all citizens who have reached retirement age or over, to the widows of deceased citizens and to their orphaned children under age 18.
2. Payments within each category (aged, orphaned, etc.) to be uniform in amount, though amounts for different categories may differ.
3. No needs test or work clause, except that other Federally supported benefits programs would be offset.
4. Federal grants-in-aid for old-age assistance and aid to dependent children would cease, and all such assistance payments would be State financed.
5. Benefits provided would be financed by addition of a flat percentage rate, especially designated in the return, to the normal income tax rate.
6. Benefit amounts would be included as taxable income in the ordinary income tax return. This would discourage many who do not need it from applying for the benefits; at the same time, evils of the present system would be eliminated and the costly burden of supporting thousands and thousands of welfare workers, inspectors, record offices, and the like would be eliminated.

I would repeat, however, my earlier statement that such overhauling must be preceded by an objective and thorough reexamination, such as has not been done to this time. I do not disparage the work of previous congressional groups on this subject, and particularly not the work of the present Ways and Means Committee, which is to be congratulated on its rejection of some of the most extravagant and visionary proposals contained in the original Administration request for legislation. The committee has perhaps done the job as well as possible by patching up a hopeless program, and trying to make an untenable program work.

On the other hand, with due regard to the high caliber and public spirit of the individuals comprising the various advisory councils on social security, I feel it regrettable that these councils have not been able to make more thorough reexamination of fundamentals. Each council has been made up of individuals who were experts in their own outside fields and who, being extremely busy men in these outside fields, could not take the necessary time to make such reexamination; consequently, acceptance of the proposals developed by the Social Security Administration staff members became an almost inevitable course. I feel that a study should be made by a group consisting largely of persons who can devote full time for several months to the work, who are largely technicians in this field, and who at the same time are fully independent of Administration pressure. Only in this way can a wholly objective and thorough chart be laid for future development.

CARL T. CURTIS.

FURTHER MINORITY VIEWS

We have signed the minority report because in our opinion it is preferable to the majority report, but we do not approve all that is contained therein. We can and do subscribe to the views expressed by Representative Carl Curtis in his "additional minority views," especially to the specific recommendations found in his "conclusion."

NOAH M. MASON.
JOHN W. BYRNES.

APPENDIX A

MEMORANDUM OF DISSENT BY TWO MEMBERS OF THE ADVISORY COUNCIL ON SOCIAL SECURITY TO THE SENATE COMMITTEE ON FINANCE

Total disability should be covered by State assistance programs aided by Federal grants and should not be included in a Federal contributory social-security program.

Lessons from life insurance experience

A persuasive theoretical case can be made for including total disability benefits in the Federal old-age and survivors insurance system. Total disability is a distressing catastrophe involving serious consequences for those whom it overtakes and for their dependents. However, the way to meet the situation and at the same time avoid many of the pitfalls indicated by life insurance and other experience is on an assistance basis.

In the 1920's a persuasive case was developed for the inclusion of total and permanent disability income provisions in life-insurance policies. There was no

doubt that this type of insurance was popular and met a real need. Accordingly, the life-insurance companies issued large amounts of insurance providing the disability income benefits only to learn by hard experience during the depression of the 1930's, involving literally hundreds of millions of dollars of losses, that insurance of this type cannot be issued safely except under severe restrictions as to benefit provisions, rigid selection of risks, high premium charges, the most careful scrutiny of new claims, and an adequate follow-up of those receiving disability incomes.

It is sometimes claimed that the difficulties and losses incurred by the life-insurance companies arose from the overinsurance of well-to-do persons who built up disability insurance coverage to unsound levels. It is true that this was a source of heavy loss. However, the hazard of the disability coverage was clearly evident in group insurance where the rates of disability during the depression rose to a greater extent than did the rates under ordinary insurance. The group experience is much more significant as a criterion in considering total disability on a contributory basis in a social-security program because it related to wage earners, was issued on a wholesale basis without adverse selection by the insured, and was free from the overinsurance characteristics of business issued on an individual basis.

Some life-insurance companies today sell disability income insurance in connection with life insurance to carefully selected male applicants on a very restricted basis and at high rates of premiums. This fact provides no basis whatever for claiming that all gainfully employed persons could safely be covered for total disability in a contributory social-insurance program.

Unfortunately for reasons analogous in some ways but different in others, total disability benefits cannot be included in a Federal contributory social-insurance program with any reasonable assurance that claims can be limited to the type of disability envisaged when the program is adopted. They will get out of hand just as they did in the life-insurance experience. The reasons are outlined below.

The break-down of the system is most likely to occur in period of unemployment

In the prosperous years of the middle 1920's, the life-insurance companies were able to administer the total disability insurance provision with relatively little trouble. Because of the problems inherent in a political system providing benefits available to practically all wage earners in all occupations, a Federal contributory total disability benefit program would probably experience more trouble than the life-insurance companies in periods of prosperity when job opportunities are plentiful. However, very serious difficulties would develop when unemployment began to assume major proportions. Under such conditions, there would be tremendous pressure to attempt to prove disability to the extent necessary to get on the Government benefit rolls.

Theoretically it would appear easy to prevent abuse of the system, but practically, as the life-insurance companies discovered, the problem is extremely difficult to handle. The crux of the matter lies in the fact that it is next to impossible to evaluate total disability when there is a determination to attempt to prove that one is disabled in order to obtain a potential life income from the Government. Claims exceedingly difficult to evaluate are those where it is alleged that the disability which prevents one from working is of the subjective type that is next to impossible to disprove—for example, the various manifestations of "rheumatism," feigned or imaginary angina pectoris, and nervous disorders.

Once on the benefit rolls, it would be hard in a large percentage of cases to get the worker to return to his job. An individual's net earnings as a worker after deduction of taxes, union dues, and contributions for insurance benefits, after payment of transportation and meal costs, and purchases of work clothes, would in many instances, not be sufficiently attractive to induce him to return to work as compared with the tax-free disability payments and freedom from other charges. Moreover, being on the benefit rolls would give many persons a welcome sense of security not present in regular employment, especially if they were of the marginal type in ability. Many would prefer a small income with security, to a larger income with what they would consider insecurity.

This would be true because after the period of unemployment which had caused the increase in the number of persons on the benefit rolls, there would be a substantial residue of persons with impaired earning power, whose net earnings if they returned to work, would not be enough more than their benefits, based upon prior earnings records, to make it appear worth while to go back to work. These individuals would do everything in their power to have their disability incomes continued.

Another factor in periods of unemployment that would greatly increase the problem of holding disability claims to proper limits would be the incentive employers would have to lay off inefficient workers who later would be represented as unable to work because of alleged disability. Since the laid-off workers would probably be those whose efficiency was failing, their chances of being employed again at their previous wage levels would be small. Hence their disability benefits, based upon prior wage records, might be very attractive as compared with what could be earned net upon again being employed. The incentive therefore to do everything possible to stay on the benefit rolls would be great indeed. With unemployment insurance as the first, and total disability as an eventual later means of support, the temptation to employers to use the system to get rid of inefficient workers could have very serious consequences.

It might be thought that workmen's compensation would provide guidance in appraising the total disability problem. Unfortunately it does not offer much help. Most workmen's compensation cases arise from accidents and are relatively easy to appraise and adjudicate. The insurance companies have had but little difficulty in issuing coverage for disability arising from accidents. It is on the health side that the problems described above are encountered.

Many people are working who the doctors will say are near the border line and should stop work. These individuals will be inclined to stop work, and a careful physician will feel obliged to give them the benefit of the doubt and say they are disabled for benefit purposes, when they are not totally disabled at all.

In the disability field the primary problem is likely to be determination of the present or potential ability to do some work, not the diagnosis of a physical condition. Many individuals with an unquestioned pathological condition are earning their support in properly chosen useful work and in so doing are benefited mentally as well as physically. Others in a similar physical condition are supported in idleness by insurance benefits, an independent income or by their families. In cases of this type, which constitute a large proportion of disabled individuals, whether one earns his living or not depends on economic incentives.

Unfortunately experience demonstrates that cash disability benefits operate as a deterrent to rehabilitation. Entirely aside from the problem of over-all cost, any benefit which diminishes the incentives toward rehabilitation and self-support is socially undesirable.

Benefits as rights

A basic difficulty to bear in mind is that in any system supported by taxes specifically levied for the purpose, workers will look upon benefits as rights to which they are equitably entitled.

This will color their fundamental attitude toward the system and intensify their demands for benefits when their disabilities do not warrant their doing so. In taking this position they will feel they are doing what they are equitably entitled to do and are doing nothing wrong. Moreover, if a person thinks someone else has received benefits when no more disabled than he, he will contend for similar treatment for himself.

Though the right to receive benefits is, of course, always limited by qualifying conditions, yet in the worker's mind it is the question of right that tends to be uppermost, while qualifying conditions are relegated to the background. The former will be stressed, and the latter soft-pedaled. When fulfillment of the conditions can be readily verified objectively, as in the case of death or retirement at a specified age, it is not so easy to lose sight of them or to deny their relevance. However, when a substantial measure of subjectivity is involved, as in many types of disability claims, it becomes simultaneously much easier for a worker to maintain, and harder for an administrator to deny, that the necessary qualifying conditions are present—and all the more so when the administrator has no strong motive, financial or otherwise, for denying the claim.

The fact that the plan is contributory would not provide a financial incentive for sound administration since the source of the funds would be either the large old-age and survivors insurance reserve fund or general revenues, as indicated below.

In the Federal system there would be strong pressure against, and little incentive for, sound administration of claims

In a system where the payment of benefits depends upon discretion, there is a strong tendency to be generous in the adjudication of claims, especially when the money comes from a reserve fund in Washington amounting to billions of dollars. In the event the Federal Government should bear part of the cost from general revenues, the feeling that the funds for the payment of claims were unlimited would be intensified.

There would also be an incentive to pay border-line claims, arising from a feeling that the money available to the system was going to be used anyhow so that the beneficiaries in a particular locality might as well get their share. Administrators who did a conscientious job and attempted to hold benefits to bona fide claimants would likely be subject to local criticism because their claim rates were lower than those in other communities where lax methods prevailed.

Because the program is operated by the Government, Congressmen are sure to be appealed to for assistance to have claims approved which constituents believe are appropriate, but which in fact are far removed from the total disability classification. Appeals of this kind put conscientious Congressmen in a difficult spot. For those willing to curry favor with constituents at the expense of the reserve fund or of Federal Treasury, as the case may be, the situation offers great opportunities.

It is also clear that in a system where the payment of benefits is dependent upon broad discretionary powers to be exercised by Government employees, there would be opportunity for a national administration to use the system to influence votes. The mere expression of an attitude toward the treatment of claims would be sufficient to determine the votes throughout the whole country of large numbers of beneficiaries, actual or potential, and their families. There would also be wide-open opportunity for political favoritism in handling claims which any political party in power could use with great effect if it so desired.

A large percentage of covered workers are women (18 million, or 40 percent, in 1944)

In 1944 over 8,000,000 women were fully insured under the old-age and survivors insurance system and more than half had worked steadily in covered employment for 8 years. Women are the most difficult group to insure against disability. Claims of disability for types of physical ailments that cannot be disproved are exceedingly common, e. g., nervous disorders, rheumatism, etc. Life insurance companies found that out, and except to a negligible extent and under very restrictive conditions, women are no longer offered disability income insurance.

There is furthermore the impossibility in many instances of determining attachment to the labor market. A woman may have worked for years and when unemployment appears, or when she merely wants to stop work and take care of her home, she can quit her job, and after 6 months claim she would like to work but cannot because of physical disability. She can claim she is able only to be around the house and do nothing more. Having paid taxes for disability benefits she will demand them. There would be opportunity for the development of a serious racket in this area; and organizations would spring up to supply individuals with information as to ways and means of making claims which would probably be approved.

All of the foregoing problems are greatly intensified if the woman is married.

Costs

No estimates of costs can forecast the probable drain on the funds resulting from the operation of the forces outlined above.

Experience in other countries

It is sometimes claimed that other countries have blazed the way for the successful inclusion of total disability in a governmental contributory social-insurance program. This type of coverage originated in central Europe. To cite Germany and Austria as examples which we should now emulate will not carry conviction in the United States.

In Great Britain the disability program has heretofore been operated by the so-called approved societies in which the benefit claims of workers were adjudged by their associates whose own benefit rights would be endangered by the improper approval of claims. The Socialist government changed this plan in its recent revision of the British social-insurance program, but there has been no experience to indicate that the change will be successful. Furthermore, the benefits under the program have been so low, only 10 to 15 percent of wages on the average, that the incentives to abuse were very much curtailed.

The experience of Central and South American countries cannot be cited as examples we should follow. The social-insurance programs of those countries are new and have built up no adequate experience. Many of them were set up by refugees from central Europe operating through the International Labor Office and simply duplicate the thinking of the central European social-insurance bureaus.

Therefore, there is no valid experience to guide the United States in setting up a contributory total-disability program in its social-security system. The project

must be appraised by applying the best possible judgment to the particular situations existing in this country.

Present proposals as an entering wedge

It is generally advocated by those favoring the proposed plan for including disability benefits in the old-age and survivors insurance system, that the program be expanded as soon as the initial experience would appear to warrant. The proposed rules for eligibility are quite restrictive, and the level of benefits relatively low as compared with old-age and survivors insurance. It has been the general experience that the smaller the benefits in relation to the individual's normal earnings, the lower the rates of becoming disabled. Therefore, given a few years of relatively high employment, the experience is likely, on the surface at least, to appear to contradict the critics and to justify liberalization of the program all along the line. Thus the stage would be set for changes which would bring about the extremely serious consequences described above. The way to avoid them is to seek another, safer solution to the problem.

Total disability should be provided for under State assistance programs with Federal grants-in-aid

In view of the many pitfalls involved in Federal contributory disability insurance, the problem should be met through the development of State assistance programs providing for Federal grants-in-aid. This should be accomplished under a plan setting up a new specific category of total disability. At the same time it would be wise to provide for a much more liberal means test than is required in other types of assistance cases. Since wherever possible the emphasis should be on restoring the worker to productive activity, it would be unfortunate to have him and his family reduced to destitution in the process, thus handicapping him in his efforts to again become a useful member of society.

The States already have the vocational rehabilitation agencies that would be essential to the proper functioning of the program. One of the undesirable consequences of plans which pay cash disability benefits as a matter of right, is that they tend in so many instances to cause the individual person to resist the process of rehabilitation. When State agencies handle cases on the basis of need, they have much greater authority in insisting upon rehabilitation.

The States have agencies close to the disabled in their homes, including medical and case-work facilities for treating individual cases. They can retrain and rehabilitate many disabled persons, find work for them and render such financial assistance as befits each case. Where institutional treatment is required, State and local institutions already care for many disabled, and this service would be expanded under the proposed program.

In such a State plan the prime emphasis should be on rehabilitation—medical and vocational—rather than on benefits. Rehabilitation should be undertaken wherever there is any indication that it would help the disabled person, and cash assistance should be conditioned on the need for and acceptance of rehabilitation measures. Disabled persons should be well instructed as to the superior value and importance of rehabilitation, so that they would come to realize that the best service the State could render them would be to restore their capacity for self-support, if only in part. As an incentive in this direction there should be assurance of work in a protected labor market (sheltered workshops) for those whom rehabilitation measures cannot fully reequip for a place in the open labor market, or while they are undergoing reconditioning.

A decentralized system of this kind would render unnecessary the extensive organization of Nation-wide facilities under Federal control to provide the medical, technical, and nursing staffs required to handle total-disability cases. The country should stop, look, and listen before setting up a far-flung Federal bureaucracy in this area with the wide discretionary latitude in paying benefits which a Federal program would necessarily entail.

It would be much safer to have the system handled by State agencies. Since the local taxpayers' own money would be used in carrying out the program there would be an incentive to administer claims properly which would not exist if the money came from Washington and was dispensed by Federal agents. Benefits could not be considered as rights which had been paid for. Hence doubtful or fraudulent claims could be held to a minimum.

As in all governmental programs there would, of course, be the possibility of political abuse in the State systems. However, it would probably be absent in most States. Where it did creep in, it would not be all in one direction as it would be under a Federal system which would present a ready-made instrument at hand for any party which might desire to abuse it. Under the State systems, different States would tend to cancel each other out politically.

The State systems would not function perfectly from the start. In many instances it would take time for the programs to be developed to a high state of efficiency. However, the presence of Federal grants-in-aid and the setting up of standards would stimulate the process. Furthermore, the substantial enlargement of benefits for the aged and for children proposed under the old-age and survivors insurance system, would before long relieve the States of some of their financial burdens in these areas, and thus release funds for the total disability program.

Total disability obviously would affect a worker's earning record under the old-age and survivors insurance system. It should therefore be provided that the State authorities would certify to the Social Security Administration each quarter during which an individual was totally disabled and receiving benefits or rehabilitation under the State system. Then in computing the average wage for old-age and survivors insurance purposes, the numerator of the fraction would contain no wages for the quarters of total disability and the same quarters would be eliminated from the denominator.

CONCLUSION

The discussion of total disability leads naturally to a consideration of the proper role of a Federal system of contributory social security in a vast country like ours. Among the first tests to be applied is the degree of discretion involved in determining the eligibility for benefits. In old-age and survivors insurance such determination is largely objective, requiring but little discretionary decision. Total disability on the other hand involves a great deal of subjective consideration, both on the part of the individuals concerned and of those who administer claims. Disability claims vary greatly as to types and circumstances and require widely differing methods of individual treatment.

Because of these subjective characteristics, the handling of total-disability cases belongs peculiarly in the realm of the individual States and not in that of the Federal bureaucracy. Turning over to the Federal Government this area of individual care would mean further encroachment of Washington upon State authority, further building up of the Federal pay-roll vote and of the potential opportunity to exert Nation-wide political influence in the handling of benefit payments. The fact, as previously indicated, that the Federal plan might be set up originally with strict conditions as to eligibility and with limited benefits would provide little if any ultimate protection. Once on the statute books, continuous efforts would be made to liberalize the eligibility rules and raise the benefit levels The country would be well advised not to start on this seductive path in the first place.

It would be most unfortunate if, because of budgetary problems, the States should be persuaded to reject a properly devised total-disability-assistance program involving Federal grants-in-aid. A system of this kind would lead to tremendous improvement in the State systems which are now attempting to handle disability cases with but little Federal aid. It would have the great advantage of avoiding the serious and perhaps irrevocable error of providing total-disability benefits to individuals as a matter of right under a Federal contributory program.

APPENDIX B

Paragraph (2) of the definition of "employee" in H. R. 6000 was rewritten in accordance with the suggestions made in this analysis.

As finally drafted, paragraph (3) referred to in this analysis appears as paragraph (4) in H. R. 6000 with the addition of a new factor (regularity and frequency of performance of the service) and drafting perfections.

ANALYSIS OF DEFINITION OF EMPLOYEE IN COMMITTEE PRINT

(Prepared for the Committee on Ways and Means by the staff of the Joint Committee on Internal Revenue Taxation (July 22, 1949))

SUMMARY

The definition of "employee" as tentatively adopted can be described in general as follows:

(*a*) Paragraph (1) continues the present inclusion of corporation officers in the term "employee";

(*b*) Paragraph (2) is apparently intended to include as an "employee" any individual who would be an employee under the common-law control test;

(*c*) Paragraph (3) in general is intended to include as an "employee" any individual who would be an employee under the Supreme Court or economic reality test; and

(*d*) A limited group of door-to-door salesmen is excluded specifically by an exception to the proposed definition of "employment".

We have attempted in this memorandum to analyze paragraphs (2) and (3) of the definition and the exception referred to in (*d*) above.

PARAGRAPH (2) OF THE DEFINITION

Paragraph (2) of the definition includes in the term "employee"—

"(2) Any individual who in the performance of service for any other person for remuneration is subject to direction and control as to the manner and means of performing such service, either under his contract of service or in fact;".

Thus, the control element of the common-law test is isolated and made determinative of the existence of the employer-employee relationship to the exclusion of all other factors, however relevant they may be. The result is a test which may in some cases be narrower and may in some cases be broader than that of the common law. While the factor of control has been traditionally the most significant, single element of the common-law rule, the courts in its application have not construed the rule so as to foreclose consideration of all other elements of the service relationship. For example, among the significant factors which have been considered by the courts, in addition to that of control, as being indicative of an employee status have been (*a*) payment of a fixed salary or wage,[1] (*b*) furnishing of materials or tools,[2] (*c*) working full-time for one person or business,[3] and (*d*) furnishing of a place to work.[4] The Treasury regulations, which were continued in force by Public Law 642, stated, after setting forth the control test:

"The right to discharge is also an important factor indicating that the person possessing that right is an employer. Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the services."

The extent to which paragraph (2) of the draft would limit the courts and administrative agencies in examining such other elements of the relationship cannot be predicted, but the proposed provision does invite the danger that some individuals who are employees today under the usual common-law rule might not be employees under paragraph (2) where the sole criterion is one of control. If such cases were to arise, the status of the individuals affected would have to be redetermined and possibly litigated.

It is equally true, moreover, that this paragraph, by making control the sole criterion, may well result in the inclusion within the term "employee" of individuals who are not employees today under the usual common-law rules. Where there is control over the individual performing the services, the individual would be an employee under paragraph (2) irrespective of the effect of other relevant factors. This result is in accord with the committee decision to overrule the Greyvan case (*Harrsion* v. *Greyvan Lines, Inc.*, 331 U. S. 704 (1947)). In that case the Supreme Court held that owner-operators of trucks were independent contractors in spite of the considerable control exercised over them by the taxpayer. The Court found the substantial investment of the truckers in their facilities for work to be controlling. This reasoning was based upon application of the so-called economic reality test. Under paragraph (2), if the taxpayer company exercises considerable control over the drivers, they will be employees in spite of their ownership of their own trucks. It should be noted, however, that the lower court in the Greyvan case reached the same result as did the Supreme Court, but did so through application of the common-law rules and not through the economic reality test. The circuit court of appeals found that elements of control were present, but it also found that the truckers were free to hire and control their own helpers. This fact the court found decisive in ruling the truckers to be independent contractors (156 F. 2d 412 (1946)). Under paragraph (2), the court would be precluded from considering this additional factor, even though the issue of control alone could not be clearly determined. Therefore, the committee should recognize that, in reaching the immediate goal of overruling the Supreme Court in its application of the economic reality test in

[1] *Willard Sugar Co.* v. *Gentsch* (59 F. Supp. 82 (1944)); *Ridge Country Club* v. *United States* (135 F. 2d 718 (1943)); *Your Ice Co.* v. *United States* (57 F. Supp. 830 (1944)).
[2] *W. D. Lakie, Inc.* v. *United States* (70 F. Supp. 665 (1946)).
[3] *Willard Sugar Co.* v. *Gentsch*, supra.
[4] *Matcovich* v. *Anglim* (134 F. 2d 834 (1943)); *Beckwith* v. *United States* (67 F. Supp. 902 (1946)).

all situations where there is exercise of control, it has gone considerably further and may have also overruled the courts in their application of the usual common-law rules.

It is difficult to predict the long-run implications of such action. For example, there may be a danger that the result in the Crossett Lumber case (*Crossett Lumber Co.* v. *United States*, 79 F. Supp. 20 (1948)) will be changed. That case held, under the common-law rules, that logging contractors were not employees. The court, after giving consideration to the control question, also gave weight in its decision to the fact that the logging contractors concerned hired their own employees and had large capital investment represented by trucks and cutting equipment. If these additional factors are to be ignored under paragraph (2), then this result may have to be redetermined. This possibility that paragraph (2) may include some groups as employees who are not so included today should be approached with caution, inasmuch as no limitations or exceptions have been made applicable to this paragraph.

A second criticism of the wording of paragraph (2) arises from the ambiguity of the words "subject to direction and control." The words "subject to" may be broader than either the existence of the right to control or the actual exercise of control. The words "subject to direction and control" could be construed to include a situation where the principal does not have a right to control under the contract and has never, in actual fact, exercised control, but where it may be argued that he has an "economic power" to control because of superior economic resources and superior bargaining power. The phrase "subject to direction and control" appears in the present regulations, but in such a way as to indicate that a broad, economic power interpretation clearly is not intended. No such limitation appears in the proposed draft.

The Bartels case

The use in paragraph (2) of the phrase "whether under his contract of service or in fact" is intended to reverse the Bartels decision. In that case the Supreme Court held that the leaders of name bands were in fact the employers of the musicians in their bands in spite of the fact that the entertainment operators who hired the bands had signed contracts which set forth their right to control the musicians in the bands. Paragraph (2), on the other hand, would require the Bureau of Internal Revenue to look at the contract without reference to the actual economic facts of the relationship in any such case.

However, there is a technical difficulty in using the phrase "under his contract of service or in fact," because under that provision the Treasury could proceed against either the entertainment operator or the band leader, or both, in the Bartels type of situation, inasmuch as both appear to be employers within the wording of paragraph (2), the entertainment operator being an employer under the contract and the band leader being an employer in fact. It may be safe to assume that the Treasury would proceed only against the entertainment operator, but under the wording of paragraph (2) the band leader would have to rely at his own risk on the hope that the Bureau would not proceed against him.

Recommended change in paragraph (2)

In concluding this discussion of paragraph (2), it is suggested that the following draft be adopted in order to remove the ambiguities of wording inherent in the present draft, in order to eliminate the uncertainty of result in requiring control to be the sole operative element of the common-law rule, and, finally, in order to insure that the status of individuals now covered under that rule need not be redetermined:

"(2) Any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee, an express provision in the contract of service that such status exists to be conclusive of the existence of such status in every case where the service performed under that contract constitutes employment as defined in section 1426 (b);"

Paragraph (3) of the definition

Paragraph (3) is phrased as follows:

"(3) Any individual who in the performance of service for any other person for remuneration is not engaged in an independently established trade, business, or profession of the same nature as that involved in the contract of service, as determined from the combined effect of: (A) Degree of control over the individual, (B) permanency of the relationship, (C) integration of the individual's work in the business to which he renders service, (D) skill required of the individual, (E) investment by the individual in facilities for work, and (F) opportunities of the individual for profit or loss."

A major objection to this draft is that individuals could be treated as employees regardless of the circumstances surrounding the particular service relationship in question. For example, if X, an independent retail merchant, contracts to build a house for Y, X is automatically an employee of Y by virtue of this paragraph, simply because X is prima facie not engaged in an independently established business of the same nature as that involved in the contract of service, in this case that of building houses. X would be an employee even though all six of the factors listed in paragraph (3) might show him to be an independent contractor if they were applied to the particular job of building the house for Y.

Under the Supreme Court cases and under the Treasury regulations proposed last year, the six factors were to be applied to a particular service relationship in order to determine whether or not an employee status existed in respect to that relationship. In paragraph (3), however, the issue is not the particular service relationship, but whether or not the individual has an independently established business of the same nature as that involved in that relationship. Several of the factors become quite ambiguous when applied to this question. For example, factor (B), "permanency of the relationship," had reference in the proposed regulations and in the Supreme Court decisions to the particular job in question, but, as used in paragraph (3), it is impossible to tell what relationship is referred to.

Paragraph (3) is phrased in such a manner that those engaged in independently established businesses are an exception from its terms. Since an exemption is to be construed narrowly under the accepted rules of statutory construction, any uncertainty remaining after application of the six factors in paragraph (3) would be resolved in favor of the conclusion that the individual is an employee. This rule that exemptions are to be narrowly construed is illustrated by the case of *Phillips Co.* v. *Walling* (324 U. S. 490 (1945)), where the Supreme Court, in construing an exemption from the wage-and-hour provisions of the Fair Labor Standards Act, stated, "Any exemption from such humanitarian and remedial legislation must therefore be narrowly construed, giving due regard to the plain meaning of statutory language and the intent of Congress. To extend an exemption to others than those plainly and unmistakably within its terms and spirit is to abuse the interpretative process and to frustrate the announced will of the people." This rule of construction applied to paragraph (3) would make everyone an employee who is not "plainly and unmistakably" within the terms of the exemption for those engaged in independently established businesses.

In view of the rule of interpretation laid down in the Walling case, the phrase "as determined by the combined effect of" in paragraph (3) may be construed to mean that all six of the factors must indicate the existence of an independently established business. Where some of the factors might point toward an employee status the individual concerned would not be "plainly and unmistakably" engaged in an independently established business. Where any doubt exists, under the Walling case the individual would have to be ruled to be an employee. For example, application of the six factors to an automobile dealer results in a majority of these factors pointing toward an employee status, so it could certainly not be said by an application of these factors that he was "clearly and unmistakably" in an independently established business.

Another peculiar consequence in paragraph (3) of copying the six factors from the proposed regulations without changing the way in which they are phrased is that it would appear from the wording of paragraph (3) that control, permanency, integration, skill, investment, and opportunities for profit and loss all point toward the conclusion that the individual is an employee. In fact, the intention is that three of the factors, skill, investment, and opportunities for profit and loss, shall point toward the opposite conclusion—that the individual is engaged in an independently established business.

If it is the desire of the committee to spell out the six factors of the economic dependency test in the definition and to include as employees all individuals which that test would include, many of the ambiguities in the present phrasing of the definition can be eliminated by changing paragraph (3) to the following:

"(3) any individual who is not an employee under paragraphs (1) or (2) of this subsection but who, in the performance of service for any other person for remuneration, has the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) integration of the individual's work in the business to which he renders service, (D) lack of skill required of the individual, (E) lack of investment by the individual in facilities for work, and (F) lack of opportunities for the individual for profit or loss, except that an employer-employee relationship shall not be deemed to exist for the purposes of this paragraph where such an individual is

engaged in an independently established business of the same nature as that involved in the contract of service."

This draft would not, however, cure many of the fundamental defects in paragraph (3) which are described in this memorandum.

Interpretation of the six factors in paragraph (3)

Probably the best indication of the administrative interpretation which will be placed on the six factors listed in paragraph (3) is the discussion of them which is found in the proposed regulations which were issued by the Treasury after the Silk and Greyvan cases and before enactment of House Joint Resolution 296.

Control

It is clear from the proposed regulations that "degree of control" is not meant to be limited to control of the type ordinarily associated with the usual common-law definition of employee. The proposed regulations stated that "control" as an indication of economic dependency included, in addition to the exercise of control and the right to control, the "power" to control. This latter is an extremely broad concept of the word "control," since a power to control might be inferred from the economic strength or weakness of the parties even though the contract of service contains no right to control and no control is, in fact, ever exercised.

Permanency

Permanency of the relationship is supposed to indicate that the individual is an employee. By "permanency" is meant continuity of the relationship. It is clear from the proposed regulations that permanency may exist even though the service is part time or occasional, so it is likely that permanency would be inferred even in a relationship where services are performed as a series of isolated, intermittent acts on a part-time basis.

Integration

The integration factor is perhaps the most general and inclusive of the elements listed in paragraph (3) of the definition. In describing integration in the business of the person served the proposed regulations stated that it might be established from the fact that services, even though not essential, are performed "in the course of such business," or from the fact that the services affect the good will of the business, are carried out under license of the business, are carried out on the business' premises, or are carried out with tools or equipment furnished by the business.

As interpreted by the proposed regulations, the integration factor itself involved virtually as many problems as the basic question of whether or not the individual is an employee. In fact the proposed regulations tended to show that the integration problem could not be solved until it was first determined whether or not the individual in question was an employee of the business.

Skill

The factor of skill is of extremely limited value in determining the existence of an independently established business. There are innumerable examples of skilled employees and unskilled independent businessmen, but the factor of skill, as used in paragraph (3) of the definition, is meant to point toward existence of an independently established business. As interpreted by the proposed regulations, the skill factor was unique in that the absence of skill was a more important factor than the presence of skill, i. e.: "usually the absence of skill points more clearly toward an employer-employee relationship than the presence of skill points toward an independent contractor relationship."

Investment

The proposed regulations listed as elements in evaluating the importance of investment by an individual its "reality," its "essentiality," and its "adequacy." "Adequacy" was explained as meaning that the individual's investment must be sufficient for him to perform the services in question independently of the facilities of others. "Reality" was explained as meaning that little weight would be given to investment by an individual in equipment which he purchased on time from the person for whom the services are performed where the individual's equity in the equipment was small. "Essentiality" apparently meant that the investment must be essential to the services. An example of the way in which the essentiality requirement would be applied is shown by the statement of a Treasury representative before the Finance Committee last year regarding the investment by a salesman in an automobile:

"I think the truck is much more an essential part of the business of the trucker than the automobile to the salesman. Many salesmen may operate without an automobile. In fact, it is probably not required." No indication was given in the proposed regulations as to the size an investment would have to reach in order to be considered significant.

Opportunities for profit or loss

As the factor of opportunities for profit or loss was interpreted by the proposed regulations, it was little more than a repetition of the investment factor. The proposed regulations stated, " 'Profit or loss' generally implies the use of capital. * * *" And it was stated that mere opportunity for higher earnings does not imply profit or loss "without capital as a material income-producing element." If utilization of capital is essential to the existence of the profit or loss factor, then it would generally be operative only where the investment factor had already been shown.

Application of the six factors

In most doubtful situations some of the six factors will point each way, and under paragraph (3) it would be impossible to forecast which factors would be controlling when they conflict. In practice it is likely that such conflicts would be resolved by the tax administrators through an intuitive approach, based on a sort of a "feeling" or intuition as to the correct result—an approach that is contrary to the principle of certainty in tax statutes.

Under paragraph (3) there would be no guide or standard by which the six factors could be applied. In the Silk and Greyvan cases the Supreme Court used as a guide what it judged to be the purpose of the act—broad social-security coverage. However, if old-age and survivors insurance is provided for the self-employed broad coverage will be accomplished without extensions of the definition of employee, so this standard would no longer be of use in applying the economic dependency test. Coverage for the self-employed would reduce the problem of defining employee to a problem of defining tax liability, but, under paragraph (3), the courts and the administrators would be precluded from considering the practical aspects of determining the amount of compensation and withholding OASI taxes from it in doubtful cases.

In laying down the economic dependency test both the Supreme Court and the proposed Treasury regulations left the door open for the development of new factors in future cases. However, it was pointed out that the scope of the definition could never be predicted as long as new factors could be added without notice, so paragraph (3) of the definition limited consideration to six specified factors. It was anticipated that this would avoid uncertain tax consequences, but this may prove to be a handicap to the taxpayer in many cases. For example, the fact that an individual is free to hire helpers in performing the services contracted for deserves to be treated as a factor indicating an independent contractor status. Other factors which should be given independent consideration and weighed along with the six factors listed in paragraph (3) include the form or method of compensation, the fact that the services are performed on a part-time basis, the fact that similar services are performed for competitors, the fact that similar services are offered to the public at large, the fact that the individual exercises individual judgment or initiative in performing the services, and the fact that the relationship is consistent with the customs and usage of the business and is not merely a tax-avoidance scheme. If it is argued that these factors and others are covered by the six factors already listed in paragraph (3), then it is clear that paragraph (3) has failed to give certainty of scope to the economic dependency test and that the six factors are themselves so broad that there is no foreseeable limit to the factors which may be introduced under paragraph (3).

EXCEPTION TO THE DEFINITION

Paragraph (18) of the definition of employment contains a specific, narrowly defined exception to the definition of employee:

"(18) Service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (A) the fitness of such individual to perform such service, (B) the geographical area in which such service is to be

performed, (C) the volume of goods or commodities to be sold or distributed, or (D) the selection or solicitation of customers."

This exception is designed to exclude house-to-house salesmen who are hired indiscriminately in large numbers and are compensated out of the amounts they receive from their customers. Any control over these salesmen, regardless of its degree, with regard to either their fitness, their territories, the amount of service to be performed, the selection of customers, or the method of soliciting customers would violate the terms of this exception and, presumably, mean that the salesmen would be treated as employees. The Federal Security Agency has indicated that only about 60,000 of the estimated 1,000,000 house-to-house salesmen would be covered as employees under the Supreme Court test, but it is extremely doubtful that 940,000 of these salesmen would meet the terms of the narrow exemption contained in paragraph (18) of the definition of employment.

Under the accepted rules of statutory construction by which the existence of an exception serves to exclude the implication of other exceptions, the narrow exception for outside salesmen implies that all other outside salesmen are to be treated as employees. Since the exception is phrased in terms of "sale or distribution * * * off the premises," it concerns the whole field of outside salesmen, although it is improbable that anyone other than house-to-house salesmen could meet the terms of the exception. As a result, the exception carries an implication, not merely that all house-to-house salesmen who fail to meet its terms are employees, but also that all others who sell goods but who fail to meet its terms are employees.

Conclusion

This memorandum contains a tentative revision of paragraph (3) of the definition which would remove many of the technical difficulties in the present phrasing of that paragraph. Even if paragraph (3) were adopted in this revised form, however, the principal objections to it would still remain. It is the opinion of the staff that paragraph (3) of the definition adopts a method of extending the definition of employee which is basically undesirable because it is too uncertain in its scope and because it will extend the definition of employee to include groups for whom it would be impractical, if not impossible, to demand an accounting for remuneration or tax withholding from it.

Assurances by present administrators of the voluntary limits which they will place on interpretation of the broad provisions of paragraph (3) will not be binding for the future, and the Federal Security Agency and the Treasury will not be in a position to limit the scope of paragraph (3) if the courts decide to place a wider interpretation on it. The issue could be litigated, in spite of the attitude of the administrative agencies, by individuals suing for benefits or for establishment of wage credits or to avoid a tax on the self-employed.

Even if paragraph (3) is construed as being no broader than the economic-dependency test outlined in the proposed regulations published to interpret the Silk and Greyvan cases, its scope would be virtually unknown. The Federal Security Agency states as its present opinion that the economic-dependency test would extend the definition of employee to include the following groups who are considered independent contractors under the common law:

Outside salesmen in manufacturing and wholesale trades	220,000
Lessee taxicab operators	150,000
Full-time life-insurance salesmen	60,000
House-to-house salesmen	70,000
Industrial home workers	40,000
Entertainers	10,000
Contract loggers	8,750
Mine lessees	10,000
Journeymen tailors	(1)
Subcontractors, building repairs and alterations	(1)
Contract filling-station operators	(1)

[1] Number unknown.

It is highly probable that the economic-dependency test would also extend the definition of employee to include the following:

Neighborhood newspaper correspondents;
Part-time life-insurance salesmen and at least some fire, theft, and casualty insurance salesmen;
Real-estate salesmen on a commission basis, either full time or part time;
Bulk-oil distributors;

Gasoline-station operators;
Subscription agents for periodicals.

Examples of application of the six factors of the economic-dependency test to some of the more important groups of individuals who are independent contractors under the common law are contained in appendix A.

APPENDIX A

Application of the Definition to Specific Situations

The implications of the general language of the definition can be clarified somewhat by application of the definition, particularly paragraph (3), to typical situations which are beyond the scope of the usual common-law definition of employee. The service relationships described here are based primarily on testimony from the Ways and Means Committee hearings on H. R. 2893 and from the Finance Committee hearings on House Joint Resolution 296 in 1948.

1. LIFE-INSURANCE SALESMEN

(a) *Full-time life-insurance agents in company offices*

A typical service relationship in the life-insurance field is that of the full-time agent who solicits applications primarily for one company and is compensated solely on a commission basis. He is not controlled as to the details and means by which he solicits insurance and is not required to devote a specified number of hours to the work, but it is presumed that this work will be his principal activity. The applications he obtains are subject to approval by the insurance company. He occupies office space provided by the company, and the company may provide him with stenographic assistance, telephone facilities, forms, ratebooks, and advertising facilities. Such an agent may deal directly with the insurance company, or he may deal with a general agent of the insurance company. He may have the privilege of offering insurance applications to other companies in the event that his company or general agent declines to insure the prospect.

Most of the factors listed in paragraph (3) of the definition, when applied to such an agent, would indicate that he is an employee of either the insurance company or the insurance company's general agent. Although he is not subject to sufficient control over the details and means of his work to fall within the common-law concept of an employee, he is controlled in some degree. He meets the test of permanency of the relationship since his arrangement with the company or general agent contemplates a continuing relationship. He is clearly integrated in the business of the insurance company and also in the business of the general agent, if he deals with a general agent, since the soliciting of insurance contracts is an integral part of the insurance business. A considerable degree of skill may be employed by the agent in soliciting insurance contracts, and this might point toward his being engaged in an independently established business, but the regulations proposed by the Treasury last year state that "usually the absence of skill points more clearly toward an employer-employee relationship than the presence of skill points toward an independent contractor relationship." In the situation described above, the agent would have no appreciable investment in facilities for work with a possible exception of his automobile, and testimony of Treasury officials indicates that ownership of an automobile by a salesman is to be given little or no weight in considering the investment factor. Since the agent does not sustain his own office overhead, he has little opportunity for loss but, of course, opportunity for profit is virtually unlimited and is dependent almost completely on his own ability and energy.

(b) *Full-time life-insurance agents in independent offices*

Another type of life-insurance agent is the agent who works full time, primarily for one company, and is compensated on a commission basis, but who maintains his own office, paying his own rent, telephone, and stenographic expenses.

This agent is also subject to a certain degree of control. In terms of his contract, he may be subject to the same control as the agent who works in a company office, but as a practical matter it is unlikely that the same degree of supervision is exercised over him. His arrangement with the life-insurance company or general agent contemplates the same permanency of the relationship as the arrangement of a life-insurance agent in a company office, and he is equally integrated in the work of the insurance company to which he renders service. His skill is no greater or less than that of the agent who operates out of a company

office. He may have a slightly greater investment in the facilities for work if he owns his own office furniture. It is probable that he rents his office, and it is not clear whether the investment factor is meant to include overhead expenses such as rent and wages or merely to apply to capital investment. This agent has somewhat more opportunity for loss than the agent who operates out of a company office, since his commissions may fail to cover his overhead expenses. His opportunities for profit are the same.

(c) *Part-time life-insurance agents*

A fairly typical situation in the life-insurance field is the agent who works only part time and is compensated solely on a commission basis. He may sell life insurance as an adjunct to an independently established business in another field such as the real-estate business, or he may sell life insurance as an adjunct to his activities as an employee, such as the bank employee who sells life insurance to the bank's customers as a side line. Possibly the part-time life-insurance agent is engaged primarily in a non-money-making activity such as attending school. In the latter case, he may operate out of a company office and utilize facilities furnished by the company.

The six factors listed in paragraph (3) do not provide a basis for distinguishing part-time life-insurance agents from full-time life-insurance agents. Both are subject to the same degree of control. There is permanency in the relationship in both cases, since the part-time agent may continue to sell insurance for the company over a long period of time. In the case of some insurance companies, it might be argued that solicitation by part-time agents is not such an integral part of the company's business, since they depend primarily upon full-time agents, but the act of soliciting insurance is certainly an integral part of the company's business, and in the case of at least one large life-insurance company it is understood that its system of soliciting insurance is based primarily on part-time agents who are engaged primarily in other types of work. The skill required of the agent is the same, regardless of whether he works full time or part time. The agent has little or no investment in facilities for work in either case, if investment in his automobile is excluded. The part-time agent probably has less opportunity for loss through failure to meet overhead than the full-time agent who maintains his own office, but is in the same position in this respect as the full-time agent who operates out of the company office. All of the agents are alike in that their opportunity for profit is dependent on their own ability and energy.

(d) *Agents who sell both life insurance and fire and casualty insurance*

At least one major insurance company contracts with its agents to solicit both life insurance and fire and casualty insurance. In other respects the company's relationship is similar to that in the three typical situations described above.

In terms of permanency of the relationship, integration, skill, investment, and opportunities for profit and loss, the situation of this agent does not differ because he solicits fire and casualty contracts as well as life-insurance contracts for his company. There is apparently considerably less control exercised by the ordinary fire and casualty insurance companies over agents who engage full time in the fire and casualty field than there is over agents who engage full time in the life-insurance field. It would probably require a subjective analysis of the attitude of both the company and its agents to determine whether a company which sells both life insurance and fire and casualty insurance treats the agents as though they were life-insurance salesmen or as though they were fire and casualty salesmen.

2. OUTSIDE SALESMEN IN THE MANUFACTURING AND WHOLESALE TRADE

The outside wholesale salesmen who are not treated as employees under the usual common-law rules are the city and traveling salesmen who sell at wholesale to retailers, operate off the company's premises, and are compensated on a commission basis. These salesmen are ordinarily assigned to specific territories, are required to sell merchandise at the price set by the company, and their relationship with the company may be terminated at short notice. The company reserves the right to accept or reject orders sent in by the salesmen. The company fills the salesmen's orders by shipping directly to the customers and billing the customers directly. The salesmen receive their compensation from the company. The salesmen are not controlled as to the details and means by which they cover their territories, but in the ordinary case they are expected to call on regular customers with a fair degree of regularity, and if their sales fail to meet the expec-

tations of the company they may expect the relationship to be terminated. These salesmen may in some cases be required to make periodic reports to the company on their activities, and they may be required to attend sales meetings and to report at the company's offices periodically.

Salesmen of the type described above are subject to a considerable degree of control, although it may not be sufficient to meet the usual common-law rules. Permanency of the relationship is contemplated and in the ordinary case it may be assumed that they are closely integrated in the business of the company they serve. In some cases, however, it is possible that the salesmen are not integrated in the business of the company if the company sells primarily by mail or through its own retail outlets and merely supplements this principal activity by contracting with one or two wholesale salesmen. In such an instance the relationship of the salesman to the company might be exactly the same as the relationship of a salesman to a company which depended primarily on wholesale salesmen, but from the point of view of the company the integration of the salesman's work might be far less complete. A considerable degree of skill in the art of salesmanship is required of wholesale salesmen, which would tend to point to the conclusion that they are engaged in independently established businesses. The salesman is unlikely to have investment in the facilities for work, other than an automobile. The salesman has little opportunity for loss unless the overhead expenses on his automobile exceed his commissions. He has a considerable opportunity for profit in the short run, although the company may limit his opportunity for profit by reassigning territories, raising prices, or lowering commissions if the salesman's profits appear to be disproportionately high.

3. HOUSE-TO-HOUSE SALESMEN

(*a*) *Commission salesmen*

The typical house-to-house salesmen are compensated on a commission basis and are not subject to control as to the details and means by which they perform their work. They furnish their own transportation and operate off the premises of the companies for whom they sell. A large proportion of these salesmen do not engage in house-to-house selling as their principal means of livelihood. They may be housewives, retired persons, persons between jobs, or students. It is unusual for these salesmen to receive any part of their compensation from the companies for whom they sell. Ordinarily they receive the purchase price of the articles they sell from their customers, deduct their own commissions, and remit the balance to the company, or they may receive only a part payment from their customers which is equivalent to a commission. In the latter case they simply send the order to the company, and it is filled by c. o. d. shipment to the customer for the balance of the purchase price. In most instances these salesmen are not assigned exclusive territories and are not required to make reports to the companies on their activities. Typically, they may handle commodities for several different companies, including competing lines. A distinguishing characteristic of the usual house-to-house selling arrangement is that the companies are eager to add to their sales forces with little or no regard for the qualifications of the salesmen and do not ordinarily terminate their relations with salesmen because of failure to meet minimum sales quotas. Termination of the relationship is a voluntary act on the part of the salesmen and is accomplished without formal notice, merely by failure to send in more orders. The turn-over among house-to-house salesmen for a company is usually high, and the average sales per salesman are typically quite low.

Under the proposed definition some house-to-house salesmen would be specifically exempt under an exception to the definition of employment. This exception is closely circumscribed and is applicable only to salesmen who meet the following conditions: (1) The salesman must work off the premises; (2) the salesman must receive his entire remuneration directly from his customers; (3) no provision may be made other than by correspondence for training the salesmen; and (4) no requirement may be imposed upon the salesmen with respect to: (*A*) his fitness; (*B*) his territory; (*C*) the amount of service to be performed; or (*D*) the selection or solicitation of customers. The terms of this exception would not be met if the salesman were given a training course regardless of its duration and regardless of whether or not it was voluntary. The terms of the exception would not be met if the salesman took orders for a company but failed to collect from the customers, receiving his commission from the company instead. The terms of the exception would not be met if the salesman were limited to a specific area even though this area was not his exclusive territory. It is doubtful if the terms

of the exception would be met if the company imposed a minimum requirement on the salesman such as requiring that he be 18 or 21 years of age.

The implication of the specific exception from the definition of employment described above is that house-to-house salesmen in general come within the proposed definition of employee. Since such salesmen are clearly not subject to direction and control as to the manner and means of performing services, their inclusion within the definition of employee must be under paragraph (3). With respect to the factors listed in paragraph (3) house-to-house salesmen are usually subjected to little or no control, but it would probably be assumed that permanency was contemplated with respect to any one relationship of this type, in spite of the fact that the experience of companies in the direct selling field indicates that the average relationship of this type is highly impermanent. As a class, house-to-house salesmen are, of course, highly integrated in the business of firms who depend upon house-to-house selling as their main outlet, but it is difficult to see how any individual house-to-house salesman can be considered as being closely integrated in the business of the company he serves since experience indicates that his selling activities are likely to be impermanent and casual. The skill required of individuals engaged in house-to-house selling is a matter of opinion. In some individual instances persons may make this their life work and become highly skilled at it, but it is likely that in most cases the house-to-house salesmen are not highly skilled. Investment of individuals in the work of house-to-house selling varies greatly. Some salesmen may invest in automobiles or trucks for their work and some may carry large stocks of goods. Others may work on foot and may be equipped only with a catalog and an order book. Since the companies ordinarily have no direct contact with their house-to-house salesmen, it is difficult to see how they could know the investments of their individual salesmen. The house-to-house salesmen as a general rule have little opportunity for loss from this type of activity but their opportunity for profit is relatively great since they may work as hard as they like, utilize any selling methods they may devise, and sell for as many companies as they wish.

(*b*) *Dealer salesmen*

House-to-house dealer salesmen differ from house-to-house commission salesmen in one significant respect. The dealers buy their stocks of commodities and resell them to their own customers. In many respects they are similar to ordinary retail merchants but they sell house-to-house instead of selling at an established location. A typical dealer arrangement was described in both the 1948 Finance Committee hearings and the 1949 Ways and Means Committee hearings by a representative of the Fuller Brush Co. The Fuller brush men are dealers who buy from the company at wholesale prices less recognized discounts and sell at their own retail prices. The company recommends resale prices (which are advertised nationally), but the company states that these prices are not binding on the dealers. When the dealers sell on credit the company does not assume their credit losses. The dealers are free to sell articles manufactured by other companies. The dealers are assigned exclusive territories under 1-year contracts which the dealers may terminate at 20 days' notice but which the company is not free to terminate. While these contracts are not assignable, the company's representative stated that some dealers operate their territories through their wives or other members of their families or through employees. The company makes selling suggestions to the dealers but states that these are optional. The company also states that it is optional with each dealer as to whether or not he attends the meetings which are held on salesmanship. The company maintains a system of district, field, and branch managers.

House-to-house dealers of the type described above would not meet the terms of the exception to the definition of employment since the companies make provisions for training these salesmen and assign them specific territories. Application of the six factors listed in paragraph (3) of the proposed definition to these house-to-house dealers indicates that they are subject to little control, permanency of the relationship is contemplated, they are closely integrated in the businesses whose commodities they sell, and the degree of skill in selling attained by these individuals varies widely. These salesmen-dealers may have a considerable investment in inventories but these inventories may have been obtained on credit from the companies whose commodities they sell. This raises an important question of interpretation with respect to the word "investment" in the proposed definition. It is not known whether or not assumption by a dealer of liability to pay for commodities which he has ordered on credit amounts to an investment in facilities for work within the meaning of the proposed definition. These

dealers clearly have an opportunity for profit or loss in the same manner as ordinary storekeepers unless it should be held that the practice by companies of allowing dealers to turn back goods they are unable to sell removes the opportunity for loss.

4. AGENT-DRIVERS

Agent-drivers are commission salesmen who drive trucks on regular routes selling processed foods, laundry, milk, bakery products, beverages, etc. In some instances these drivers own their own delivery trucks although the trucks usually carry the name of the company for whom the drivers sell. Where the drivers own their own trucks, it is typical for them to negotiate their purchase through the companies and pay for them by installments. While these drivers are not subjected to the same degree of control as salesmen who work on the premises, they operate on assigned routes and are normally required to cover their routes at regular intervals. In some instances the actual hour at which they are required to commence work in the morning is specified. The prices at which they sell are ordinarily set by the companies, and they are not permitted to sell competing products. From testimony by representatives of groups of agent-drivers before the Ways and Means Committee, it would appear that many of these drivers should be treated as employees under the usual common-law control test realistically applied. It is doubtful that application of the six factors listed in paragraph (3) of the proposed definition would greatly improve the opportunities of these drivers to be covered as employees. While permanent relationships are contemplated and the individuals are integrated in the businesses of the companies they serve, the degree of skill required for this type of work is probably controversial and the fact that these drivers may own their own trucks and are paid on a commission basis would tend to show that they were engaged in independently established businesses because of their investment and their opportunities for profit or loss.

5. REAL ESTATE SALESMEN ON A COMMISSION BASIS

Real estate salesmen on a commission basis do not ordinarily maintain a regular office routine and do most of their selling off the premises of the real estate brokers with whom they are affiliated. They pay their own sales expenses and buy their own brokers' licenses. Ordinary deposits on real estate sales are placed in an escrow account and the commission is divided between the broker and the salesman when the sale is closed. Since these salesmen are compensated entirely on the basis of the sales they produce, in many cases the brokers may be willing to continue the relationship without regard to any minimum performance by the salesman. Many of these salesmen work only part time.

Examination of the relationship of real estate salesmen in the light of the six factors listed in paragraph (3) of the proposed definition indicates that the degree of control exercised over them is relatively slight. Permanency is contemplated in their relationship although the activities within that relationship may be sporadic. Their integration in the business of real estate brokers may vary greatly in individual instances depending on the extent to which the broker relies on commission salesmen for his sales. While some real estate salesmen are highly skilled, it cannot be said that skill is an important requirement for entering this type of work since many people act as real estate salesmen in periods between regular employment or perhaps merely to exploit a wide circle of acquiantances. Investment of real estate salesmen in facilities for work is likely to be negligible unless the investment by the salesman in his own automobile is counted. These salesmen have little or no opportunity for loss but their opportunity for profit is great, since the returns on this type of work are highly variable.

6. ADVERTISING SOLICITORS

It is a frequent practice for small daily or weekly newspapers to contract with local citizens to solicit advertising, subscriptions, and job printing on a commission basis. These solicitors may devote only part of their time to this work and are not controlled as to the manner and means of their soliciting.

These advertising solicitors may be held to be employees under paragraph (3) of the proposed definition despite the fact that they are subject to little or no control. Although the services may be intermittent and part time, permanency of the relationship is contemplated. In cases where most of the newspaper's advertising or subscriptions are through part-time solicitors on a commission basis, these solicitors would be closely integrated in the business of the newspapers. Little or no skill is required for this type of work, and it is unlikely that the solici-

tors have any investment in facilities for this work. These solicitors would have virtually no opportunity for loss, and in cases where soliciting advertising or subscriptions was a minor activity on their part, they would have little opportunity for profit.

7. TAXICAB DRIVERS

(a) *Drivers of leased cabs*

Drivers of leased cabs ordinarily operate on a day-to-day basis, renting cabs from a cab company for specified amounts per day. They are compensated by the difference between the rental they pay the company and the amount they take in during the day in cab fares. In general, they are free to pick up fares where they choose, although they may utilize the cab stands and call boxes furnished by the company. Cabs are operated under the company's name. The drivers may be required to oberves printed rules issued by the company.

Under the usual common-law rules the question of whether or not lessee cab drivers are employees would be resolved on the basis of the degree of control exercised by the company over the drivers. In *Jones* v. *Goodson* (121 F. 2d 176 (1941)), lessee cab drivers were held to be employees because the company in that case exercised a substantial degree of control over the lessee drivers. A sufficient degree of control to meet the usual common-law test was not found in two later cases involving lessee drivers. These cases were *Magruder* v. *Yellow Cab Co.* (141 F. 2d 324 (1944)); *United States* v. *Davis* (154 F. 2d 314 (1946)) and *Party Cab Co.* v. *United States* (172 F. 2d 87 (1948)).

Representatives of the Federal Security Agency and the Treasury have stated that all or virtually all lessee cab drivers would be treated as employees under their interpretation of the economic dependency test enunciated by the Supreme Court. The degree of control over lessee cab drivers may vary from company to company depending upon the company's system of operation and the circumstances in the area in which it operates. Cabs are ordinarily rented on a day-to-day basis, and it is unlikely that there is any obligation on the part of the company to continue the rental arrangement from one day to the next or on the part of any individual driver to continue paying rent for a cab. However, there is a possibility that permanency of the relationship might be presumed from the mere fact that a driver did consistently rent cabs from one company day after day. While the relationship between lessee cab drivers and the company from whom they rent cabs may not be considered a service relationship, it is clear that the rental of cabs to drivers is closely integrated in the business of such a cab company—in fact it is the essence of such a business. The question of whether skill is required to drive a cab is debatable but an indication of the attitude of the courts on this point can be found in the district court's decision in the Party Cab Co. case where the court stated that "the only skill they are required to exercise is that of any person who drives a car in the congested traffic of a large city." By definition lessee cab drivers do not have an investment in the cabs they drive. They do, however, have an opportunity for loss in the event that their receipts from customers fail to equal the rental they pay. This is a relatively limited opportunity for loss, however, since the drivers are free to discontinue their rental arrangements whenever the rentals begin to exceed the fares they are likely to take in. Opportunities for profit through operating leased cabs are limited by the rate schedules established in the areas in which they operate. Ordinarily such rate schedules are established by public authorities and not by the companies from whom the cabs are leased.

Apparently the assertion by the Treasury and Federal Security Agency representatives that lessee cab drivers would be treated as employees under the Supreme Court test (and presumably also under par. (3) of the proposed definition) is based primarily on the absence of investment by the drivers. Failure of the six factors listed in paragraph (3) to cover all of the points pertinent for determination of employee or independent contractor status is high lighted in the case of lessee cab drivers. One of the most significant factors in the relationship between the owner of a taxicab and the driver who leases it for a fixed amount per day is the fact that the owner of the cab has no effective means of determining the amount of fares collected during the day by the driver unless the cab is equipped with a meter and the driver is unable to tamper with the meter. This difficulty is illustrated by the situation in the District of Columbia where metered cabs are not used. The Yellow Cab Co. case, supra, involved District of Columbia cabs. With respect to this situation the district court stated (49 F. Supp. 611):

"It appears that the Commission in effect required the taxpayer to pay the tax on the more or less arbitrary assumption that the driver's wages were at $3 per

day; but there is no evidence to show that this was in fact the actual amount of the net earnings of the drivers which obviously must have varied greatly from day to day."

(b) Owner-operators of cabs operating under company contracts

A fairly typical situation in the taxicab business is for the owner-operator of a taxicab to affiliate himself with the taxicab company so that he may utilize the company's cab stands, call boxes, two-way radios, or other facilities. In such a situation the owner may paint his cab with the company's name and pay the company a fixed amount per month for these privileges. He may obligate himself to answer specific calls for the company.

There has never been any attempt to treat owner-operators of cabs as employees under the usual common-law rules. However, there is a possibility that paragraph (2) of the proposed definition, by basing the existence of the employee relationship exclusively on control without regard to other factors in the relationship, may result in applying the control test to situations beyond the scope of the usual common-law definition of employee with the result that owner-operators of taxicabs may be treated as employees because of their contractual obligations to maintain certain standards or to fulfill certain orders for the company with which they are affiliated. There is also a possibility that the owner-operators of taxicabs who are affiliated with taxicab companies may be treated as employees under paragraph (3) of the proposed definition in spite of the investment by these drivers in the facilities for their work and their opportunities for profit or loss. Such a conclusion would be possible if the administrators or the courts should emphasize the minor degree of control exercised over these drivers, the permanency of their relationship with the companies, their integration in the business of the company, and the lack of skill required to drive a cab.

8. OWNER-OPERATORS OF LEASED TRUCKS

(a) "Itinerant" truckers

The itinerant-type truckers are those who rent their trucks and their own services as drivers on a job-to-job basis to a number of different companies. They bargain over the price of each load they haul and are typically subject to little control as to the manner and means by which they carry out their work.

These owner-operators of trucks are clearly not employees under the usual common-law rules. It is unlikely that these truckers would be employees under paragraph (3) of the proposed definition since there is no permanency of relationship between them and the companies for whom they haul and since the truckers have substantial investments in the facilities for their work, with consequent opportunities for profit or loss. There is a possibility that these truckers might be considered employees under paragraph (2) of the proposed definition in some individual instances where they are controlled to a considerable extent in the performance of their work, since paragraph (2) is specifically limited to the control element without regard to its relationship to other elements.

(b) "Permanent" type

The "permanent" type of owner-operator truckers are truckers who regularly hire themselves and their trucks to a single company. In some instances their wages are set by union contract. They are paid for the use of their trucks on a mileage basis or on the basis of so much per load hauled. These truckers are subject to varying degrees of control. They may be closely controlled as to the details and means of performance of their work. Two typical examples of the "permanent" type of owner-operator truckers were described by the Supreme Court in the Silk and Greyvan cases. In the Silk case the Court described the truckers as follows:

"Respondent owns no trucks himself but contracts with workers who own their own trucks to deliver coal at a uniform price per ton. This is paid to the trucker by the respondent out of the price he receives for the coal from the customer. When an order for coal is taken in the company office, a bell is rung which rings in the building used by the truckers. The truckers have voluntarily adopted a call list upon which their names come up in turn, and the top man on the list has an opportunity to deliver the coal ordered. The truckers are not instructed how to do their jobs, but are merely given a ticket telling them where the coal is to be delivered and whether the charge is to be collected or not. Any damage caused by them is paid for by the company. The district court found that the truckers could and often did refuse to make a delivery without penalty. Further, the

court found that truckers may come and go as they please and frequently did leave the premises without permission. They may and did haul for others when they pleased. They pay all the expenses of operating their trucks, and furnish extra help necessary to the delivery of the coal and all equipment except the yard storage bins. No record is kept of their time. They are paid after each trip, at the end of the day or at the end of the week, as they request."

A somewhat different set of conditions were described in the Greyvan case:

"The respondent operates its trucking business under a permit issued by the Interstate Commerce Commission under the 'grandfather' clause of the Motor Carrier Act (32 M. C. C. 719, 723). It operates throughout 38 States and parts of Canada, carrying largely household furniture. While its principal office is in Chicago, it maintains agencies to solicit business in many of the larger cities of the areas it serves, from which it contracts to move goods. As early as 1930, before the passage of the Social Security Act, the respondent adopted the system of relations with the truckmen here concerned, which gives rise to the present issue. The system was based on contracts with the truckmen under which the truckmen were required to haul exclusively for the respondent and to furnish their own trucks and all equipment and labor necessary to pick up, handle, and deliver shipments, to pay all expenses of operation, to furnish all fire, theft, and collision insurance which the respondent might specify, to pay for all loss or damage to shipments and to indemnify the company for any loss caused it by the acts of the truckmen, their servants and employees, to paint the designation 'Greyvan Lines' on their trucks, to collect all money due the company from shippers or consignees, and to turn in such moneys at the office to which they report after delivering a shipment, to post bonds with the company in the amount of $1,000 and cash deposits of $250 pending final settlement of accounts, to personally drive their trucks at all times or be present on the truck when a competent relief driver was driving (except in emergencies, when a substitute might be employed with the approval of the company), and to follow all rules, regulations, and instructions of the company. All contracts or bills of lading for the shipment of goods were to be between the respondent and the shipper. The company's instructions covered directions to the truckmen as to where and when to load freight. If freight was tendered the truckmen, they were under obligation to notify the company so that it could complete the contract for shipment in its own name. As remuneration, the truckmen were to receive from the company a percentage of the tariff charged by the company varying between 50 and 52 percent and a bonus up to 3 percent for satisfactory performance of the service. The contract was terminable at any time by either party. These truckmen were required to take a short course of instruction in the company's methods of doing business before carrying out their contractual obligations to haul. The company maintained a staff of dispatchers who issued orders for the truckmen's movements, although not the routes to be used, and to which the truckmen, at intervals, reported their positions. Cargo insurance was carried by the company. All permits, certificates, and franchises 'necessary to the operation of the vehicle in the service of the company as a motor carrier under any Federal or State law' were to be obtained at the company's expense.

In both the Silk case and the Greyvan case the district court and the circuit court of appeals thought the truckers were independent contractors under the common-law rules. The Supreme Court held them to be independent contractors under its economic-dependency test. Presumably, therefore, these truckers would not be employees under an application of the six factors in paragraph (3), although the factors of control (in some degree), permanency of the relationship, and integration would point toward employee status under paragraph (3). As was explained in the general discussion of the proposed definition, the exact scope of paragraph (2) of the definition is unknown since it isolates the factor of control from the other circumstances of the relationship which have ordinarily been considered by the courts under the usual common-law rules. In spite of the decisions holding truckers of the type described above to be independent contractors both under the common-law rules and the Supreme Court economic dependency test, there is a strong possibility that paragraph (2) of the proposed definition would have the effect of making these truckers employees.

The status of owner-operators of trucks for purposes of old-age and survivors' insurance taxes is further complicated by the problem of liability for the tax on the transportation of property. In the past there have been instances where the Bureau has attempted to hold persons liable for pay-roll taxes on the grounds that owner-operators of trucks were their employees, while at the same time maintaining that the tax on the transportation of property should be paid because the

truckers were independent contractors. It is understood that these difficulties have been resolved, but any change in the scope of the definition of employee to include owner-operators of trucks might result in the recurrence of this problem unless section 3475 of the code (relating to the tax on the transportation of property) is also amended.

9. CONTRACT LOGGERS

A wide variety of contract relationships have been developed between loggers and lumber companies. In some instances the loggers merely cut timber. In other cases they both cut timber and haul it to designated points. In stating that half of the contract loggers who are now treated as independent contractors would come within the economic dependency test of employees, Mr. Harold Packer, assistant general counsel of the Federal Security Agency stated:

"Most of these people are individuals who are sent out into the forest to fell trees and are given special specifications as to the type of log to cut. The reason that they are excluded from the usual common-law test is that no one stands there to tell them how to wield the ax or how to handle the saw. They have nothing other than their own tools of work. They have no investment. These forest or timber lands belong to the company for which they work and under the Supreme Court at least half of them would be included."

A type of contract logger which differs considerably from the type described by Mr. Packer and which the Treasury has in the past attempted to treat as employees is the type involved in the case of *Crossett Lumber Co.* v. *United States* (79 F. Supp. 70, District Court, W. D. Ark. (July 31, 1948)). In this case the lumber company contracted with 40 or 50 contract loggers to cut and haul trees on 40-acre tracts belonging to the company. The trees to be cut were marked by the lumber company. Between them the contract loggers hired from 500 to 600 men and each had a minimum investment of from $2,000 to $3,000. The contract loggers hired and fired their own employees and fixed their own hours of work. They were compensated on the basis of so much per thousand board feet and so much per cord for pulpwood. Company supervisors made periodic inspections to ascertain whether contract loggers and their employees were following the company's selective timber-cutting practices. Contracts were terminable on 3 days' notice. The contract loggers were required to present their books and records for ispection to the company upon request. Under these facts the district court held that contract loggers were not employees under the usual common-law rules.

Another type of contract logging arrangement is one in which the company gives the contract loggers weekly orders for so many cords of pulpwood to be delivered at specified railroad sidings. In some instances the contract loggers are free to make their own arrangements for obtaining the wood. In other instances the contract loggers buy stumpage from the company, cut the timber and deliver it to the company and are paid for the amount delivered after a deduction of the price of the stumpage purchased from the company. These logger contractors carry on operations of varying sizes but in all instances they own their own equipment including trucks, teams, and saws.

The application of both paragraph (2) and paragraph (3) of the proposed definition to contract loggers is extremely uncertain. It is possible that the control test stated in paragraph (2) would be interpreted as requiring contract loggers to be treated as employees because of the control exercised over them through specifications as to the timber to be cut and delivered regardless of the other factors of the relationship such as the fact that they are free to hire and fire their own employees. Paragraph (3) is also ambiguous as applied to contract loggers since they are subject to some degree of control and their relationship with the lumber company may be a relatively permanent one, even though they are free at any time to take their equipment and contract with some other company. These contract loggers are often closely integrated in the business of the lumber companies they serve. It is not unusual for a lumber company to be entirely dependent on contract loggers for its supply of timber. On the other hand contract logging probably requires a considerable degree of skill, the loggers may have a considerable investment in the facilities for their work, and they have a considerable opportunity for profit or loss through their operations.

10. MINING LESSEES

Mining lessees are miners who lease specific areas in mines and conduct their own mining operations without supervision. Typically they give the mine owner a percentage of the return from their operations as consideration for the leases. A mining lessee usually selects partners who carry out the mining opera-

tions with him. Occasionally he may employ men by the day. The mining leases ordinarily provide that the lessee is to follow "good mining practices" and his operations are subject to supervision by the mine owner to see that good mining practices are followed and to see that safety regulations are complied with. The mine owner supplies the lessee with ventilation, tracks for dump cars, and other services. The mining lessees may provide their own tools, possibly representing a considerable investment. Mining lessees may be required to deliver their ore to the mine owner according to a specified schedule.

Mining lessees have been held to be independent contractors in the past and presumably would not be treated as employees under the control test set out in paragraph (2) of the proposed definition. It cannot be said with certainty whether the status of mining lessees would be affected by paragraph (3) of the proposed definition. While some degree of control is exercised over the lessees and there is permanency in the relationship, their work is not ordinarily closely integrated in the business of the mine owners. It appears that ordinarily contracts are made with mining lessees merely to work the more distant parts of the mines where closely supervised work in accordance with the usual practices would not be efficient. To a considerable extent, therefore, mining lessee arrangements are entered into by the mines primarily because the work done by these lessees cannot be integrated with the regular mining operations. Mining operations carried out without supervision undoubtedly require a high degree of skill which would tend to point toward an independently established trade, and mining lessees may have a considerable investment in the facilities for their work. They undoubtedly have opportunities for profit or loss. While four of the six factors listed in paragraph (3) of the proposed definition tend to indicate the mining lessees are engaged in independently established trades and one of the two remaining factors (degree of control) is too small to be effective under the usual common-law rules, Mr. Packer, assistant general counsel of the Federal Security Agency, has stated:

"I would say, sir, of the mining lessees all 10,000 would be included as employees under the economic reality test in the Supreme Court decision. Those 10,000 would all be excluded in an application of the common-law rule."

11. INDUSTRIAL HOME WORKERS

Industrial home workers have been described by Mr. Packer as "people who make arrangements with concerns who manufacture quilts, various knitted goods, who call at the company periodically, receive instruction as to how to knit the foods and prepare the finished article, and bring it back to the company. There it is examined and inspected and they are paid by the number of articles accepted by the company." A somewhat similar type of industrial home worker was described in a communication to the Senate Finance Committee in connection with its bearings on House Joint Resolution 296 last year. This industrial home work was the insertion of drawstrings and the tagging of small cotton tobacco bags. It was stated that these bags were delivered to cooperatives who gave the bags to home workers. The home workers were paid so much per thousand for bags which were strung and tagged.

It appears likely that a preponderance of the factors listed in paragraph (3) of the proposed definition would point toward the existence of an employee relationship for industrial home workers, in spite of the fact that little control is exercised over these workers and the relationship may be sporadic and without permanency in many instances. The degree of skill required for industrial home work probably varies widely with the type of work. The extent to which industrial home workers are integrated in the business of the companies to which they render service is something which would have to be determined in each individual instance, depending on the extent to which the companies rely on industrial home workers. In the ordinary types of industrial home work the workers have little investment in the facilities for work and little or no opportunities for profit or loss.

12. COUNTRY NEWSPAPER CORRESPONDENTS

It has been estimated that there are approximately 250,000 country newspaper correspondents in the United States. These are casual writers who contribute local news items principally to small-town newspapers. They may also act as advertising and subscription solicitors in their districts. They are paid on the basis of the extent to which their news items are used, and this compensation is not ordinarily their principal source of income. Newspaper editors are free to accept or reject material submitted by these correspondents.

It is quite possible that the six factors listed in paragraph (3) of the proposed definition, if applied to country newspaper correspondents, would result in their being treated as employees of the newspapers to whom they sell news items. While no control is ordinarily exercised over the manner in which they gather news, it might be argued that they are controlled through the power of the editor to accept or reject the items which they submit. Their relationship with the newspapers is ordinarily a permanent one even though it is sporadic and seldom full time. It may be argued that they are integrated in the work of the newspapers they serve since local news comprises a vital portion of a newspaper's services. Little skill is required for this type of work and, in most instances, no investment at all. The correspondents have little opportunity for profit or loss. Therefore, all of the factors listed in paragraph (3) point, to at least some extent, toward the existence of an employee relationship within the meaning of the paragraph, in spite of the fact that the work as a country newspaper correspondent is almost invariably a sporadic part-time activity with only a minor effect on the economic condition of the individuals involved.

13. MERCHANT POLICE

It is a fairly common practice for an individual to contract with a group of merchants or other businesses to furnish them with night watchman or night patrol services for a stated amount per month. Such a person may contract individually with 10 or 20 businessmen to patrol their buildings at night, checking against burglary, vandalism, and fire. The merchant policemen or night watchmen ordinarily undertake to inspect each building at stated intervals during the night. In some instances merchant police services may develop into a fairly large-scale business, with the contractor hiring several employees and furnishing them with uniforms and possibly patrol cars.

While it is not contemplated that merchant policemen will be subject to regular supervision in the course of their work, it is typical for their arrangements with the businessmen they serve to set out in fairly specific detail the services they are to perform. This might be inferred as being an exercise of some degree of control over the merchant policemen. Since these arrangements are ordinarily entered into on a monthly basis and are continued until terminated, they are undoubtedly permanent within the meaning of the second factor listed in paragraph (3) of the proposed definition. This type of work is not integrated in the business of the persons served by it since it is a purely incidental service function. However, little skill is required for this work and little or no investment is required unless the service is performed by a fairly large-scale merchant police organization. An individual who contracts his personal services as a merchant policeman has no opportunity for profit or loss. Therefore, all of the factors listed in paragraph (3), with the exception of integration, point, at least to some extent, toward the existence of employee status, in spite of the fact that holding a merchant policeman to be an employee would result in his having a large number of employers.

14. MISCELLANEOUS

The proposed definition may result in defining employer-employee status to include a wide range of service relationships, in addition to those listed above, which have heretofore been considered independent contractor relationships. Among these are the following:

(*a*) *Free-lance artists who sell their work to newspapers and magazines*

While these artists are subject to no control over the performance of their work and often select their own projects, they might be considered employees if they sell the products of their work fairly consistently to the same publication or publications, since they have little investment in the facilities for work and may have only slight opportunities for profit or loss.

(*b*) *Bulk oil plant operators*

Wholesale distributors of oil products may have quite extensive investments and may hire numerous employees, but they are subject to some regulation by the oil companies whose products they distribute. There is permanency in their relationship with the oil companies, and they are closely integrated in the business of the oil companies, since they perform the integral function of serving as outlets for oil company products.

(c) *Gas station operators*

Gas station operators who lease their stations from oil companies or distributors may have only limited investments in their facilities, and permanency is contemplated in their relationship with the oil companies or distributors. Furthermore, retail outlets are integral to the production, distribution, and sale of oil products and a relatively slight degree of skill is required for this work. Consequently, although the degree of control exercised over gas-station operators may be slight and although they may have considerable opportunities for profit or loss, they might be treated as employees under paragraph (3) of the proposed definition.

APPENDIX B

The following draft, in lieu of paragraph (3) of the definition in the committee print, indicates, in our opinion, a proper approach to extension of the definition of employee beyond the usual common-law rule. This draft would include as employees the bulk of the individuals which the Federal Security Agency has indicated would be covered under the economic-dependency test. The committee could, of course, eliminate from or add to the categories covered by this definition, depending on whether they desire broader or narrower coverage.

"(d) The term 'employee' means—

* * * * * * *

"(3) any individual (other than an individual who is an employee under paragraphs (1) or (2) of this subsection), who performs services for remuneration for any person—

(A) as an outside salesman in the manufacturing or wholesale trade;

(B) as a full-time life insurance salesman;

(C) as a driver-lessee of a taxicab;

(D) as a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;

(E) as a contract-logger;

(F) as a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

(G) as a house-to-house salesman if under the contract of services or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person—

if the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally by such individual, except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed."

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Union Calendar No. 536

81ST CONGRESS
1ST SESSION

H. R. 6000

[Report No. 1300]

IN THE HOUSE OF REPRESENTATIVES

AUGUST 15, 1949

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

AUGUST 22, 1949

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

A BILL

To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Act Amendments of 1949".

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

OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 101. (a) Section 202 of the Social Security Act is amended to read as follows:

"OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

"Old-Age Insurance Benefits

"SEC. 202. (a) Every individual who—

"(1) is a fully insured individual (as defined in section 214 (a)),

"(2) has attained retirement age (as defined in section 216 (a)), and

"(3) has filed application for old-age insurance benefits or was entitled to disability insurance bene-

fits for the month preceding the month in which he attained retirement age,

shall be entitled to an old-age insurance benefit for each month, beginning with the first month after 1949 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

"Wife's Insurance Benefits

"(b) (1) The wife (as defined in section 216 (b)) of an individual entitled to old-age insurance benefits, if such wife—

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

"(B) has attained retirement age or has in her care (individually or jointly with her husband) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages or self-employment income of her husband,

"(C) was living with such individual at the time such application was filed, and

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each

of which is less than one-half of an old-age insurance benefit of her husband,

shall be entitled to a wife's insurance benefit for each month, beginning with the first month after 1949 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained retirement age, or she becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of her husband for such month.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 214) after 1939, if such child—

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

"(B) at the time such application was filed was unmarried and had not attained the age of eighteen, and

"(C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death,

shall be entitled to a child's insurance benefit for each month, beginning with the first month after 1949 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages or self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the old-age insurance benefit of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual, except that, if there is more than one child entitled to benefits on the basis of such individual's wages or self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual,

and (B) one-fourth of such primary insurance amount divided by the number of such children.

"(3) A child shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time, such individual was not living with or contributing to the support of such child and—

"(A) such child is neither the legitimate nor adopted child of such individual, or

"(B) such child had been adopted by some other individual, or

"(C) such child was living with and was receiving more than one-half of his support from his stepfather.

"(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

"(5) A child shall be deemed dependent upon his natural or adopting mother at the time of her death if, at such time, she was both a fully and a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1) (C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither

living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

"Widow's Insurance Benefits

"(d) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow—

"(A) has not remarried,

"(B) has attained retirement age,

"(C) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages or self-employment income of such individual, for the month preceding the month in which he died,

"(D) was living with such individual at the time of his death, and

"(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after 1949 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes

entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

"Mother's Insurance Benefits

"(e) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

"(A) has not remarried,

"(B) is not entitled to a widow's insurance benefit,

"(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,

"(D) has filed application for mother's insurance benefits,

"(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

"(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving

from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's wages or self-employment income,

shall be entitled to a mother's insurance benefit for each month, beginning with the first month after 1949 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages or self-employment income of such deceased individual.

"(2) Such mother's insurance benefit for each month

shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"Parent's Insurance Benefits

"(f) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after 1939, if such individual did not leave a widow who meets the conditions in subsection (d) (1) (D) and (E) or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (c) (3), (4), or (5), and if such parent—

"(A) has attained retirement age,

"(B) was receiving at least one-half of his support from such individual at the time of such individual's death and filed proof of such support within two years of such date of death,

"(C) has not married since such individual's death,

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such deceased individual, and

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month after 1949 in which

such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"(3) As used in this subsection, the term 'parent' means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an adopting parent by whom an individual was adopted before he attained the age of sixteen.

"Lump-Sum Death Payments

"(g) Upon the death, after 1949, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto,

to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual.

"Application for Monthly Insurance Benefits

"(h) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), or (f) for any month after 1949 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.

"(2) No application for any benefit under this section for any month after 1949 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within

such three months' period shall be deemed to have been filed in such first month.

"Simultaneous Entitlement to Benefits

"(i) (1) Any individual who is entitled for any month to more than one monthly insurance benefit (other than an old-age insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this paragraph) would otherwise be entitled for such month.

"(2) If an individual is entitled to an old-age insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month shall be reduced (after any reduction under section 203 (a)) by an amount equal to such old-age insurance benefit.

"Entitlement to Survivor Benefits Under Railroad Retirement Act

"(j) If any person would be entitled, upon filing application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month there-

after, shall be paid under this section to any person on the basis of the wages or self-employment income of such employee."

(b) (1) Except as provided in paragraph (3), the amendment made by subsection (a) of this section shall take effect January 1, 1950.

(2) Section 205 (m) of the Social Security Act is repealed effective with respect to monthly benefits under section 202 of the Social Security Act, as amended by this Act, for months after 1949.

(3) Section 202 (h) (2) of the Social Security Act, as amended by this Act, shall take effect October 1, 1949.

(c) (1) Any individual entitled to primary insurance benefits or widow's current insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for January 1950 shall be deemed to be entitled to old-age insurance benefits or mother's insurance benefits (as the case may be) under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in January 1950, the primary insurance amount on which such benefits are based to be determined as provided in section 111 of this Act.

(2) Any individual entitled to any other monthly in-

surance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for January 1950 shall be deemed to be entitled to such benefits under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in January 1950, the primary insurance amount on which such benefits are based to be determined as provided in section 111 of this Act.

(3) Any individual who files application after 1949 for monthly benefits under any subsection of section 202 of the Social Security Act who would, but for the enactment of this Act, be entitled to benefits under such subsection (as in effect prior to such enactment) for any month prior to 1950 shall be deemed entitled to such benefits for such month prior to 1950 to the same extent and in the same amounts as though this Act had not been enacted.

(d) In the case of any parent of an individual who—

(1) died after June 1947 but prior to 1950,

(2) was not a fully insured individual under the provisions of section 209 (g) of the Social Security Act as in effect at the time of his death, and

(3) who is insured under the provisions of section 214 (a) of such Act, as amended by this Act,

such parent shall be deemed to have met the requirement,

in section 202 (f) (1) (B) of such Act as so amended, of filing proof of support within two years of the date of such individual's death if such proof is filed prior to 1952.

(e) Lump-sum death payments shall be made in the case of individuals who died prior to 1950 as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202 (g) of the Social Security Act shall not be applicable if application for a lump-sum death payment is filed prior to 1952.

MAXIMUM BENEFITS

SEC. 102. (a) So much of section 203 of the Social Security Act as precedes subsection (d) is amended to read as follows:

"REDUCTION OF INSURANCE BENEFITS OTHER THAN DISABILITY BENEFITS

"Maximum Benefits

"SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages or self-employment income of an individual exceeds $150, or exceeds 80 per centum of his average monthly wage (as defined in section 215 (c)), such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum

of his average monthly wage, whichever is the lesser. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased."

(b) The amendment made by subsection (a) of this section shall be applicable with respect to benefits for months after 1949.

DEDUCTIONS FROM BENEFITS

SEC. 103. (a) Subsections (d), (e), (f), (g), and (h) of section 203 of the Social Security Act are amended to read as follows:

"Deductions on Account of Work or Failure to Have Child in Care

"(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month after 1949—

"(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"(2) in which such individual is under the age of seventy-five and for which month he is charged, under

the provisions of subsection (e)' of this section, with net earnings from self-employment of more than $50; or

"(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

"(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

"(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit with respect to the wages or self-employment income of her deceased former husband.

"Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

"(c) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits under section 202 for any month after 1949—

"(1) in which the individual, on the basis of whose wages or self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $50.

"Occurrence of More Than One Event

"(d) If more than one event specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"Months to Which Net Earnings Are Charged

"(e) For the purposes of subsections (b) and (c)—

"(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such

year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

"(3) (A) As used in paragraph (2), the term 'last month of such taxable year' means the latest month in such year to which the charging of the excess de-

scribed in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

"(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"Penalty for Failure to Report Certain Events

"(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) (2) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof,

who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

"Report to Administrator of Net Earnings From Self-Employment

"(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of $50 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

"(2) If an individual fails to make a report required

under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

"(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

"(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month or fraction thereof during which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed

under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual

to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

"Deductions With Respect to Certain Lump Sum Payments

"(h) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages or self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"Attainment of Age Seventy-five

"(i) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age."

(b) The amendments made by this section shall take effect January 1, 1950.

DEFINITIONS

SEC. 104. (a) Title II of the Social Security Act is amended by striking out section 209 and inserting in lieu thereof the following:

"DEFINITION OF WAGES

"SEC. 209. For the purposes of this title, the term 'wages' means remuneration paid prior to 1950 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1949 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1949, such term shall not include—

"(a) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer during any calendar year acquires substantially all the property used in a trade or business of another person (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether such

employer has paid remuneration (other than remuneration referred to in the succeeding subsections of this section) with respect to employment equal to $3,600 to such individual during such calendar year, any remuneration with respect to employment paid (or considered under this subsection as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such employer;

"(b) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

"(c) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(d) Any payment on account of sickness or accident disability, or medical or hospitalization ex-

penses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(e) Any payment made to, or on behalf of, an employee (1) from or to a trust exempt from tax under section 165 (a) of the Internal Revenue Code at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code;

"(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code, or (2) of any payment required from an employee under a State unemployment compensation law;

"(g) Remuneration paid in any medium other than cash to an employee for service not in the course of

the employer's trade or business (including domestic service in a private home of the employer); or

"(h) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this title, be considered as remuneration paid to him by his employer; except that, in the case of tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer.

"DEFINITION OF EMPLOYMENT

"SEC. 210. For the purposes of this title—

"Employment

"(a) The term 'employment' means any service performed after 1936 and prior to 1950 which was employ-

ment for the purposes of this title under the law applicable to the period in which such service was performed, and any service of whatever nature performed after 1949 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which the vessel or aircraft touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1949, such term shall not include—

"(1) Agricultural labor (as defined in subsection (f));

"(2) (A) Service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm operated for profit;

"(B) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term 'service not in the course of the employer's trade or business' includes domestic service in a private home of the employer;

"(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 twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American

aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;

"(7) Service performed in the employ of the United States, or in the employ of any instrumentality of the United States which is partly or wholly owned by the United States, but only if (i) such service is covered by a retirement system, established by a law of the United States, for employees of the United States or of such instrumentality, or (ii) such service is performed—

"(A) by the President or Vice President of the United States or by a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(B) in the legislative branch;

"(C) in the field service of the Post Office Department;

"(D) in or under the Bureau of the Census of the Department of Commerce by temporary em-

ployees employed for the taking of any census;

"(E) by any employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(F) by any employee receiving nominal compensation of $12 or less per annum;

"(G) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(H) by any employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"(I) by any consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(J) by any employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(K) in the employ of the Tennessee Valley

Authority in a position which is covered by a retirement system established by such Authority;

"(L) by any employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency; or

"(M) by any employee who is employed under a Federal relief program to relieve him from unemployment;

"(8) (A) Service (other than service included under an agreement under section 218 and other than service to which subparagraph (B) of this paragraph is applicable) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"(B) Service (other than service included under an agreement under section 218) performed in the employ of any political subdivision of a State in connection with the operation of any public transportation system unless such service is performed by an employee who—

"(i) became an employee of such political subdivision in connection with and at the time of its acquisition after 1936 of such transportation system or any part thereof; and

"(ii) prior to such acquisition rendered services in employment (as an employee of a person other than one designated in subparagraph (A) of this paragraph) in connection with the operation of such transportation system or part thereof.

In the case of an employee described in clauses (i) and (ii) who became such an employee in connection with an acquisition made prior to 1950, this subparagraph shall not be applicable with respect to such employee if the political subdivision employing him files with the Commissioner of the Internal Revenue prior to January 1, 1950, a statement that it does not favor the inclusion under this subparagraph of any individual who became an employee in connection with such acquisitions made prior to 1950. For the purposes of this subparagraph the term 'political subdivision' includes an instrumentality of one or more political subdivisions of a State;

"(9) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $100;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of

the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual

under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back;

"(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669); or

"(18) Service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service

directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (A) the fitness of such individual to perform such service, (B) the geographical area in which such service is to be performed, (C) the volume of goods or commodities to be sold or distributed, or (D) the selection or solicitation of customers.

"Included and Excluded Service

"(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term 'pay period' means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him,

where any of such service is excepted by paragraph (10) of subsection (a).

"American Vessel

"(c) The term 'American vessel' means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

"American Aircraft

"(d) The term 'American aircraft' means an aircraft registered under the laws of the United States.

"American Employer

"(e) The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

"Agricultural Labor

"(f) The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market,

in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of services described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"Farm

"(g) The term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar

structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

"State

"(h) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 221 such term includes Puerto Rico.

"United States

"(i) The term 'United States' when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 221 such term includes Puerto Rico.

"Citizen of Puerto Rico

"(j) An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 221.

"Employee

"(k) The term 'employee' means—

"(1) any officer of a corporation; or

"(2) any individual who, under the usual common law rules applicable in determining the employer-

employee relationship, has the status of an employee. For purposes of this paragraph, if an individual (either alone or as a member of a group) performs service for any other person under a written contract expressly reciting that such person shall have complete control over the performance of such service and that such individual is an employee, such individual with respect to such service shall, regardless of any modification not in writing, be deemed an employee of such person (or, if such person is an agent or employee with respect to the execution of such contract, the employee of the principal or employer of such person); or

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"(A) as an outside salesman in the manufacturing or wholesale trade;

"(B) as a full-time life insurance salesman;

"(C) as a driver-lessee of a taxicab;

"(D) as a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be

returned to such person or to a person designated by him;

"(E) as a contract-logger;

"(F) as a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

"(G) as a house-to-house salesman if under the contract of service or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person—

if the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or if the

services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed; or

"(4) any individual who is not an employee under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss.

"SELF-EMPLOYMENT

"SEC. 211. For the purposes of this title—

"Net Earnings from Self-Employment

"(a) The term 'net earnings from self-employment' means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive

share (whether or not distributed) of the net income or loss, as computed under such chapter, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof) unless such dividends and interest are received in the course of a trade or business as a dealer in stocks or securities;

"(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 221, (A) the term 'possession of the United States' as used in section 251 of the Internal Revenue Code shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of such code;

"(8) There shall be excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation, together with the income derived from other activities conducted in connection with such trade or business; and there shall be excluded all deductions attributable to such income.

If the taxable year of a partner is different from that of the

partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1950) ending within or with his taxable year.

"Self-Employment Income

"(b) The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1949; except that such term shall not include—

"(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

In the case of any taxable year beginning prior to the effective date specified in section 221, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but

who is a resident of the Virgin Islands or (after the effective date specified in section 221) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

"Trade or Business

"(c) The term 'trade or business', when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—

"(1) The performance of the functions of a public office;

"(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) or section 210 (a) (18) performed by an individual who has attained the age of eighteen);

"(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, or optometrist, or as a Christian Science practitioner, or as an aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineer; or the performance of such service by a partnership.

"Partnership and Partner

"(d) The term 'partnership' and the term 'partner' shall have the same meaning as when used in supplement F of chapter 1 of the Internal Revenue Code.

"Taxable Year

"(e) The term 'taxable year' shall have the same meaning as when used in chapter 1 of the Internal Revenue Code; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1 of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such chapter 1.

"CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR YEARS

"SEC. 212. For the purposes of determining the average monthly wage, quarters of coverage, and years of coverage, the amount of self-employment income derived during any taxable year shall be credited to calendar years as follows:

"(1) In the case of a taxable year which is a calendar year, or which begins and ends in the same calendar year, the self-employment income of such taxable year shall be credited to such calendar year.

"(2) In the case of a taxable year which begins in one calendar year and ends in another calendar year, the calendar year in which such taxable year began shall be credited with the same proportion of the self-employment income derived during the taxable year as the number of months in such calendar year which are included in such taxable year is of the number of months in the taxable year, and the balance of such self-employment income shall be credited to the calendar year in which such taxable year ended. For the purposes of this paragraph a fractional part of a month shall be considered as a month.

"QUARTER AND QUARTER OF COVERAGE

"Definitions

"SEC. 213. (a) For the purposes of this title—

"(1) The term 'quarter', and the term 'calendar quarter', means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

"(2) (A) The term 'quarter of coverage' means, in the case of any quarter occurring prior to 1950, a quarter in which the individual has been paid $50 or more in wages. In

the case of any individual who has been paid, in a calendar year prior to 1950, $3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

"(B) The term 'quarter of coverage' means, in the case of a quarter occurring after 1949, a quarter in which the individual has been paid $100 or more in wages or for which he has been credited (as determined under subsection (b)) with $200 or more of self-employment income, except that—

"(i) no quarter after the quarter in which such individual died shall be a quarter of coverage;

"(ii) no quarter any part of which is included in a period of disability (as defined in section 219 (i)), other than the initial or last quarter, shall be a quarter of coverage;

"(iii) if the sum of the wages paid to an individual in a calendar year and his self-employment income credited to such year (as determined under section 212) is equal to or exceeds $3,600, each quarter of such year shall (subject to clauses (i) and (ii)) be a quarter of coverage; and

"(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

"Crediting of Self-Employment Income to Quarters in a Calendar Year

"(b) For the purposes of subsection (a)—

"(1) If an individual's self-employment income credited to a calendar year (as determined under section 212) is $800 or more, one-fourth of such self-employment income shall be credited to each quarter in such year.

"(2) Except as provided in paragraph (3), if an individual's self-employment income credited to the calendar year is less than $800, the first $200 thereof shall be credited to the last quarter of such year which is not a quarter of coverage by reason of wages paid to him in such year, and the balance of such self-employment income, if any, shall be credited at the rate of $200 to each preceding quarter in the calendar year which is not a quarter of coverage by reason of wages so paid until all of such balance has been credited. If the individual died during such year, the quarter in which he died shall be considered to be the last quarter in such calendar year.

"(3) If an individual's self-employment income credited to the calendar year is less than $800 and (A)

such individual attained retirement age in or prior to such calendar year, or (B) such individual's disability determination date (as determined under section 219 (c)) occurs in such calendar year, the first $200 of such self-employment income shall be credited to the first quarter of such year which is not a quarter of coverage by reason of wages paid to him in such year, and the balance thereof, if any, shall be credited at the rate of $200 to each succeeding quarter in the calendar year which is not a quarter of coverage by reason of wages so paid until all of such balance has been credited.

"Crediting of Wages Paid in 1937

"(c) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than $100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than $100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

"INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

"SEC. 214. For the purposes of this title—

"Fully Insured Individual

"(a) (1) The term 'fully insured individual' means any individual who had not less than—

"(A) one quarter of coverage (as determined under section 213 (a) (2)) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, and in no case less than six quarters of coverage; or

"(B) twenty quarters of coverage within the forty-quarter period ending with the quarter in which he attained retirement age or with any subsequent quarter or ending with the quarter in which he died; or

"(C) forty quarters of coverage;

not counting as an elapsed quarter for purposes of subparagraph (A), and not counting as part of the forty-quarter period referred to in subparagraph (B), any quarter any part of which is included in a period of disability (as defined in section 219 (i)) unless such quarter is a quarter of coverage. When the number of elapsed quarters specified

in subparagraph (A) is an odd number, for the purposes of such subparagraph such number shall be reduced by one.

"(2) If an individual upon attainment of retirement age is not, under paragraph (1), a fully insured individual but (were it not for his attainment of retirement age) would have been entitled to a disability insurance benefit for the month in which he attained retirement age or for any subsequent month, he shall be a fully insured individual beginning with the first month for which he would have been so entitled to disability insurance benefits. For the purpose of determining whether an individual would have been so entitled to disability insurance benefits, his application for old-age insurance benefits shall be considered as an application for disability insurance benefits.

"Currently Insured Individual

"(b) The term 'currently insured individual' means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with the quarter in which he died, excluding from such period any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage.

"COMPUTATION OF PRIMARY INSURANCE AMOUNT AND DISABILITY INSURANCE BENEFIT

"SEC. 215. For the purposes of this title—

"Primary Insurance Amount and Disability Insurance Benefit

"(a) An individual's 'primary insurance amount', and an individual's 'disability insurance benefit', means an amount equal to the sum of the following:

"(1) his base amount multiplied by his continuation factor, and

"(2) one-half of 1 per centum of his base amount multiplied by the number of his years of coverage.

When the primary insurance amount or disability insurance benefit thus computed is less than $25, it shall be increased to $25. (For special rules applicable, in certain cases, for the computation of the primary insurance amount of an individual who died prior to 1950 or who was paid a primary insurance benefit prior to 1950, see section 111 of the Social Security Act Amendments of 1949.)

"Base Amount

"(b) An individual's 'base amount' means an amount equal to 50 per centum of the first $100 of his average monthly wage plus 10 per centum of the next $200 of such wage.

"Average Monthly Wage

"(c) (1) An individual's 'average monthly wage' means the quotient obtained by dividing (A) the total of his wages and self-employment income during all his years

of coverage after his starting date, by (B) the product of twelve times the number of his years of coverage after such starting date; except that if in any case the product determined under clause (B) is less than sixty it shall be increased to sixty. For the purposes of this paragraph an individual's 'starting date' shall be 1936, 1949, or the year in which he attains the age of twenty-one, whichever results in the highest average monthly wage.

"(2) If an individual's average monthly wage computed under paragraph (1) is less than $50, his average monthly wage shall be increased to $50.

"(3) For the purposes of this subsection—

"(A) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1949, the excess over $3,600 of (i) the wages paid to him in such year, plus (ii) the self-employment income credited to such year (as determined under section 212);

"(B) if the total of an individual's wages and self-employment income for any calendar year is not a multiple of $1, such total shall be reduced to the next lower multiple of $1; and

"(C) if an individual's average monthly wage computed under paragraph (1) of this subsection is not

a multiple of $1, it shall be reduced to the next lower multiple of $1.

"Continuation Factor

"(d) In the case of any individual who dies or attains retirement age before 1956 or dies before the year in which he attains the age of twenty-eight, the continuation factor shall be one. In all cases, the continuation factor of an individual shall be the quotient obtained by dividing (1) the number of his years of coverage after his starting date, or the number 5, whichever is the greater, by (2) the number of his continuation factor years; except that if such quotient is greater than one it shall be reduced to one. For the purposes of this subsection, an individual's starting date shall be 1936 or 1949, whichever results in the higher continuation factor. His continuation factor years shall be the calendar years elapsing after his starting date (or after the year in which he attained the age of twenty-one, if later) and prior to the year in which he attained retirement age, or died, whichever first occurred, or, if the computation under this subsection is being made for an individual who is entitled to disability insurance benefits with respect to a disability, prior to the year in which occurs his disability determination date (as determined under section 219 (c)) for such disability; but no such calendar year, any part of which was included in a period of disability (as defined in

section 219 (i), shall be a continuation factor year unless such calendar year was a year of coverage.

"Year of Coverage

"(e) A 'year of coverage' for any individual means—

"(1) in the case of any calendar year prior to 1950, a year in which the sum of the wages paid to him in such year was $200 or more; and

"(2) in the case of any calendar year after 1949, a year in which the sum of (A) the wages paid to him in such year and (B) his self-employment income credited to such year (as determined under section 212) was $400 or more.

"Treatment of Wages and Self-employment Income in Year of Computation

"(f) For the purposes of this section (other than subsection (g))—

"(1) in computing an individual's average monthly wage and his years of coverage with respect to an application for old-age or disability insurance benefits, there shall be taken into account only the self-employment income of such individual for taxable years ending prior to the date on which he filed such application, and there shall be counted only the wages paid to him prior to the quarter in which he filed such application. For the purposes of this paragraph an individual who was en-

titled to disability insurance benefits for the month preceding the month in which he attained retirement age shall be deemed to have filed an application for old-age insurance benefits on the date he attained retirement age; and

"(2) in computing the average monthly wage and the years of coverage of an individual who died, there shall not be counted wages (other than compensation described in section 205 (p)) paid in or after the quarter in which he died.

"Recomputation of Benefits

"(g) (1) After an individual's primary insurance amount has been determined under this section (or under section 111 of the Social Security Act Amendments of 1949, if applicable), there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who dies after 1949 and prior to July 27, 1954, as provided in section 217 (b). An individual's disability insurance benefit shall not be recomputed except as provided in paragraph (3) of this subsection.

"(2) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if the application therefor is filed after the twelfth month for which deductions under

section 203 (b) (1) and (2) have been imposed [(within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective. A recomputation under this paragraph shall take into account only (A) wages paid to such individual prior to the year in which such application is filed and (B) his self-employment income for taxable years ending prior to the date of such application. Such recomputation shall be effective for and after the month in which such application is filed.

"(3) If upon application by an individual for old-age or disability insurance benefits such individual had less than five years of coverage, the Administrator shall recompute his primary insurance amount or his disability insurance benefit, as the case may be, by taking into account only (A) the wages and self-employment income which were included in the original computation of his average monthly wage and (B) his self-employment income for the taxable year in which he filed application for the old-age or disability insurance benefits. Such recomputation shall be effective for and after the first month following the close of such taxable year.

"(4) Upon the death after 1949 of an individual entitled to old-age insurance benefits, if any person is entitled

to monthly benefits, or to a lump-sum death payment, on the basis of the wages or self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3)) only if—

"(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

"(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (p), as remuneration for employment.

If the recomputation is required by subparagraph (A), the recomputation shall take into account only the following: The self-employment income of the decedent for all taxable years other than his last taxable year, the wages (other than compensation described in section 205 (p)) paid to him prior to the year in which he died, and the compensation (described in section 205 (p)) paid to him prior to his death. If the recomputation is not permitted under subparagraph (A) but is required by subparagraph (B), the recomputation shall take into account only the following: The wages and self-employment income which were permitted to be taken into account in the last previous computation of the primary insurance amount of such individual [(including any recomputation required by paragraph (3)),

and the compensation (described in section 205 (p)) paid to him prior to his death.

"(5) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount or disability insurance benefit. No such recomputation shall, for the purposes of section 203 (a), lower the average monthly wage.

"Rounding of Benefits

"(h) The amount of any primary insurance amount and of any disability insurance benefit and the amount of any monthly benefit computed under section 202 which, after reduction under section 203 (a) or section 219 (e), is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

"OTHER DEFINITIONS

"SEC. 216. For the purposes of this title—

"Retirement Age

"(a) The term 'retirement age' means age sixty-five.

"Wife

"(b) The term 'wife' means the wife of an individual, but only if she (1) is the mother of his son or daughter, or (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed.

"Widow

"(c) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) was married to him at the time both of them legally adopted a child under the age of eighteen, or (4) was married to him for a period of not less than one year immediately prior to the day on which he died.

"Former Wife Divorced

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

"Child

"(e) The term 'child' means (1) the child of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or adopted child for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, (A) an

adopted child, or (B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. In determining whether an adopted child has met the length of time requirement in clause (2), time spent in the relationship of stepchild shall be counted as time spent in the relationship of adopted child.

"Determination of Family Status

"(f) (1) In determining whether an applicant is the wife, widow, child, or parent of a fully insured or currently insured individual for purposes of this title, the Administrator shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, widow, child, or parent shall be deemed such.

"(2) A wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and a widow shall be deemed to have been living

with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support."

(b) The amendment made by subsection (a) shall take effect January 1, 1950, except that—

(1) Section 214 of the Social Security Act shall be applicable (A) in the case of applications filed after September 1949 for monthly benefits for months after 1949, and (B) in the case of applications for lump-sum death payments with respect to deaths after 1949.

(2) Section 216 of the Social Security Act shall be applicable in the case of applications filed after September 1949 for monthly benefits for months after 1949.

(3) If the provisions of section 111 of this Act are applicable in computing any benefits for months after 1949, section 215 of the Social Security Act shall not be applicable with respect to such benefits unless and until such benefits are recomputed under subsection (g) of such section 215.

WORLD WAR II VETERANS

SEC. 105. Title II of the Social Security Act is amended by striking out section 210 and by adding after

section 216 (added by section 104 (a) of this Act) the following:

"BENEFITS IN CASE OF WORLD WAR II VETERANS

"SEC. 217. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after 1949, or entitlement to and the amount of any lump-sum death payment in case of a death after 1949, payable under this title on the basis of the wages or self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if a larger benefit or payment, as the case may be, would be payable without its application.

"(b) (1) In the case of any World War II veteran who dies during the period of three years immediately following his separation from the active military or naval service of the United States and who (i) died prior to 1950 and on the basis of whose wages no monthly benefit for any month prior to 1952 was paid and no lump-sum death payment was made, or (ii) died after 1949, such veteran shall be deemed to have died a fully insured individual with

an average monthly wage of $160 and, for the purposes of section 215 (a) (2), to have been paid $400 in wages in each calendar year in which he had thirty days or more of active military or naval service after September 16, 1940, and prior to July 27, 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"(A) a larger such benefit or payment, as the case may be, would be payable without its application;

"(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

"(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

"(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

"(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages or self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Admin-

istration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

"(c) In the case of any World War II veteran who

has died prior to 1950, proof of support required under section 202 (f) may be filed by a parent at any time prior to July 1950 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

"(d) There are hereby authorized to be appropriated annually to the Trust Fund such sums as may be necessary to meet the additional cost, resulting from this section, of the benefits (including lump-sum death payments) payable under this title.

"(e) For the purposes of this section—

"(1) The term 'World War II' means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

"(2) The term 'World War II veteran' means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense."

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 106. Title II of the Social Security Act is amended by adding after section 217 (added by section 105 of this Act) the following:

"VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

"Purpose of Agreement

"SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services (not otherwise included as employment under this title) performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

"(2) Notwithstanding section 210 (a), for the purposes of this title the term 'employment' includes any agricultural labor, domestic service, or service performed by a student, included under an agreement entered into under this section.

"Definitions

"(b) For the purposes of this section—

"(1) The term 'State' does not include the District of Columbia.

"(2) The term 'political subdivision' includes an

instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

"(3) The term 'employee' includes an officer of a State or political subdivision.

"(4) The term 'retirement system' means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof; and the term 'State-wide retirement system' means a retirement system established by a State which covers any class or classes of its employees and any class or classes of employees of one or more political subdivisions of the State or covers any class or classes of employees of two or more political subdivisions of the State.

"(5) The term 'coverage group' means (A) employees of the State other than those in positions covered by a State-wide retirement system, (B) employees of a political subdivision of a State other than those in positions covered by a State-wide retirement system, or (C) employees of the State and employees of its political subdivisions who are in positions covered by a State-wide retirement system.

"Services Covered

"(c) (1) An agreement under this section shall be

applicable with respect to any one or more coverage groups designated by the State.

"(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3) or (5) of this subsection), performed by individuals as members of such group.

"(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

"(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

"(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural

labor, domestic service, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which, if performed in the employ of an individual, would be excluded from employment by section 210 (a).

"(6) Such agreement shall exclude services performed by an individual who is employed to relieve him from unemployment and shall exclude services performed in a hospital, home, or other institution by a patient or inmate thereof.

"Referendum in Case of Retirement System

"(d) (1) No agreement with any State may include services performed in positions covered by a retirement system in effect on the date the agreement is entered into unless the State requests such inclusion and the Governor of the State certifies to the Administrator that (A) a written referendum was held (within the period prescribed in paragraph (3) of this subsection) on the question whether services in positions covered by such retirement system should be excluded from or included under the agreement, (B) an opportunity to vote in such referendum was given (and was limited) to the employees who were in such positions at the time the referendum was held and to the individuals who on such date were twenty-one years of age or older and were receiving periodic payments under such retirement system, and (C) not less than two-thirds of the

voters in such referendum voted in favor of including services in such positions under the agreement.

"(2) No modification of an agreement with any State may provide for the inclusion of services performed in positions covered by a retirement system in effect on the date the modification is agreed to unless the State requests such inclusion and the Governor of the State makes a certification which meets the requirements of clauses (A), (B), and (C) of paragraph (1).

"(3) The period within which a referendum must be held for the purposes of this subsection shall be the period beginning one year before the effective date of the agreement and ending on the date such agreement is entered into, except that in the case of a modification of an agreement such period shall begin one year before the effective date of the modification and end on the date such modification is agreed to.

"Payments and Reports by States

"(e) Each agreement under this section shall provide—

"(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulation prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agree-

ment constituted employment as defined in section 1426 of such code;

"(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

"Effective Date of Agreement

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1950, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1952) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

"Termination of Agreement

"(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

"(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

"(B) with respect to any coverage group desig-

nated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

"(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

"(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

"Deposits in Trust Fund; Adjustments

"(h) (1) All amounts received by the Secretary of

the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

"(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

"(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

"Regulations

"(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapter A of chapter 9 of the Internal Revenue Code.

"Failure To Make Payments

"(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

"Instrumentalities of Two or More States

"(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

"Delegation of Functions

"(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to dele-

gate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement."

DISABILITY INSURANCE BENEFITS

SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by section 106 of this Act) the following:

"PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

"Conditions of Entitlement

"SEC. 219. (a) (1) Every permanently and totally disabled individual (as defined in subsection (h)) who—

"(A) has not attained retirement age,

"(B) has filed application for disability insurance benefits,

"(C) is insured for disability insurance benefits, and

"(D) has been under a disability throughout his waiting period,

shall be entitled to a disability insurance benefit for each month, beginning with the first month after his waiting period in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he ceases to be a

permanently and totally disabled individual, dies, or attains retirement age.

"(2) The term 'waiting period' means, with respect to the disability of any individual, the period beginning with the calendar month in which occurred his disability determination date (as determined under subsection (c)) and ending at the expiration of the sixth calendar month following such month.

"(3) An individual who would have been entitled to a disability insurance benefit for any month had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the third month succeeding such month; except that the provisions of this paragraph shall not apply for purposes of determining a period of disability (as defined in subsection (i)), or when a disability determination date occurred.

"(4) No application for disability insurance benefits filed prior to seven months before the first month for which the applicant becomes entitled to receive such benefits shall be accepted as an application for purposes of this section.

"Determination of Insured Status

"(b) An individual is insured for purposes of disability insurance benefits if he had not less than—

"(1) six quarters of coverage (as determined under

section 213 (a) (2)) during the thirteen-quarter period which ends with the quarter in which his disability determination date occurred; and

"(2) twenty quarters of coverage during the forty-quarter period which ends with the quarter in which his disability determination date occurred.

In case such individual was previously entitled to disability insurance benefits, there shall be excluded from the count of the quarters in each period specified in paragraphs (1) and (2) any quarter any part of which was included in a period of disability unless such quarter is a quarter of coverage.

"Disability Determination Date

"(c) For the purposes of this title—

"(1) the disability determination date of any individual who files application for disability insurance benefits prior to 1953 shall be whichever of the following days is the latest: (A) The day the disability began, (B) June 30, 1950, or (C) the first day of the first quarter in which he would be insured for disability insurance benefits with respect to such disability if he had filed application therefor in such quarter; and

"(2) the disability determination date of any individual who files application for disability insurance benefits after 1952 shall be whichever of the follow-

ing days is the latest: (A) The day the disability began, (B) the first day of the tenth month prior to the month in which he filed such application, or (C) the first day of the first quarter in which he would be insured for disability insurance benefits with respect to such disability if he had filed application therefor in such quarter.

"Determination of Disability

"(d) The Administrator shall make provision for determinations of disability and redeterminations thereof at necessary intervals, and he shall by regulation provide for such examinations of individuals as he deems necessary for purposes of determining or redetermining disability and entitlement to benefits by reason thereof. In the case of any individual submitting to such an examination, the Administrator may pay, in accordance with regulations prescribed by him, (1) the necessary travel expenses (including subsistence expenses incident thereto) of such individual in connection with such examination, and (2) if the examination is made by a physician who is not an employee of the United States, the necessary expenses (including a fee) for such examination. There is hereby authorized to be appropriated for each fiscal year from the Trust Fund such amount as may be necessary for the purposes of this subsection.

"Reduction of Benefit

"(e)(1) Where a benefit is payable to any individual under this section and a workmen's compensation benefit or benefits have been or are paid to such individual on account of the same disability for the same period of time, such individual's benefit under this section for such month shall, prior to any deductions under section 220, be reduced by one-half, or by an amount equal to one-half of such workmen's compensation benefit or benefits, whichever is the smaller.

"(2) In case the benefit of any individual under this section is not reduced as provided in paragraph (1) because such benefit is paid prior to the payment of the workmen's compensation benefit, the reduction shall be made by deductions, at such time or times and in such amounts as the Administrator may determine, from any other payments under this title payable on the basis of the wages or self-employment income of such individual.

"(3) If the workmen's compensation benefit is payable on other than a monthly basis (excluding a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments), reduction of the benefits under this subsection shall be made in such amounts as the Administrator finds will approximate, as nearly as practicable, the reduction prescribed in paragraph (1).

"(4) In order to assure that the purposes of this subsection will be carried out, the Administrator may, as a condition to certification for payment of any disability insurance benefit payable to an individual under this section (if it appears to him that there is a likelihood that such individual may be eligible for a workmen's compensation benefit which would give rise to a reduction under this subsection), require adequate assurance of reimbursement to the Trust Fund in case workmen's compensation benefits, with respect to which such a reduction should be made, become payable to such individual and such reduction is not made.

"(5) For purposes of this subsection, the term 'workmen's compensation benefit' means a cash benefit, allowance, or compensation payable under any workmen's compensation law or plan of the United States or of any State.

"Termination of Entitlement to Benefits by Administrator

"(f) In any case in which an individual has refused to submit himself for examination or reexamination in accordance with regulations of the Administrator, or has without good cause refused to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act (29 U. S. C. ch. 4) after being directed by the Administrator to do so, the Adminis-

trator may find, solely because of such refusal, that such individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased. The Administrator may find that an individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased, if such individual is outside the United States and the Administrator finds that adequate arrangements have not been made for determining or redetermining such individual's disability.

"Cooperation with Agencies and Groups

"(g) The Administrator is authorized to secure the cooperation of appropriate agencies of the United States, of States, or of the political subdivisions of States and the cooperation of private medical, dental, hospital, nursing, health, educational, social, and welfare groups or organizations, and where necessary to enter into voluntary working agreements with any of such public or private agencies, organizations, or groups in order that their advice and services may be utilized in the efficient administration of this section.

"Definitions of 'Disability' and 'Permanently and Totally Disabled Individual'

"(h) For the purposes of this title—

"(1) the term 'disability' means (A) inability to

engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent, or (B) blindness; and the term 'permanently and totally disabled individual' means an individual who has such a disability; and

"(2) the term 'blindness' means central visual acuity of 5/200 or less in the better eye with correcting lenses. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purposes of this paragraph as having a central visual acuity of 5/200 or less.

"Definition of 'Period of Disability'

"(i) As used in this title the term 'period of disability' means, with respect to any individual, a period of one or more consecutive calendar months for each of which such individual was entitled to a disability insurance benefit and—

"(1) in the case of a disability with respect to which application for disability insurance benefits was filed prior to 1953—the six or more calendar months which (A) precede the first month of such period of one or more consecutive calendar months, and (B) occur after the month in which such individual's disability determination date (as determined under subsection (c)) occurred; or

"(2) in the case of a disability with respect to

which application for disability insurance benefits was filed after 1952—the six calendar months preceding the first month of such period of one or more consecutive calendar months.

"DEDUCTIONS FROM DISABILITY INSURANCE BENEFITS

"Events for Which Deductions Are Made

"SEC. 220. (a) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit under section 219 for any month—

"(1) in which such individual rendered services as an employee (whether or not such services constitute employment as defined in section 210) for remuneration of more than $50; or

"(2) for which such individual is charged, pursuant to the provisions of subsection (c) of this section, with net earnings from self-employment (as determined pursuant to subsection (d)) of more than $50; or

"(3) in which such individual fails to submit himself for examination in accordance with regulations of the Administrator; or

"(4) in which such individual refuses without good cause to accept rehabilitation services available to

him under a State plan approved under the Vocational Rehabilitation Act after direction by the Administrator to do so; or

"(5) in which such individual is outside the United States if the Administrator finds that adequate arrangements have not been made for determining or redetermining the existence of the disability of such individual.

In accordance with such regulations as the Administrator may prescribe, the Administrator may, if in his judgment it will aid in the process of rehabilitation of any individual, suspend or modify the application of paragraphs (1) and (2) of this subsection for any month during which such individual is receiving rehabilitation services under a State plan approved under the Vocational Rehabilitation Act; except that the Administrator may not so suspend or modify the application of such paragraphs for any month after the eleventh month following the first month for which such suspension or modification was applicable.

"Occurrence of More Than One Event

"(b) If more than one event occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employ-

ment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"Months to Which Net Earnings Are Charged

"(c) For the purposes of subsection (a) (2) of this section—

"(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsec-

tion (a) occurred, or (C) in which such individual did not engage in self-employment.

"(3) As used in paragraph (2), the term 'last month of such taxable year' means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), and (C) thereof.

"(4) For the purposes of clause (C) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible for the purposes of this subsection in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"Special Rule for Computation of Net Earnings from Self-employment

"(d) For the purposes of this section, an individual's net earnings from self-employment for any taxable

year shall be computed as provided in section 211 with the following adjustments:

"(1) Such computation shall be made without regard to the provisions of subsections (a) (2), (a) (8), (c) (1), (c) (4), and (c) (5) of section 211, and

"(2) Such computation shall be made without regard to the provisions of sections 116, 212, 213, 251, and 252 of the Internal Revenue Code.

"Penalty for Failure to Report Certain Events

"(e) Any individual in receipt (on behalf of himself or another individual) of benefits subject to deduction under subsection (a) because of the occurrence of an event specified therein (other than an event described in paragraph (2) thereof) shall report such occurrence to the Administrator prior to the receipt and acceptance of a disability insurance benefit for the second month following the month in which such event occurred. If such individual knowingly fails to report any such occurrence, an additional deduction equal to that imposed under such subsection shall be imposed, except that the first additional deduction imposed by this paragraph in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

"Report to Administrator of Net Earnings From Self-employment

"(f) (1) If an individual is entitled to any disability insurance benefit during any taxable year in which he has net earnings from self-employment in excess of $50 times the number of months in such year, such individual (or the individual in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulation prescribe. If the individual fails within the time prescribed above to make such report of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (a) (2) of this section by reason of such net earnings—

"(A) such individual shall suffer one additional deduction in an amount equal to his benefit for the last month in such taxable year for which he was entitled to a disability insurance benefit; and

"(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer

an additional deduction in the same amount for each month or fraction thereof during which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted disability insurance benefits and for which deductions are imposed under subsection (a) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by this paragraph and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(2) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to disability insurance benefits for any taxable year will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of such benefits payable to him;

and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (a). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year."

PUERTO RICO

SEC. 108. Title II of the Social Security Act is amended by adding after section 220 (added by section 107 of this Act) the following:

"EFFECTIVE DATE IN CASE OF PUERTO RICO

"SEC. 221. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of

Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210 (h), 210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification."

RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

SEC. 109. (a) Subsection (b) of section 205 of the Social Security Act is amended by inserting "former wife divorced," after "widow,".

(b) Subsection (c) of section 205 of the Social Security Act is amended to read as follows:

"(c) (1) For the purposes of this subsection—

"(A) The term 'accounting period' means a calendar quarter when used with respect to wages, and a taxable year (as defined in section 211 (e)) when used with respect to self-employment income.

"(B) The term 'time limitation' when used with respect to wages means a period of four years and one month, and when used with respect to self-employment income means a period of four years, two months, and fifteen days.

"(C) The term 'survivor' means an individual's

spouse, former wife divorced, child, or parent, who survives such individual.

"(2) On the basis of information obtained by or submitted to the Administrator, and after such verification thereof as he deems necessary, the Administrator shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the accounting periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor of the amounts of wages and self-employment income of such individual and the accounting periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

"(3) The Administrator's records shall be evidence for the purpose of proceedings before the Administrator or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the accounting periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any accounting period shall be evidence that no such alleged wages were paid to, or that no such alleged income

was derived by, such individual during such accounting period.

"(4) Prior to the expiration of the time limitation following any accounting period the Administrator may, if it is brought to his attention that any entry of wages or self-employment income in his records for such period is erroneous or that any item of wages or self-employment income for such period has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any accounting period—

"(A) the Administrator's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual in such accounting period shall be conclusive for the purposes of this title;

"(B) the absence of an entry in the Administrator's records as to the wages alleged to have been paid by an employer to an individual in such accounting period shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such accounting period; and

"(C) the absence of an entry in the Administrator's records as to the self-employment income alleged to have been derived by an individual in such accounting

period shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such period unless it is shown that he filed a tax return of his self-employment income for such accounting period before the expiration of the time limitation following such period, in which case the Administrator shall include in his records the self-employment income of such individual for such accounting period.

"(5) After the expiration of the time limitation following any accounting period in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Administrator may change or delete any entry with respect to wages or self-employment income in his records of such accounting period for such individual or include in his records of such accounting period for such individual any omitted item of wages or self-employment income but only—

"(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such accounting period; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon

the application for monthly benefits or lump-sum death payment;

"(B) if within the time limitation following such accounting period an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Administrator's records of the wages paid to, or the self-employment income derived by, such individual in such accounting period are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Administrator's decision on any such request shall be given to the individual who made the request;

"(C) to correct errors apparent on the face of such records;

"(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

"(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

"(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter A or F of chapter 9 of the Internal Revenue Code, or under regulations made under authority of such title or subchapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Administrator thereunder; except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Administrator's records pursuant to this subparagraph in excess of the amount which has been deleted pursuant to this subparagraph as payments erroneously included in such records as wages paid to such individual in such taxable year;

"(G) to include wages paid in such accounting period to an individual by an employer if there is an absence of any entry in the Administrator's records of wages having been paid by such employer to such individual in such period; or

"(H) to enter items which constitute remuneration for employment under subsection (p), such entries to

be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937.

"(6) Written notice of any deletion or reduction under paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Administrator of the amount of his wages for the accounting period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Administrator of the amount of such individual's wages and self-employment income for the accounting period involved.

"(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Administrator may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this paragraph the Administrator shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete

any entry, in his records as may be required by such findings and decision.

"(8) Decisions of the Administrator under this subsection shall be reviewable by commencing a civil action in the United States district court as provided in subsection (g)."

(c) Section 205 of the Social Security Act is amended by adding at the end thereof the following subsections:

"Adjustment of Wages from Certain Nonprofit Organizations

"(o) Notwithstanding any other provision of this title, in the case of wages paid to an individual during any calendar quarter by an employer entitled (under section 1412 of the Internal Revenue Code) to an exemption from the tax imposed by section 1410 of such code, only one-half of the amount of such wages paid during such calendar quarter to such individual shall be considered as paid to him for the purpose of determining the insured status of such individual and for the purpose of determining the amount of any insurance benefit or payment; but this paragraph shall not apply if a waiver of such exemption of the employer was in effect for such calendar quarter.

"Crediting of Compensation Under the Railroad Retirement Act

"(p) If there is no person who would be entitled, upon

application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under section 217 (a) of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages or self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages or self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation. This paragraph shall not be applicable in the case of any monthly benefit

or lump-sum death payment if a larger such benefit or payment, as the case may be, would be payable without its application.

"Special Rules in Case of Federal Service

"(q) (1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the Administrator shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 1420 (e) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"(2) The head of any such agency or instrumentality is authorized and directed, upon written request of the Administrator, to make certification to him with respect to any matter determinable for the Administrator by such head or

his agents under this subsection, which the Administrator finds necessary in administering this title.

"(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality."

MISCELLANEOUS AMENDMENTS

SEC. 110. (a) The heading of title II of the Social Security Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS"

(b) (1) The first sentence of section 201 (a) of the Social Security Act is amended by striking out "Federal Old-Age and Survivors Insurance Trust Fund" and insert-

ing in lieu thereof "Federal Old-Age, Survivors, and Disability Insurance Trust Fund".

(2) The second sentence of section 201 (a) of the Social Security Act is amended by striking out "such amounts as may be appropriated to the Trust Fund" and inserting in lieu thereof "such amounts as may be appropriated to, or deposited in, the Trust Fund".

(3) The third sentence of section 201 (a) of such Act is amended by striking out the words "the Federal Insurance Contributions Act" and inserting in lieu thereof the following: "subchapters A and F of chapter 9 of the Internal Revenue Code".

(4) Section 201 (a) of the Social Security Act is amended by striking out the following: "There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title."

(5) Section 201 (b) of such Act is amended by striking out "Chairman of the Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(6) Section 201 (b) of such Act is amended by adding after the second sentence thereof the following new sentence: "The Commissioner for Social Security shall serve as Secretary of the Board of Trustees.".

(7) Paragraph (2) of section 201 (b) of such Act is

amended by striking out "on the first day of each regular session of the Congress" and inserting in lieu thereof "not later than the first day of March of each year".

(8) Section 201 (b) of such Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by adding the following new paragraph:

"(4) Recommend administrative procedures and policies designed to effectuate the proper coordination of the social insurances."

(9) Section 201 (b) of such Act is amended by adding at the end thereof the following: "Such report shall be printed as a House document of the session of the Congress to which the report is made."

(10) Section 201 (f) of such Act is amended to read as follows:

"(f) (1) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Federal Security Administrator which will be expended during a three-month period by the Federal Security Agency and the Treasury Department for the administration of titles II and VIII of this Act and subchapters A and F of chapter 9 of the Internal Revenue Code. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses

incurred in connection with the administration of titles II and VIII of this Act and subchapters A and F of chapter 9 of the Internal Revenue Code.

"(2) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him which will be expended during each three-month period after 1949 by the Treasury Department for refunds of taxes (including interest, penalties, and additions to the taxes) under title VIII of the Social Security Act and subchapters A and F of chapter 9 of the Internal Revenue Code and for interest on such refunds as provided by law. Such payments shall be covered into the Treasury as repayments to the account for refunding internal-revenue collections.

"(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appear that the estimates under either such paragraph in any particular three-month period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments."

(c) (1) Sections 204, 205 (other than subsections (c) and (l)), and 206 of such Act are amended by striking out "Board" wherever appearing therein and inserting in lieu thereof "Administrator"; by striking out "Board's" wherever

appearing therein and inserting in lieu thereof "Administrator's"; and by striking out (where they refer to the Social Security Board) "it" and "its" and inserting in lieu thereof "he", "him", or "his", as the context may require.

(2) Section 205 (l) of such Act is amended to read as follows:

"(l) The Administrator is authorized to delegate to any member, officer, or employee of the Federal Security Agency designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e)."

(d) Section 208 of such Act is amended by striking out the words "the Federal Insurance Contributions Act" and inserting in lieu thereof the following: "subchapter A or F of chapter 9 of the Internal Revenue Code".

INCREASE OF EXISTING BENEFITS; COMPUTATIONS IN CASE OF ENTITLEMENT OR DEATH PRIOR TO 1950

SEC. 111. (a) Notwithstanding subsection (a) of section 215 of the Social Security Act as amended by this Act, the primary insurance amount (prior to any recomputation under subsection (g) of such section) of any individual who died prior to 1950 or who was entitled to a primary insurance benefit for any month prior to 1950

shall, to the extent provided in the following subsections, be determined by use of the following table:

I Primary insurance benefit before 1950	II Primary insurance amount after 1949	III Assumed average monthly wage for purpose of computing maximum benefits
$10	$25.00	$50.00
$11	26.30	52.00
$12	27.50	54.50
$13	28.70	57.00
$14	29.80	59.50
$15	30.90	62.00
$16	32.00	64.50
$17	33.10	66.50
$18	34.20	68.50
$19	35.20	70.50
$20	36.30	72.50
$21	37.40	74.50
$22	38.70	77.50
$23	40.30	82.50
$24	42.40	88.50
$25	44.50	97.00
$26	46.30	106.00
$27	47.80	116.00
$28	49.00	125.00
$29	50.00	133.00
$30	50.90	141.00
$31	51.80	149.00
$32	52.70	157.00
$33	53.60	165.00
$34	54.50	173.00
$35	55.40	181.00
$36	56.30	189.00
$37	57.20	196.00
$38	58.10	203.00
$39	59.00	210.00
$40	59.90	217.00
$41	60.80	224.00
$42	61.70	231.00
$43	62.60	238.00
$44	63.50	244.00
$45	64.40	250.00
$46	64.40	250.00

(b) (1) The primary insurance amount of an individual to whom a primary insurance benefit was paid for any month prior to 1950 shall (if he did not die prior to 1950) be the amount in column II of the table (in subsection (a))

which is on the line on which in column I appears his primary insurance benefit (as determined under subsection (c)).

(2) The primary insurance amount of an individual who was entitled to primary insurance benefits prior to 1950 but who was not paid a primary insurance benefit for any month prior to 1950 shall (if he did not die prior to 1950) be determined under section 215 of the Social Security Act as amended by this Act.

(3) In the case of an individual who died prior to 1950 and—

(A) to whom a primary insurance benefit was paid for any month prior to 1950, or

(B) on the basis of whose wages a monthly benefit for any month prior to 1952 was paid or a lump-sum death payment was made,

the primary insurance amount of such individual for January 1950 and for each month thereafter shall be the amount in column II of the table which is on the line on which in column I appears his primary insurance benefit. Such primary insurance benefit shall be determined under title II of the Social Security Act as in effect prior to the enactment of this Act; except that in the case of any World War II veteran the provisions of section 217 (a) of the Social Security Act as amended by this Act shall, if it results in entitlement to a higher primary insurance benefit, be appli-

cable in lieu of section 210 of such Act as in effect prior to the enactment of this Act.

(4) In the case of an individual who died prior to 1950, to whom a primary insurance benefit was not paid, and on the basis of whose wages no monthly benefit for any month prior to 1952 was paid and no lump-sum death payment was made, the primary insurance amount of such individual shall be determined under section 215 of the Social Security Act as amended by this Act.

(c) The primary insurance benefit of any individual to whom subsection (b) (1) is applicable shall (for purposes of column I of the table) be whichever of the following is the larger: (A) the primary insurance benefit paid to such individual for the last month prior to 1950 for which he was paid such benefit, or (B) if the primary insurance benefit is recomputed by the Administrator pursuant to the following provisions of this subsection, the primary insurance benefit as so recomputed. For the purposes of the preceding sentence the Administrator shall recompute, without application therefor, the primary insurance benefit for December 1949 of any individual to whom subsection (b) (1) is applicable if such individual in such month rendered services for wages of $15 or more, or if such individual is a World War II veteran; such recomputation to be made in the same manner as if such individual had filed application

for, and was entitled to, a recomputation for December 1949 under section 209 (q) of the Social Security Act prior to its amendment by this Act, except that in making such recomputation section 217 (a) of the Social Security Act as amended by this Act shall be applicable if such individual is a World War II veteran.

(d) If the primary insurance amount of an individual is determined from the table, the average monthly wage of such individual shall, for the purposes of section 203 (a) of the Social Security Act as amended by this Act, be the amount which appears in column III of the table on the line on which appears in column II the amount of his primary insurance amount. Such average monthly wage shall not, for the purposes of such section 203 (a), be reduced as the result of any recomputation of the primary insurance amount under section 215 (g) of the Social Security Act as amended by this Act.

(e) In the case of any individual to whom paragraph (1) or (3) of subsection (b) is applicable and the amount of whose primary insurance benefit falls between the amounts on any two consecutive lines in column I of the table, his primary insurance amount, and his average monthly wage for the purposes of section 203 (a) of the Social Security Act as amended by this Act, shall be determined in accordance with regulations of the Administrator

designed to obtain results consistent with those obtained pursuant to subsections (b) and (d).

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

RATE OF TAX ON WAGES

SEC. 201. (a) Clauses (2) and (3) of section 1400 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages received during the calendar year 1950, the rate shall be 1½ per centum.

"(3) With respect to wages received during the calendar years 1951 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum."

(b) Clauses (2) and (3) of section 1410 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages paid during the calendar year 1950, the rate shall be 1½ per centum.

"(3) With respect to wages paid during the calendar years 1951 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages paid after December 31, 1969, the rate shall be 3¼ per centum."

EXEMPTION OF NONPROFIT ORGANIZATIONS

SEC. 202. (a) Section 1410 of the Internal Revenue Code is amended by striking out **"SEC. 1410. RATE OF TAX."** and inserting in lieu thereof:

"SEC. 1410. IMPOSITION OF TAX.

"(a) RATE OF TAX.—"

and by adding at the end of such section the following:

"(b) EXEMPTION.—For exemption of certain nonprofit organizations from the tax imposed by this section, see section 1412."

(b) Part II of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1412. EXEMPTION OF CERTAIN NONPROFIT ORGANIZATIONS.

"(a) EXEMPTION.—Any employer which is a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, shall be exempt from the tax imposed by section 1410; but such exemption shall not be applicable with respect to wages paid by such employer during the period for which a waiver, filed by such employer pursuant to subsection (b) of this section, is in effect.

"(b) WAIVER OF EXEMPTION.—An employer described in subsection (a) may waive its exemption from the tax imposed by section 1410 by filing a waiver thereof in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter. Such waiver shall be effective for the period beginning with the first day following the close of the calendar quarter in which such waiver is filed, but in no case shall such period begin prior to January 1, 1950. The period covered by such waiver may be terminated by the

employer, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if the waiver has been in effect for not less than five years prior to the receipt of such notice. Such notice of termination may be revoked by the employer by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or of revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter.

"(c) TERMINATION OF WAIVER PERIOD BY COMMISSIONER.—If the Commissioner finds that any employer which filed a waiver pursuant to this section has failed to comply substantially with the requirements of this subchapter or is no longer able to comply therewith, the Commissioner shall give such employer not less than sixty days' advance notice in writing that the period covered by such waiver will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Commissioner by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the employer. No notice of termination or of revocation thereof shall be given under this subsection to an employer without the prior concurrence of the Federal Security Administrator.

"(d) NO RENEWAL OF WAIVER.—In the event the period covered by a waiver filed pursuant to this section is terminated by the employer, no waiver may again be made by such employer pursuant to this section."

(c) The amendments made by this section shall be applicable only with respect to remuneration paid after 1949.

FEDERAL SERVICE

SEC. 203. (a) Part II of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding after section 1412 (added by section 202 of this Act) the following new section:

"SEC. 1413. INSTRUMENTALITIES OF THE UNITED STATES.

"Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 1410 unless such other provision of law grants a specific exemption, by reference to section 1410, from the tax imposed by such section."

(b) Section 1420 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(c) FEDERAL SERVICE.—In the case of the taxes imposed by this subchapter with respect to service performed in the employ of the United States or in the employ of

any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 1426, the determination of the amount of remuneration for such service which constitutes wages as defined in such section, and the return and payment of the taxes imposed by this subchapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 1410 with respect to such service without regard to the $3,600 limitation in section 1426 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). The provisions of this subsection shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and

mental and physical improvement of personnel of such Establishment; and for purposes of this subsection the Secretary of Defense shall be deemed to be the head of such instrumentality."

(c) Section 1411 of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "For the purposes of this section, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1949, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.".

(d) The amendments made by this section shall be applicable only with respect to remuneration paid after 1949.

DEFINITION OF WAGES

SEC. 204. (a) Section 1426 (a) of the Internal Revenue Code is amended to read as follows:

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remu-

neration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,600 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer during any calendar year acquires substantially all the property used in a trade or business of another person (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether such employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,600 to such individual during such calendar year, any remuneration with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior

to such acquisition shall be considered as having been paid by such employer;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an

employee (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business (including domestic service in a private home of the employer); or

"(8) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this subchapter, be considered as remuneration paid to

him by his employer; except that, in the case of tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer."

(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"(2) WAGES RECEIVED DURING 1947, 1948, AND 1949.—If by reason of an employee receiving wages from more than one employer during the calendar year 1947, 1948, or 1949, the wages received by him during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,000 of such wages received."

(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"(3) WAGES RECEIVED AFTER 1949.—If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1949, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"(4) SPECIAL RULES IN THE CASE OF FEDERAL AND STATE EMPLOYEES.—

"(A) Federal Employees.—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any

calendar year after the calendar year 1949, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for the purposes of subsection (c) and paragraph (3) of this subsection, be deemed a separate employer; and the term 'wages' includes, for the purposes of paragraph (3) of this subsection, the amount, not to exceed $3,600, determined by each such head or agent as constituting wages paid to an employee.

"(B) State Employees.—For the purposes of paragraph (3) of this subsection, in the case of remuneration received during any calendar year after the calendar year 1949, the term 'wages' includes remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act; the term 'employer' includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term 'tax' or 'tax imposed by section 1400' includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the

tax which would be imposed by section 1400, if such services constituted employment as defined in section 1426; and the provisions of paragraph (3) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary of the Treasury."

(d) The amendment made by subsection (a) of this section shall be applicable only with respect to remuneration paid after 1949. In the case of remuneration paid prior to 1950, the determination under section 1426 (a) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if subsection (a) of this section had not been enacted and without inferences drawn from the fact that the amendment made by subsection (a) is not made applicable to periods prior to 1950.

DEFINITION OF EMPLOYMENT

SEC. 205. (a) Effective January 1, 1950, section 1426 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EMPLOYMENT.—The term 'employment' means any service performed after 1936 and prior to 1950 which was employment for the purposes of this sub-

chapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1949 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which the vessel or aircraft touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1949, such term shall not include—

"(1) Agricultural labor (as defined in subsection (h) of this section);

"(2) (A) Service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm operated for profit;

"(B) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "service not in the course of the employer's trade or business" includes domestic service in a private home of the employer;

"(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 twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American

aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 by virtue of any provision of law which specifically refers to such section in granting such exemption;

"(7) Service performed in the employ of the United States, or in the employ of any instrumentality of the United States which is partly or wholly owned by the United States, but only if (i) such service is covered by a retirement system, established by a law of the United States, for employees of the United States or of such instrumentality, or (ii) such service is performed—

"(A) by the President or Vice President of the United States or by a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(B) in the legislative branch;

"(C) in the field service of the Post Office Department;

"(D) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"(E) by any employee who is excluded by

Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(F) by any employee receiving nominal compensation of $12 or less per annum;

"(G) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(H) by any employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"(I) by any consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(J) by any employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(K) in the employ of the Tennessee Valley Authority in a position which is covered by a retirement system established by such Authority;

"(L) by any employee serving on a temporary

basis in case of fire, storm, earthquake, flood, or other emergency; or

"(M) by any employee who is employed under a Federal relief program to relieve him from unemployment;

"(8) (A) Service (other than service to which subparagraph (B) of this paragraph is applicable) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"(B) Service performed in the employ of any political subdivision of a State in connection with the operation of any public transportation system unless such service is performed by an employee whose service is not included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act and who—

"(i) became an employee of such political subdivision in connection with and at the time of its acquisition after 1936 of such transportation system or any part thereof; and

"(ii) prior to such acquisition rendered services which constituted employment in connection

with the operation of such transportation system or part thereof.

In the case of an employee described in clauses (i) and (ii) who became such an employee in connection with an acquisition made prior to 1950, this subparagraph shall not be applicable with respect to such employee if the political subdivision employing him files with the Commissioner prior to January 1, 1950, a statement that it does not favor the inclusion under this subparagraph of any individual who became an employee in connection with such acquisitions made prior to 1950. For the purposes of this subparagraph the term 'political subdivision' includes an instrumentality of one or more political subdivisions of a State;

"(9) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(10) Service performed by an individual as an employee or employee representative as defined in section 1532;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if the remuneration for such service is less than $100;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved

pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to

ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back;

"(17) Service performed in the employ of an international organization; or

"(18) Service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (A) the fitness of such individual to perform such service, (B) the geographical area in which such service is to be performed, (C) the volume of goods or commodities to be

sold or distributed, or (D) the selection or solicitation of customers."

(b) Effective January 1, 1950, section 1426 (e) of the Internal Revenue Code is amended to read as follows:

"(e) STATE, ETC.—

"(1) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 1633 such term includes Puerto Rico.

"(2) UNITED STATES.—The term 'United States' when used in a geographical sense includes the Virgin Islands; and on and after the effective date specified in section 1633 such term includes Puerto Rico.

"(3) CITIZEN.—An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 1633."

(c) Section 1426 (g) of the Internal Revenue Code is amended by striking out "(g) American Vessel.—" and inserting in lieu thereof "(g) American Vessel and Aircraft.—", and by striking out the period at the end of such subsection and inserting in lieu thereof the following: "; and

the term 'American aircraft' means an aircraft registered under the laws of the United States."

(d) Section 1426 (h) of the Internal Revenue Code is amended to read as follows:

"(h) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of services described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

As used in this section, the term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards."

(e) Section 1426 of the Internal Revenue Code is amended by striking out subsections (i) and (j) and inserting in lieu thereof the following:

"(i) AMERICAN EMPLOYER.—The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, if all of the trustees are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State."

(f) Section 1426 (c) of the Internal Revenue Code is amended by striking out "paragraph (9)" and inserting in lieu thereof "paragraph (10)".

(g) The amendments made by subsections (c), (d), (e), and (f) of this section shall be applicable only with respect to services performed after 1949.

DEFINITION OF EMPLOYEE

SEC. 206. (a) Section 1426 (d) of the Internal Revenue Code is hereby amended to read as follows:

"(d) EMPLOYEE.—The term 'employee' means—

"(1) any officer of a corporation; or

"(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee. For purposes of this paragraph, if an individual (either alone or as a member of a group) performs service for any other person under a written contract expressly reciting that such person shall have complete control over the performance of such service and that such individual is an employee, such individual with respect to such service shall, regardless of any modification not in writing, be deemed an employee of such person (or, if such person is an agent or employee with respect to the execution of such contract, the employee of the principal or employer of such person); or

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"(A) as an outside salesman in the manufacturing or wholesale trade;

"(B) as a full-time life insurance salesman;

"(C) as a driver-lessee of a taxicab;

"(D) as a home worker on materials or goods

which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;

"(E) as a contract-logger;

"(F) as a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

"(G) as a house-to-house salesman if under the contract of service or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person—

if the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of

the trade, occupation, business, or profession with respect to which the services are performed, or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed; or

"(4) any individual who is not an employee under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss."

(b) The amendment made by this section shall be applicable only with respect to services performed after 1949.

SELF-EMPLOYMENT INCOME

SEC. 207. (a) Chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER F—TAX ON SELF-EMPLOYMENT INCOME

"SEC. 1640. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid for each taxable year beginning after December 31, 1949, upon the self-employment income of every individual, a tax as follows:

"(1) In the case of any taxable year beginning in 1950, the tax shall be equal to $2\frac{1}{4}$ per centum of the amount of the self-employment income for such taxable year.

"(2) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1960, the tax shall be equal to 3 per centum of the amount of the self-employment income for such taxable year.

"(3) In the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to $3\frac{3}{4}$ per centum of the amount of the self-employment income for such taxable year.

"(4) In the case of any taxable year beginning after December 31, 1964, and before January 1, 1970, the tax shall be equal to $4\frac{1}{2}$ per centum of the amount of the self-employment income for such taxable year.

"(5) In the case of any taxable year beginning

after December 31, 1969, the tax shall be equal to $4\frac{7}{8}$ per centum of the amount of the self-employment income for such taxable year.

"SEC. 1641. DEFINITIONS.

"For the purposes of this subchapter—

"(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term 'net earnings from self-employment' means the gross income, as computed under chapter 1, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the net income or loss, as computed under such chapter, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major

portion of the services would constitute agricultural labor as defined in section 1426 (h); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof) unless such dividends and interest are received in the course of a trade or business as a dealer in stocks or securities;

"(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"(5) The reduction for net operating losses provided in section 23 (s) shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 1633, (A) the term 'possession of the United States' as used in section 251 shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his

net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252;

"(8) There shall be excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation, together with the income derived from other activities conducted in connection with such trade or business; and there shall be excluded all deductions attributable to such income.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1950) ending within or with his taxable year.

"(b) SELF-EMPLOYMENT INCOME.—The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a non-resident alien individual) during any taxable year beginning after December 31, 1949; except that such term shall not include—

"(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus

(B) the amount of the wages paid to such individual during the taxable year; or

"(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

For the purposes of clause (1) the term 'wages' includes remuneration paid to an employee if such remuneration is for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees). In the case of any taxable year beginning prior to the effective date specified in section 1633, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States or of the Virgin Islands during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 1633) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

"(c) TRADE OR BUSINESS.—The term 'trade or business', when used with reference to self-employment income or net earnings from self-employment, shall have the same

meaning as when used in section 23, except that such term shall not include—

"(1) The performance of the functions of a public office;

"(2) The performance of service by an individual as an employee (other than service described in section 1426 (b) (16) (B) or section 1426 (b) (18) performed by an individual who has attained the age of eighteen);

"(3) The performance of service by an individual as an employee or employee representative as defined in section 1532;

"(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, or optometrist, or as a Christian Science practitioner, or as an aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineer; or the performance of such service by a partnership.

"(d) EMPLOYEE AND WAGES.—The term 'employee'

and the term 'wages' shall have the same meaning as when used in subchapter A of this chapter.

"(e) TAXABLE YEAR.—The term 'taxable year' shall have the same meaning as when used in chapter 1; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1, in which case his taxable year for the purposes of this subchapter shall be the same as his taxable year under chapter 1.

"SEC. 1642. NONDEDUCTIBILITY OF TAX.

"For the purposes of the income tax imposed by chapter 1 or by any Act of Congress in substitution therefor, the tax imposed by section 1640 shall not be allowed as a deduction to the taxpayer in computing his net income for any taxable year.

"SEC. 1643. COLLECTION AND PAYMENT OF TAX.

"(a) ADMINISTRATION.—The tax imposed by this subchapter shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections.

"(b) ADDITION TO TAX IN CASE OF DELINQUENCY.—If the tax is not paid when due, there shall be added, as part of the tax, interest at the rate of 6 per centum per annum from the date the tax became due until paid.

"(c) METHOD OF COLLECTION AND PAYMENT.—Such tax shall be collected and paid in such manner, at such times, and under such conditions, not inconsistent with this subchapter, as may be prescribed by the Commissioner with the approval of the Secretary.

"(d) FRACTIONAL PARTS OF A CENT.—In the payment of any tax under this subchapter 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 one cent.

"SEC. 1644. OVERPAYMENTS AND UNDERPAYMENTS.

"If more or less than the correct amount of tax imposed by section 1640 is paid with respect to any taxable year, 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 applicable statute of limitations provided in section 3312 or 3313) as may be prescribed by regulations made under this subchapter.

"SEC. 1645. RULES AND REGULATIONS.

"The Commissioner, with the approval of the Secretary, shall make and publish such rules and regulations as may be necessary for the enforcement of this subchapter.

"SEC. 1646. OTHER LAWS APPLICABLE.

"All provisions of law (including penalties and statutes of limitations) applicable with respect to the tax imposed

by section 2700 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax imposed by this subchapter.

"SEC. 1647. TITLE OF SUBCHAPTER.

"This subchapter may be cited as the 'Self-Employment Contributions Act'."

(b) Subchapter E of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"SEC. 1633. EFFECTIVE DATE IN CASE OF PUERTO RICO.

"If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of title II of the Social Security Act, the effective date referred to in sections 1426 (e), 1641 (a) (7), and 1641 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

"SEC. 1634. COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.

"Notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by subchapters A and F of this chapter shall be collected by the Bureau of Internal Revenue under the

direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections."

(c) Section 3801 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(g) TAXES IMPOSED BY CHAPTER 9.—The provisions of this section shall not be construed to apply to any tax imposed by chapter 9."

MISCELLANEOUS AMENDMENTS

SEC. 208. (a) (1) Section 1607 (b) of the Internal Revenue Code is amended to read as follows:

"(b) WAGES.—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—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,000 with respect to employment has been paid to an individual by an employer during any calendar year is paid to such individual by such employer during such calendar year. If an employer during any calendar year acquires substantially all the property used in a trade or business of another person (hereinafter referred to as a predecessor), or used in a separate unit of a

trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether such employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,000 to such individual during such calendar year, any remuneration with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such employer;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an employee (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business; or

"(8) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this subchapter, be considered as remuneration paid to him by his employer; except that, in the case of tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer."

(2) The amendment made by paragraph (1) shall be applicable only with respect to remuneration paid after 1949. In the case of remuneration paid prior to 1950, the determination under section 1607 (b) (1) of the Internal Revenue Code (prior to its amendment by this Act) of

whether or not such remuneration constituted wages shall be made as if paragraph (1) of this subsection had not been enacted and without inferences drawn from the fact that the amendment made by paragraph (1) is not made applicable to periods prior to 1950.

(b) (1) Section 1607 (c) (3) of the Internal Revenue Code is amended to read as follows:

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter;".

(2) Section 1607 (c) (10) (A) (i) of the Internal Revenue Code is amended by striking out "does not exceed $45" and inserting in lieu thereof "is less than $100".

(3) Section 1607 (c) (10) (E) of the Internal Revenue Code is amended by striking out "in any calendar quarter" and by striking out ", and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition)".

(4) The amendments made by paragraphs (1), (2), and (3) shall be applicable only with respect to services performed after 1949.

(c) (1) Section 1621 (a) (4) of the Internal Revenue Code is amended to read as follows:

"(4) for service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter;".

(2) Section 1621 (a) of the Internal Revenue Code is amended by striking out paragraph (9) thereof and inserting in lieu thereof the following:

"(9) for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(10) (A) for services performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution; or

"(B) for services performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons

other than the person employing him shall, for the purposes of this subchapter, be considered as remuneration paid to him by his employer; except that, in the case of tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer."

(3) The amendments made by paragraphs (1) and (2) shall be applicable only with respect to remuneration paid after 1949.

(d) Effective January 1, 1950, section 1403 (b) of the Internal Revenue Code is amended by striking out "of not more than $5." and inserting in lieu thereof the following: "of $5. Such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410."

TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT

PART 1—OLD-AGE ASSISTANCE

REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS

SEC. 301. (a) Clauses (4) and (5) of subsection (a) of section 2 of the Social Security Act are amended to read:

"(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan;".

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished promptly to all eligible individuals; and (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF OLD-AGE ASSISTANCE

SEC. 302. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"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 October 1, 1949, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter 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 $50—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with

respect to any month as exceeds the product of $35 multiplied by the total number of such individuals who received old-age assistance for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, 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, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount 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 amendment made by subsection (a) shall take effect October 1, 1949.

DEFINITION OF OLD-AGE ASSISTANCE

SEC. 303. (a) Section 6 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 6. For purposes of this title, the term 'old-age

assistance' means money payments to or medical care in behalf of needy individuals who are sixty-five years of age or older, but does not include money payments to or medical care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) and, effective July 1, 1951, does not include money payments to or medical care in behalf of any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or phychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

PART 2—AID TO DEPENDENT CHILDREN

REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT CHILDREN

SEC. 321. (a) Clauses (4) and (5) of subsection (a) of section 402 of the Social Security Act are amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation

of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan;".

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be furnished promptly to all eligible individuals; (10) provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent; and (11) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act."

(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF AID TO DEPENDENT CHILDREN

SEC. 322. (a) Section 403 (a) of the Social Security Act is amended to read as follows:

"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 October 1, 1949, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $27, or if there is more than one dependent child in the same home, as exceeds $27 with respect to one such dependent child and $18 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $27—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals

with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $21 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State 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 with respect to one such dependent child and $12 with respect to each of the other dependent children, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator

for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

DEFINITION OF AID TO DEPENDENT CHILDREN

SEC. 323. (a) Section 406 of the Social Security Act is amended by striking out subsection (b) and inserting in lieu thereof the following:

"(b) The term 'aid to dependent children' means money payments with respect to or medical care in behalf of a dependent child or dependent children, and (except when used in clause (2) of section 403 (a)) includes money payments or medical care for any month to meet the needs of the relative with whom any dependent child is living if money payments have been made under the State plan with respect to such child for such month;

"(c) The term 'relative with whom any dependent child is living' means the individual who is one of the relatives specified in subsection (a) and with whom such child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself

or together with any one or more of the other relatives so specified) as his (or their) own home."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

PART 3—CHILD-WELFARE SERVICES

SEC. 331. (a) Section 521 (a) of the Social Security Act is amended by striking out "$3,500,000" and inserting in lieu thereof "$7,000,000", by striking out "$20,000" and inserting in lieu thereof "$40,000", and by striking out the third sentence thereof and inserting in lieu of such sentence the following: "The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need, and for paying the cost of returning any runaway child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met."

(b) The amendments made by subsection (a) shall be effective with respect to fiscal years beginning after June 30, 1950.

PART 4—AID TO THE BLIND

REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND

SEC. 341. (a) Clauses (4) and (5) of subsection (a) of section 1002 of the Social Security Act are amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan;".

(b) Clause (7) of such subsection is amended to read as follows: "(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act;".

(c) (1) Effective for the period beginning October 1,

1949, and ending June 30, 1951, clause (8) of such subsection is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that the State agency may (in making such determination) disregard such amount of earned income, not to exceed $50 per month, as the State agency, administering that part of the State plan of vocational rehabilitation (approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4)) which relates to vocational rehabilitation of the blind, certifies will serve to encourage or assist the blind to prepare for, engage in, or continue to engage in remunerative employment to the maximum extent practicable;".

(2) Effective July 1, 1951, such clause (8) is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration the special expenses arising from blindness, and any other income and resources of the individual claiming aid to the blind; except that, in determining need, the State agency (A) shall not consider any income or resources which are not predictable or are not actually available to the individual, and (B) may disregard such amount of earned income, not to exceed $50 per month, as the State agency, administering that part of the State plan of vocational rehabilitation (approved under

the Vocational Rehabilitation Act (29 U. S. C., ch. 4)) which relates to vocational rehabilitation of the blind, certifies will serve to encourage or assist the blind to prepare for, engage in, or to continue to engage in remunerative employment to the maximum extent practicable;".

(d) Such subsection is further amended by striking out "and" before clause (9) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished promptly to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(e) The amendments made by subsection (d) shall take effect October 1, 1949; and the amendments made by subsections (a) and (b) shall take effect July 1, 1951.

RESIDENCE REQUIREMENT

SEC. 342. Subparagraph (1) of section 1002 (b) of the Social Security Act is amended to read as follows:

"(1) Any residence requirement which excludes any resident of the State who has resided therein continuously for one year immediately preceding the application for aid, except that the State may impose, effective until July 1, 1951, any residence requirement which is not in excess of the requirement of residence contained on July 1, 1949, in its State plan approved under this title on or prior to such date; or".

COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND

SEC. 343. (a) Section 1003 (a) of the Social Security Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1949, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $35 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan

or for aid to the blind, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

DEFINITION OF AID TO THE BLIND

SEC. 344. (a) Section 1006 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 1006. For purposes of this title, the term 'aid to the blind' means money payments to or medical care in behalf of blind individuals who are needy, but does not include money payments to or medical care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) and, effective July 1, 1951, does not include money payments to or medical care in behalf of any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

APPROVAL OF CERTAIN STATE PLANS

SEC. 345. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X

of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1949, and ending June 30, 1953.

PART 5—AID TO THE PERMANENTLY AND TOTALLY DISABLED

SEC. 351. The Social Security Act is further amended by adding after title XIII thereof the following new title:

"TITLE XIV—GRANTS TO STATES FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

"APPROPRIATION

"SEC. 1401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are per-

manently and totally disabled, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1950, the sum of $50,000,000, 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 Administrator, State plans for aid to the permanently and totally disabled.

"STATE PLANS FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

"SEC. 1402. (a) A State plan for aid to the permanently and totally disabled 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 an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the permanently and totally disabled is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary

for the proper and efficient operation of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act, aid to dependent children under the State plan approved under section 402 of this Act, or aid to the blind under the State plan approved under section 1002 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled; (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes

directly connected with the administration of aid to the permanently and totally disabled; (10) provide that all individuals wishing to make application for aid to the permanently and totally disabled shall have opportunity to do so, and that aid to the permanently and totally disabled shall be furnished promptly to all eligible individuals; and (11) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

"(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the permanently and totally disabled under the plan—

"(1) Any residence requirement which excludes any resident of the State who has resided therein continuously for one year immediately preceding the application for aid, except that the State may impose, effective until July 1, 1951, any residence requirement which is not in excess of the requirement of residence contained on July 1, 1949, in its State plan for aid to the blind approved under title X on or prior to such date;

"(2) Any citizenship requirement which excludes any citizen of the United States.

"PAYMENT TO STATES

"SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1949, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $35

multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose.

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

"(1) The Administrator 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 the State's proportionate share 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 permanently and totally disabled individuals in the State, and (C) such other investigation as the Administrator may find necessary.

"(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the permanently and

totally disabled furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

"(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service 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 Administrator, the amount so certified.

"OPERATION OF STATE PLANS

"SEC. 1404. In the case of any State plan for aid to the permanently and totally disabled which has been approved by the Administrator, if the Administrator after reasonable 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 or citizenship requirement prohibited by section 1402 (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 1402 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until he is satisfied that such prohibited requirement is no longer so imposed, and 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.

"DEFINITION

"SEC. 1405. For purposes of this title, the term 'aid to the permanently and totally disabled' means money payments to or medical care in behalf of needy individuals who are permanently and totally disabled, but does not include money payments to or medical care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) and, effective July 1, 1951, does not in-

clude money payments to or medical care in behalf of any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

PART 6—MISCELLANEOUS AMENDMENTS

SEC. 561. (a) Section 1 of the Social Security Act is amended by striking out "Social Security Board established by Title VII (hereinafter referred to as the 'Board')" and inserting in lieu thereof "Federal Security Administrator (hereinafter referred to as the 'Administrator')".

(b) Section 1001 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Administrator".

(c) The following provisions of the Social Security Act are each amended by striking out "Board" and inserting in lieu thereof "Administrator": Sections 2 (a) (6); 2 (b); 3 (b); 4; 402 (a) (6); 402 (b); 403 (b); 404; 1002 (a) (6); 1002 (b) (other than subparagraph (1) thereof); 1003 (b); and 1004.

(d) The following provisions of the Social Security Act are each amended by striking out (when they refer to the Social Security Board) "it" or "its" and inserting in lieu thereof "he", "him", or "his", as the context may require:

Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 1002 (b) (other than subparagraph (1) thereof); 1003 (b); and 1004.

(e) Title V of the Social Security Act is amended by striking out "Children's Bureau", "Chief of the Children's Bureau", "Secretary of Labor", and (in sections 503 (a) and 513 (a)) "Board" and inserting in lieu thereof "Administrator".

TITLE IV—MISCELLANEOUS PROVISIONS

OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

SEC. 401. (a) Section 701 of the Social Security Act is amended to read:

"OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

"SEC. 701. There shall be in the Federal Security Agency a Commissioner for Social Security, appointed by the Administrator, who shall perform such functions relating to social security as the Administrator shall assign to him."

(b) Section 908 of the Social Security Act Amendments of 1939 is repealed.

REPORTS TO CONGRESS

SEC. 402. (a) Subsection (c) of section 541 of the Social Security Act is repealed.

(b) Section 704 of such Act is amended to read:

"REPORTS

"SEC. 704. The Administrator shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which he is charged under this Act. In addition to the number of copies of such report authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of such report for use by the Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the social security program."

AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 403. (a) (1) Paragraph (1) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(1) The term 'State' includes Alaska, Hawaii, and the District of Columbia, and when used in titles I, IV, V, X, and XIV includes Puerto Rico and the Virgin Islands."

(2) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(6) The term 'Administrator', except when the

context otherwise requires, means the Federal Security Administrator."

(3) The amendment made by paragraph (1) of this subsection shall take effect October 1, 1949, and the amendment made by paragraph (2) of this subsection, insofar as it repeals the definition of "employee", shall be effective only with respect to services performed after 1949.

(b) Section 1102 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(c) Section 1106 of the Social Security Act is amended to read as follows:

"DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

"SEC. 1106. No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter A or F of chapter 9 of the Internal Revenue Code, or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Administrator under this Act, and no disclosure of any

such file, record, report, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Federal Security Agency, shall be made except as the Administrator may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding $1,000, or by imprisonment not exceeding one year, or both."

(d) Section 1107 (a) of the Social Security Act is amended by striking out "the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act," and inserting in lieu thereof the following: "subchapter A, C, or F of chapter 9 of the Internal Revenue Code,".

(e) Section 1107 (b) of the Social Security Act is amended by striking out "Board" and inserting in lieu thereof "Administrator", and by striking out "wife, parent, or child", wherever appearing therein, and inserting in lieu thereof "wife, widow, former wife divorced, child, or parent".

(f) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"FURNISHING OF WAGE RECORD AND OTHER INFORMATION

"SEC. 1108. (a) (1) The Administrator is authorized, at the request of any agency charged with the administration of a State unemployment compensation law (with

respect to which such State is entitled to payments under section 302 (a) of this Act) and to the extent consistent with the efficient administration of this Act, to furnish to such agency, for use by it in the administration of such law or a State temporary disability insurance law administered by it, information from or pertaining to records, including account numbers, maintained by the Administrator in accordance with section 205 (c) of this Act.

"(2) At the request of any agency, person, or organization, the Administrator is authorized, to the extent consistent with efficient administration of this Act and subject to such conditions or limitations as he deems necessary, to furnish special reports on the wage and employment records of individuals and to conduct special statistical studies of, and compile special data with respect to, any matters related to the programs authorized by this Act.

"(b) Requests under subsection (a) shall be complied with only if the agency, person, or organization making the request agrees to make payment for the work or information requested in such amount, if any (not exceeding the cost of performing the work or furnishing the information), as may be determined by the Administrator. A State agency may make the payments for information furnished pursuant to paragraph (1) of subsection (a) by authorizing deductions from amounts certified by the Administrator under section

302 (a) of this Act for payment to such State. Payments for work performed or information furnished pursuant to this section, including deductions authorized to be made from amounts certified under section 302 (a), shall be made in advance or by way of reimbursement, as may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age, Survivors, and Disability Insurance Trust Fund) for the unit or units of the Federal Security Agency which performed the work or furnished the information.

"(c) No information shall be furnished pursuant to this section in violation of section 1106 or regulations prescribed thereunder."

Union Calendar No. 536

81ST CONGRESS
1ST SESSION

H. R. 6000

[Report No. 1300]

A BILL

To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

By Mr. DOUGHTON

AUGUST 15, 1949

Referred to the Committee on Ways and Means

AUGUST 22, 1949

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

CONSTITUTIONAL ASPECTS OF AN ELECTIVE SOCIAL SECURITY SYSTEM AS TO CERTAIN UNCOVERED GROUPS

PREPARED BY THE

STAFF OF THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

MAY 25, 1949

UNITED STATES

91456 WASHINGTON : 1949

CONSTITUTIONAL ASPECTS OF AN ELECTIVE SYSTEM OF SOCIAL SECURITY AS TO CERTAIN UNCOVERED GROUPS

This memorandum deals with the question of the constitutionality of covering the self-employed group under social security on an elective basis.

It is the opinion of the staff that if the self-employed person elects to come into the system, he is bound by all of the provisions of the act, including the requirement that he make contributions to the fund in the form of taxes. He cannot after having elected to accept the provisions of the law, and such benefits as it gives, escape its burdens by asserting that it is unconstitutional.

The case of *Booth Fisheries* v. *Industrial Commission* (271 U. S. 208) appears to support this conclusion. That case involved the Wisconsin Compensation Act, which was not obligatory but gave the employers the right to elect to become subject to it. Failing to elect, an employer was not bound to respond in a proceeding before the Industrial Commission but might await a suit for damages for injuries or wrongful death and make his defense at law before a court and jury. An employer who elected to come under the act questioned its constitutionality. The Supreme Court held:

> In view of such an opportunity for choice, the employer who elects to accept the law may not complain that, in the plan for assessing the employer's compensation for injury sustained, there is no particular form of judicial review. This is clearly settled by the decision of this Court in *Hawkins* v. *Bleakly* (243 U. S. 210, 216).
>
> More than this, the employer in this case having elected to accept the provisions of the law, and such benefits and immunities as it gives, may not escape its burdens by asserting that it is unconstitutional. The election is a waiver and estops such complaint. *Daniels* v. *Tearney* (102 U. S. 415); *Grand Rapids & I. R. Co.* v. *Osborn* (193 U. S. 17).

This doctrine has been applied not only in the case of State statutes but also in the case of Federal statutes.

In *Fahey* v. *Mallonee* (332 U. S. 255) the constitutionality of one of the provisions of the Home Owners' Loan Act of 1933 was challenged. That part of the opinion of the Court dealing with this question is as follows:

> The Long Beach Federal Savings and Loan Association was organized in 1934 under § 5 of the Home Owners' Loan Act of 1933, subsection (d) of which is now sought to be declared unconstitutional. The present management obtained a charter which provided that the Association "shall at all times be subject to the provisions of the Home Owners' Loan Act of 1933, providing for Federal savings and loan associations, and to any amendments thereof, and to any valid rules and regulations made thereunder as the same may be amended from time to time," and that it might be "liquidated, merged, consolidated, or reorganized, as is provided in the rules and regulations for Federal savings and loan associations * * *." In 1937, upon the Association's request, an amended charter

was issued which likewise provided that the Association was to exercise its powers subject to the Home Owners' Loan Act and regulations issued thereunder.

This is a stockholder's derivative action in which plaintiffs sue only in the right of the Association. It is an elementary rule of constitutional law that one may not "retain the benefits of the Act while attacking the constitutionality of one of its important conditions." *United States* v. *San Francisco* (310 U. S. 16, 29). As formulated by Mr. Justice Brandeis, concurring in *Ashwander* v. *Tennessee Valley Authority* (297 U. S. 288, 348), "The Court will not pass upon the constitutionality of a statute at the instance of one who has availed himself of its benefits."

In the name and right of the Association it is now being asked that the Act under which it has its existence be struck down in important particulars, hardly severable from those provisions which grant its right to exist. Plaintiffs challenge the constitutional validity of the only provision under which proceedings may be taken to liquidate or conserve the Association for the protection of its members and the public. If it can hold the charter that it obtained under this Act and strike down the provision for terminating its powers or conserving its assets, it may perpetually go on, notwithstanding any abuses which its management may perpetrate. It would be intolerable that the Congress should endow an association with the right to conduct a public banking business on certain limitations and that the Court at the behest of those who took advantage from the privilege should remove the limitations intended for public protection. It would be difficult to imagine a more appropriate situation in which to apply the doctrine that one who utilizes an Act to gain advantages of corporate existence is estopped from questioning the validity of its vital conditions. We hold that plaintiffs are estopped, as the Association would be, from challenging the provisions of the Act which authorize the Board to prescribe the terms and conditions upon which a conservator may be named.

Another case, supporting the same conclusion, was rendered by the Tax Court then known as the Board of Tax Appeals.

The Tax Court of the United States in the case of Henry Cappellini (14 B. T. A. 1275) stated that one cannot take advantage of a statute and then question its constitutionality. In that case, the petitioner, a transferee of the assets of a corporation, sought a redetermination of a deficiency asserted against him in a proceeding before the Tax Court. The petitioner's only right to appeal his case to the Tax Court was derived from section 280 of the Revenue Act of 1926. He invoked this section to get before the Tax Court and then questioned the constitutionality of the statute. The Tax Court stated that—

constitutional rights may be waived (citing cases), and if any constitutional rights of petitioners are violated by section 280 they have waived them by invoking the proceedings permitted.

Objection has been made to the voluntary system also on the ground that it will be difficult to enforce the collection of the employer's contribution in case he fails to make payment through summary proceedings, like distraint. This objection is not believed to be well taken. If the self-employed individual elects to come into the system, it is believed that his contribution after he comes in can be collected like any compulsory contribution; that is, in the same manner as a tax. In *Booth Fisheries* v. *Industrial Commission*, already cited, the Supreme Court said:

In view of such an opportunity for choice, the employer who elects to accept the law may not complain that in the plan for assessing the employer's compensation for injury sustained, there is no particular form of judicial review.

Moreover, collection of a tax by means of distraint, with a right to sue for refund upon payment of the tax, has been held not to be a denial of due process under the Fifth Amendment (*Murray's Lessee* v. *Hoboken Land Improvement Company* (18 How. 272)).

Furthermore, in *Phillips* v. *Commissioner of Internal Revenue* (283 U. S. 589) the Supreme Court upheld the right of the Commissioner to assess and collect by summary proceedings the amount of the liability of a transferee at law or in equity incurred by reason of receiving property of a delinquent taxpayer. This liability is not a tax and prior to the enactment of the Revenue Act of 1926 was collectible only by suit. Ad valorem penalties which are added to the tax can be collected also by summary proceedings (*McDowell* v. *Heiner*, 15 F. (2d) 1015, cert. den. 273 U. S. 759). This will be true in the case of the amount of the self-employed's contribution under a voluntary system. It can be collected in the same manner as if it were a tax even though it is not a tax for the self-employed has consented to having it so collected by electing to come within the social-security system. Its collection in the same manner as a tax would be necessary in order to make the social-security system effective. Therefore, it would be within the power of Congress to collect such contribution in the same manner as social-security taxes are collected (*Phillips* v. *Commissioner*, 283 U. S. 504).

There are some who argue that even if the self-employed cannot attack the constitutionality of the act, it may be attacked by other persons covered into the fund under a compulsory system, on the ground that their interest in the fund is being depleted by paying benefits to others who were not originally included. But their interest in the fund is not believed direct enough to enable them to maintain such an action. They must show they have been damaged to maintain such an action.

In *Ashwander* v. *Valley Authority* (297 U. S. 288) Mr. Justice Brandeis in a concurring opinion with the majority stated that—

> The Court will not pass upon the validity of a statute upon complaint of one who fails to show that he is injured by its operation.

In *Massachusetts* v. *Mellon* (262 U. S. 448) the Court held the party who contests the statute must show not only that the statute is involved but that he has sustained some direct injury as a result of its enforcement and not merely that he suffers in some indefinite way in common with people generally. This case involved the Maternity Act of November 23, 1921, which authorized appropriations to be apportioned among such of the States as shall accept and comply with its provisions for the purpose of cooperating with them to reduce maternal and infant mortality, etc. Two suits were brought to restrain the enforcement of the act. One by the State of Massachusetts and the other by a citizen of that State. In both cases the Court refused to grant an injunction. (See also *Fairchild* v. *Hughes*, 258 U. S. 126, in which the Court affirmed the dismissal of a suit brought by a citizen who sought to have the nineteenth amendment declared unconstitutional.)

We also wish to point out that it is difficult to distinguish from a constitutional standpoint between the election to be accorded tax-exempt institutions and State employees and that which might be accorded to self-employed. To hold that the voluntary system is valid in one situation and not in the other, so far as collection of contributions in the form of taxes are concerned, appears wholly inadmissible.

There is, however, one problem which will require careful consideration under an elective system. If it should be held that the election

created vested rights, protected by the fifth amendment, the election should be so worded as to provide for future amendments to the act.

In *Lynch* v. *United States* (292 U. S. 571) the Supreme Court held unconstitutional the act of March 20, 1933, repealing all laws granting or pertaining to yearly renewable term insurance granted under the War Risk Insurance Act:

> Policies of war-risk insurance, though not made for gain, are legal obligations possessing the same legal incidents as other contracts of the United States. They create vested rights, protected by the Fifth Amendment. And while, under the principle of immunity of a sovereign from suit without its consent, the United States may at will withdraw the remedy from an obligation, the repeal in the act of March 20 was "intended to take away the right," and is invalid, under the due process clause, to affect existing contracts.

Therefore, as a precautionary measure, it might be desirable to have the election cover future amendments, as was done in the charter of the Long Beach Federal Savings and Loan Association organized under the Home Owners' Loan Act of 1933.

In conclusion, there may be some who will contend that the contribution of the self-employed if collected like a social-security tax, will be considered separate and apart from the benefits paid, and that, therefore, looking at the taxing statute alone, it cannot be held that the self-employed has received a benefit. However, it is not believed that this objection is well taken. The entire social-security taxes collected for old-age insurance are appropriated as soon as collected to the social-security fund. This change was made in the 1939 amendments to the Social Security Act. Therefore, there is a direct relationship between the taxes collected and the benefits received. That the 1939 change is free from constitutional attack, even though there is a tie-in between collection of social-security taxes and the payment of benefits, is evident from the decision of the Supreme Court in the case of the *Cincinnati Soap Company* v. *United States* (301 U. S. 308). That case related to the provisions of the Revenue Act of 1934 imposing a tax of 3 cents per pound upon the first domestic processing of coconut oil, but taxes collected with respect to coconut oil coming in from the Philippines were placed in a separate fund and paid to the Treasury of the Philippine Islands, so long as the Philippine Government did not provide any subsidy to be paid to the producers of copra, coconut oil, or allied products. The Court upheld the exaction as a valid tax in spite of the fact that it was paid into a separate fund for the Treasury of the Philippine Islands. With respect to this feature, the Supreme Court stated:

> Standing apart, therefore, the tax is unassailable. It is said to be bad because it is earmarked and devoted from its inception to a specific purpose. But if the tax, qua tax, be good, as we hold it is, and the purpose specified be one which would sustain a subsequent and separate appropriation made out of the general funds of the Treasury, neither is made invalid by being bound to the other in the same act of legislation. The only concern which we have in that aspect of the matter is to determine whether the purpose specified is one for which Congress can make an appropriation without violating the fundamental law. If Congress, for reasons deemed by it to be satisfactory, chose to adopt the quantum of receipts from this particular tax as the measure of the appropriation, we perceive no valid basis for challenging its power to do so.

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DEFINITION OF "EMPLOYEE"

FOR PURPOSES OF

OLD AGE AND SURVIVORS INSURANCE

PREPARED FOR THE USE OF THE

COMMITTEE ON WAYS AND MEANS

JUNE 15, 1949

UNITED STATES

WASHINGTON : 1949

DEFINITION OF "EMPLOYEE" FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE

INTRODUCTION

This memorandum has been prepared by a group organized to study the problem of the definition of "employee" for the purpose of old-age and survivors insurance. The group consists of Mr. Colin F. Stam, chief of staff of the Joint Committee on Internal Revenue Taxation; Mr. Leonard J. Calhoun, formerly chief of the social security technical staff of the Ways and Means Committee; and Mr. Fred W. Peel and Mr. Russell E. Train, members of the staff of the joint committee. The group has conducted a series of discussions on the subject with members of the legal staffs of the Treasury, the Federal Security Agency, and the Bureau of Internal Revenue.

The memorandum has been prepared on the assumption that in defining "employee" the committee intends—

1. That any new definition shall not exclude as an employee any individual who is an employee under the present definition;
2. That any new definition shall continue to be used for three purposes:
   (*a*) OASI employer and employee taxes and benefits;
   (*b*) Federal unemployment compensation tax; and
   (*c*) Federal income tax withholding;

   and that it will be equitable and practical for each such use; and
3. That the question of whether general groups or categories of individuals should be subject to OASI taxes and entitled to OASI benefits as employees or as self-employed should be decided by Congress and not left to administrative and court discretion.

Under these assumptions the conclusions of this study are as follows:

1. It would be practical to extend the definition of the term "employee" to include some of the border-line groups not included in the term under the usual common-law definition.
2. The economic reality test is an uncertain basis for extending the term "employee" to include groups not now covered by the common law.
3. If the existing statutory definition, based on the usual common-law rule, fails in the judgment of the committee to cover as "employee" any particular groups who should be so covered, statutory language can be prepared to include such groups as "employees."

EFFECT OF H. R. 2893 ON THE DEFINITION OF "EMPLOYEE"

Section 409 of H. R. 2893 would repeal sections 1 and 2 of Public Law 642, Eightieth Congress (H. J. Res. 296), repealing the following definition of "employee" in sections 1426 (d) and 1607 (i) of the

Internal Revenue Code and section 1101 (a) of the Social Security Act:

> The term "employee" includes an officer of a corporation, but such term does not include (1) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor or (2) any individual (except an officer of a corporation) who is not an employee under such common-law rules.

If section 409 of H. R. 2893 were enacted the words defining "employee" in the statute would be as follows:

> The term "employee" includes an officer of a corporation.

Under this latter definition the Supreme Court held, in the Silk and Greyvan cases, on June 16, 1927, that the term "employee" was not limited to employees as defined by the common law, stating:

> The Social Security Agency and the courts will find that degrees of control, opportunities for profit or loss, investment in facilities, permanency of relation and skill required in the claimed independent operation are important for decision. No one is controlling nor is the list complete.

Presumably repeal of sections 1 and 2 of Public Law 642, as proposed by section 409 of H. R. 2893, would leave the definition of "employee" dependent on interpretation of the Silk and Greyvan opinions, as quoted above. Prior to enactment of Public Law 642, the Treasury issued proposed regulations as a result of these Supreme Court cases stating:

> Whether the services performed by an individual constitute him an employee as a matter of economic reality or an independent contractor as a matter of economic reality is determined in the light of a number of factors, including the following (although their listing is neither complete nor in order of importance):
>
> (1) Degree of control over the individual.
> (2) Permanency of relation.
> (3) Integration of the individual's work in the business to which he renders service.
> (4) Skill required of the individual.
> (5) Investment by the individual in facilities for work.
> (6) Opportunities of the individual for profit or loss.
>
> * * * The absence of mention of any factor, fact, or element in these regulations in this part should be given no significance, since the Nation's economy is blanketed with many forms of service relationship, with infinite and subtle variations in terms, which render impracticable an analysis applicable to all situations.

Presumably this regulation, as a substitute for the present regulation, would again be proposed by the Treasury if section 409 of H. R. 2893 were enacted. Uncertainty as to the scope of the economic reality test of the existence of the employer-employee relationship, as set out in the proposed regulations quoted above, led to enactment of Public Law 642, which specifically limited the definition of "employee" to the usual common-law test. This test is set out in the present regulations which is based primarily on the existence of either the right to control or actual control over the individual as to the details and means of performance of the services in question.

THE BORDER-LINE GROUPS

Objection to the present common-law test is based principally on the assertion that the courts have applied it so narrowly as to exclude from old-age and survivors' insurance taxes and coverage a large number of individuals whom it would be practicable and desirable to

treat as "employees" for OASI purposes. On the other hand, repeal of the common-law test and introduction of the economic reality test might result in inclusion within the definition of "employee" of individuals who would be treated more properly as self-employed.

Rather than introduce the economic reality test, with its unforeseeable scope, it would be advisable for the committee to consider each of the principal groups for which an employee status has been urged. After the committee's decision is reached as to whether or not OASI coverage as employees is practicable and desirable for individuals in each of these major groups, the definition of "employee" can be drafted to carry out the committee's intention.

The Federal Security Agency has presented a list of groups, with estimates of the numbers involved, whose status it feels might be affected by the substitution of the economic dependency test for the present definition. In order to provide a practical basis for the committee's consideration these groups are listed in table I and the principal characteristics of the more important groups are briefly described below. The listing includes only those groups which the Federal Security Agency has categorized as "border line." Other groups conceded to be independent contractors today might fall into this twilight zone as a result of future administrative and judicial decision if the economic dependency test were adopted.

TABLE I.—*Coverage of workers on border line of wage employment and self-employment*

Border-line group	Estimated number of workers [1]	Estimated coverage if Public Law 642 repealed [2]
Total	1,283,500	500,000–750,000
Outside salesman in manufacturing and wholesale trade	444,000	220,000
Taxicab operators	150,000	150,000
Insurance salesman:		
Ordinary life	60,000	60,000
Fire, theft, and casualty	96,000	0
House-to-house salesmen	[3] 70,000	70,000
Private-duty nurses	75,000	0
Owner-operators of leased trucks	50,000	[4]
Industrial-home workers	40,000	40,000
Entertainers	36,000	10,000
Newspaper vendors and distributors	22,000	[5]
Contract loggers	17,500	8,750
Mine lessees	10,000	10,000
Journeyman tailors	200,000	[?]
Subcontractors, building repairs and alterations		
Contract filling-station operators		

[1] These figures were inserted in the record of the hearings before the Senate Committee on Finance on H. J. Res. 296 (80th Cong.) by Oscar R. Ewing, Federal Security Administrator. None of these workers would be covered under Public Law 642.

[2] These figures were supplied by Harold Packer, Assistant to the General Counsel, FSA. They represent the number of workers excluded from coverage by Public Law 642. Where the number is less than the total in the preceding column, the balance would not be covered under either Public Law 642 or the Supreme Court test of economic dependency.

[3] This figure excludes part-time salesmen and salesmen who sell several different lines. If they were included, the figure would approach 1,000,000, but such salesman would not be covered under any existing test.

[4] Note that these truck drivers would be covered under the common-law test but were excluded by the Supreme Court under the economic reality test because of their substantial investment in facilities.

[5] Excluded by News Vendors Act.

(1) *Outside salesmen in manufacturing and wholesale trade.*—The Federal Security Agency estimates that about 440,000 of these salesmen are not covered as employees under the usual common-law rules of whom about 220,000 could be covered under the economic reality test. Generally speaking, the latter are city and traveling salesmen

who are paid on a commission basis, without a salary or guaranty. Typically they cannot sell products of competing companies, are required to cover assigned territories periodically, and they are required to call on regular customers of their companies. Their relationship is terminated if their sales do not meet the expectations of their principals. Testimony before the committee indicated that roughly half the salesmen of this type are presently covered as "employees." There should be little administrative difficulty in covering this entire group as described above.

(2) *Taxicab operators.*—Between salaried taxicab operators who are employees and taxicab operators who own their own cabs and operate independently the following range of relationships exists:

(*a*) Taxicab operators who operate company-owned cabs and are compensated by a percentage of their receipts, implying an accounting to the company for receipts.

(*b*) Taxicab operators who operate company-owned cabs which they lease from the company for specified amounts on an hourly, daily, or weekly basis, retaining all receipts; and

(*c*) Taxicab operators who own their own cabs and operate them under a company's name, paying the company for various services furnished, such as the right to use cab-stand concessions, call boxes, and so forth.

The Federal Security Agency estimates that there are 150,000 lessee taxicab operators who are not considered employees under the common-law test, but who would be covered under the economic reality test. No indication has been given as to the status of the (*c*) group above under the economic reality test.

(3) *Life-insurance salesmen.*—The Federal Security Agency estimates that there are 60,000 full-time life-insurance salesmen, and that the majority are not considered employees under the common-law test. No estimates have been furnished as to the number of part-time life-insurance salesmen. Life-insurance salesmen are compensated typically by commissions, including renewal fees. Some of them maintain their own offices and others operate out of company or general agents' offices. In some instances they handle life insurance for several companies. The insurance companies have records of commissions paid the salesmen.

(4) *Fire-, theft-, and casualty-insurance salesmen.*—The Federal Security Agency estimates that there are 96,000 full-time fire-, theft-, and casualty-insurance salesmen in addition to part-time salesmen. Typically these salesmen maintain their own offices and handle insurance for several companies. The Federal Security Agency has indicated that such salesmen would not be considered employees under their interpretation of the economic reality test.

(5) *House-to-house salesmen.*—The Federal Security Agency estimates that there are around 1,000,000 house-to-house salesmen and that of these some 7 percent sell for only one company on a full-time basis and would be covered under the economic dependency test.

Firms whose products are sold by house-to-house salesmen have two general forms of arrangement with these salesmen—the so-called dealer-type arrangement and the commission-type arrangement. Under the dealer-type arrangement the agent buys the goods and resells them. Under the commission-type arrangement the price received by the company is usually a list price less a percentage. The

salesman gets the balance of whatever purchase price he charges. Business is normally transacted in one of two ways—goods are shipped to the customer, usually on a c. o. d. basis, and he pays the amount due the company, or the goods are sent to the salesman and he remits the amount due the company.

In any event, the salesman typically receives for his efforts the difference between the total sales price he charges the customer and the amount which is paid the company. Typically also under both dealer- and commission-type arrangements retail prices are suggested and sometimes such prices are advertised, but the salesman is not obligated to sell at any specified price, and the firm has no way of knowing his actual gross return from sales. It is unusual for a salesman to receive any commission from the company.

As indicated by the testimony of the Federal Security representative and by several direct-selling company representatives, only a small percentage of house-to-house salesmen work on a full-time basis.

Mr. J. M. George, on behalf of the Association of Direct Selling Companies, testified that these companies follow the same methods that existed long before social security, that a very wide variety of products are sold, and that many salesmen are housewives, persons temporarily out of their normal jobs, superannuated persons, and others who for one reason or another do not wish to assume the obligations of an employee, or who can find no one who would assume the obligations of being their employer.

The salesmen are free in deciding when they shall sell and whom they shall solicit. Very frequently those who work full time carry several lines for several companies and all are free to do so. They are free-lance operators, select their own prospects, develop their own customers, and frequently shift in the particular lines they are selling.

It is possible for a company to do business on the basis of selection, training, supervision, and control of house-to-house salesmen, and two or three national companies and probably a considerable number of local retailers have done so. These have the advantages and disadvantages of operating through employees and are in a position to comply with the withholding-tax laws. The dividing line between these companies and the typical firms above discussed is that these companies exercise a direct and substantial control over the time, place, and extent of the salesman's activities, comparable to that exercised by the typical wholesaler over his traveling and city salesman.

(6) *Private-duty nurses.*—The Federal Security Agency estimates that there are 75,000 private-duty nurses not presently covered as employees, but indicates that they would not be considered employees under the economic reality test. These nurses are paid for their services by their patients and are generally considered members of a profession.

(7) *Owner-operators of leased trucks.*—The Federal Security Agency estimates that there are 50,000 of these truckers who operate substantially full time for extended periods for a single principal. While these truckers are subject to varying degrees of control as to the performance of their services, often sufficient to meet the common-law test, the Silk and Greyvan cases indicate that their investment in their facilities for work will usually be determinative in holding them not to be employees under the economic reality test.

(8) *Industrial home workers.*—The Federal Security Agency estimates that there are 40,000 industrial home workers. These workers generally contract to do specific work in their homes within specified times on materials furnished them. In some instances the work may be done by other members of the family in addition to the individual contracted with. They are paid on a piece work basis. The Labor Department asserts jurisdiction over their conditions of work on the grounds that they are employees, and has furnished Home Worker's Handbooks to the companies contracting with them; these handbooks to be kept by the workers with records of their work and compensation maintained in them by the companies contracting for their work.

(9) *Entertainers.*—The Federal Security Agency estimates that there are 36,000 entertainers in the twilight zone between employees and independent contractors, 10,000 of which would be considered employees under the economic reality test. These appear to be featured entertainers whose services are contracted for by theaters, night clubs, and private parties. A problem also exists with respect to another group of entertainers—musicians who are members of bands. While these band members are clearly employees, there is a question under the common-law test as to whether they are employees of the band leaders or employees of the theaters, night clubs, etc., who engage the bands. In the Bartels case the Supreme Court held that these musicians may be employees of the band leaders and the band leaders may be independent contractors in spite of contract provisions purporting to give the theaters, etc., the right to control the details of the performance of their services.

(10) *Contract loggers.*—The Federal Security Agency estimates that there are 17,500 contract loggers not now covered by OASI, of which half would be covered by the economic reality test. These loggers contract to cut down trees in certain specified areas with remuneration on a piecework basis based on a specified amount per board-foot. In some instances the contract loggers hire assistants for this work and in some instances they have considerable investment in facilities for the work. In other cases they do the work personally and own only relatively simple and inexpensive tools.

(11) *Mine lessees.*—The Federal Security Agency estimates that there are 10,000 mine lessees who would be covered by OASI as employees under the economic reality test. The mine lessees lease space in mines and sell their output to the mine owners. They may or may not employ assistants.

(12) *Agent-drivers or route salesmen.*—The Federal Security Agency made no estimate as to the number in this group who are not employees under the common-law test. Driver-agents operate on assigned routes selling either the products or services of their principals to customers on the route on a commission basis or as dealers. In some cases they own their trucks, which may have been purchased on time from their companies. Continuance of their relationship typically is conditioned on regular service of their routes. Testimony before the committee indicated that many agent drivers are not covered as employees in the fields of processed foods, laundry, milk, meat, bakery, soft drinks, and alcoholic beverages. It is doubtful that agent-drivers would be considered employees under the economic reality test where they owned their own trucks, despite the existence of a considerable degree of actual or implied control over their activities.

METHODS OF DEFINING "EMPLOYEE"

If it is determined that certain of the groups listed above should be treated as employees for purposes of old-age and survivors insurance, it is believed that a workable statutory definition of the term "employee" can be written to include them. In the case of the owner-operators of trucks, coverage could be extended simply by stating that if an individual is an employee under the usual common-law rule he shall be an employee for social-security purposes. For other groups the definition might utilize an additive approach, based on the common-law definition of "employee" and adding certain other specific groups by laying down tests of the employee relationship which they meet. Or, if the definition of "employee" was very broad, it would be necessary to provide limitations or exceptions to exclude those categories of workers in the twilight zone whom the committee decides are not to be treated as employees. It is believed that a statutory definition can be prepared which will define with reasonable certainty the scope of the term "employee" when the committee has made the necessary policy decisions.

ADMINISTRATIVE CONSIDERATIONS

In considering the desirability of extending the present definition of "employee" to include additional groups there are a number of practical problems which present themselves with respect to various of the categories described above:

1. Inclusion within the definition of "employee" is not desirable for individuals in service relationships of such a character that they cannot become unemployed and eligible for unemployment compensation. For example, direct-selling companies typically never terminate their contracts with any salesmen, and are in good times and bad eager for additional salesmen so that the relationship ends, or is suspended, only when the salesman ceases to turn in orders and the unemployment compensation authorities can always offer him another job in the same type of work.

2. Inclusion within the definition of "employee" may have inequitable results with respect to groups where the person designated as the employer knows only the individual's gross compensation if the spread between the individual's gross compensation and his net compensation is so great that the gross compensation is no longer an approximate measure of his actual remuneration. For example, while a life-insurance company knows the gross commission received by its salesmen, normally it does not know their net compensation. If an insurance salesman's expenses are small probably no great hardship would result from paying and withholding taxes on the basis of the salesman's gross compensation. However, if his expenses are substantial a tax on his gross compensation would be unrealistic and capricious.

3. Inclusion within the definition of "employee" may be impractical for some groups where it is impossible, under the normal business relationship, for the designated employer to know the amount of either the individual's gross or net compensation. For example, a taxicab company which leases its cabs to drivers for a specific amount

per day does not know what an individual cab driver's receipts are, and there is no reason to believe that a taxicab company in such a situation could obtain the correct information merely by ordering him to report it. The cab driver would have an interest adverse to reporting his receipts accurately, fearing that his daily rental would be increased and, possibly, not desiring to subject himself to income-tax withholding commensurate with his income. If the taxicab company and the Treasury compromised on a rough average assumed income and applied it to all the lessee cab drivers the results would be unfair to some drivers and the principle of the self-assessing income tax would be subverted, since drivers who earned more than the compromise approximate average would be tempted not to report their additional earnings. Otherwise the taxicab company would be forced to give up its normal method of lease operation and enter into a new relationship putting its drivers on a straight salary or percentage basis and developing techniques for checking their gross receipts. This would involve assumption by the company of risks of fluctuations in its income on the basis of the conduct of the drivers—whom the company may feel it is impractical to control. Essentially, this would mean forcing a company to assume employer control over individuals in an area where, probably for good business reasons, the company has decided that employer control is not practical.

4. Inclusion of some groups within the definition of "employee" may create difficulties where typically the individuals to be treated as employees may, themselves, select, hire, and fire employees of their own. For example, bulk-oil-station operators and retail-gasoline-station operators normally hire employees of their own, and covering such operators as employees of an oil company would mean covering their employees as oil-company employees. This would require withholding obligations both as to a bulk-station operator and his employees which the companies could hardly comply with under their present arrangements.

5. Inclusion of some groups within the definition of "employee" may serve little social purpose where the compensation is likely to be too small to enable the individuals to qualify for OASI or unemployment-compensation benefits or to result in any taxable income under withholding. For example, this may be the case with respect to homework of a casual nature.

A-B-C TEST

In studying the problem of defining "employee" consideration was given to the A-B-C or threefold test used by some of the States for unemployment compensation purposes. This test, as frequently drawn, sets three standards, all of which must be met, with the burden of proof on the presumed employer, before an individual can be treated as an independent contractor. Apparently, however, the A-B-C test has been subjected to widely varying interpretations among the States which have used it, and its standards are stated in such broad language as to be of doubtful help in determining the status of any specific group.

The A-B-C test of the employer-employee relationship generally appears in State unemployment-compensation statutes as follows: That service performed by an individual for wages should be deemed employment unless and until it is shown to the satisfaction of the State administering agency that—

A. The individual performing such service has been, and will continue to be, free from control or direction of the performance of his services, both under his contract of service and in fact; and

B. Such service is either outside the usual course of the business for which such service is performed, or such service is performed outside all the places of business of the enterprise for which it is performed; and

C. The individual is customarily engaged in an independently established trade, occupation, profession, or business.

APPENDIX

Significant Federal Court Determinations of the Employer-Employee Relationship

1. Actors

Held to be independent contractors and not employees under the common-law test (*Radio City Music Hall Corp.* v. *U. S.*, 135 F. 2d 715 (1943)). The court found that, although there was a contractual relationship existing with the producer who took steps to organize the various acts into a single production, the producer gave the actors full opportunity to perform without interference. Thus, under the common-law test sufficient elements of control were not present.

2. Automobile buyers

Held to be independent contractors and not employees under the common-law test (*Yearwood* v. *U. S.*, 55 F. Supp. 295 (1944)). This decision was limited to persons who purchased and traded automobiles on the behalf of a used-car dealer under an oral contract with that dealer. The buyers were not on a salary basis but shared the profit or loss from each transaction with the dealer on a percentage basis.

3. Automobile service department operators

W. O. Lakie, Inc. v. *U. S.* (70 F. Supp. 665 (1946)), held that the lessee of a service department situated on the premises of an automobile dealer was in fact an employee of the dealer. The dealer held himself out to the public to be the operator of the service facilities. He furnished the repair materials and exercised considerable control over the operations, such as, for example, the priority to be given individual work orders. Rental payments were based on a percentage of profits. The court found that the lease arrangement was in reality a subterfuge to evade employment taxes.

Contra: *Emtner* v. *U. S.* (67 F. Supp. 684 (1946)), which held on similar facts that a bona fide lessor-lessee relationship existed.

4. Bootblacks

In *Butler* v. *U. S.* (61 F. Supp. 692 (1942)) the court held that a shoeshine boy was an independent contractor and not an employee of the barber shop in which he worked, because he was dependent entirely on tips for his compensation. The proprietor of the barber shop exercised no control over the boy.

5. Bulk-oil distributing plant operators

These individuals have been held consistently by the courts to be independent contractors under the common-law rule (*Texas Co.* v. *Higgins*, 118 F. 2d 636 (1941); *American Oil Co.* v. *Fly*, 135 F. 2d 491 (1943); *Glenn* v. *Standard Oil Co.*, 148 F. 2d 51 (1945); *Orange State Oil Co.* v. *Fahs*, 52 F. Supp. 509 (1942); *Gulf Oil Corp.* v. *U. S.*, 57 F. Supp. 376 (1944)).

The operators usually agree to follow all general instructions of the oil company and are responsible to it for results. However, the courts have refused to find elements of control sufficient to classify them as "employees" under the common-law test. The operators retain sole control over hiring and firing of their own employees and pay all operating and advertising expenses. Compensation is on a commission basis.

6. Cemetery lot salesmen

In *Beaverdale Memorial Park, Inc.* v. *U. S.*, 47 F. Supp. 663 (1942) the court held to be an independent contractor a cemetery sales agent who hired and fired salesmen and paid their compensation out of his own funds. The corporation did not reserve the right to fire the salesmen who were hired by the sales agent and hence they were held not to be employees of the corporation.

7. Coal hustlers

Held to be employees and not independent contractors (*U. S.* v. *Silk*, 331 U. S. 704 (1947)). This decision was based on the economic reality test. The same result was reached by a lower court in an earlier case (*Grace* v. *Magruder*, 148 F. 2d 679 (1945), cert. den. 326 U. S. 720 (1945)). That court held in 1945 (2 years prior to the Silk decision) that the common-law test was not controlling. Both courts recognized the fact that these workers furnished their own tools but found that the economic dependency of the hustlers was such that they could not be classified as independent contractors.

Subsequent to enactment of Public Law 642 it was held that itinerant laborers who stored coal sold by a retailer and delivered it to the retailer's customers were employees (*U. S.* v. *Kane*, 171 F. 2d 54 (1948)). In reaching this conclusion in spite of the fact that the laborers were paid by the ton and that the retailer exercised no control over their physical performance, the court stated (at p. 59):

> We are persuaded that the relationship of the coal jobbers to the debtor is incompatible with the concept of independent contractors as that concept must be drawn from sections 1426 (d), 1607 (i), and the joint resolution, the Treasury regulations made since the resolution, and the decisions.

8. Coal truckers

These individuals, who owned their own trucks, have been held to be independent contractors under the economic reality test even though there are substantial elements of control present (*Harrison* v. *Greyvan Lines*, 331 U. S. 704 (1947); *U. S.* v. *Silk*, ibid.). The amount of investment was conclusive. Under the common-law test it had been settled that owner-operators of tractors and trailers were not employees because sufficient elements of control were not present (*U. S.* v. *Mutual Trucking Co.*, 141 F. 2d 655 (1944)). They could work if, when, and where they pleased, even though they might work at any one time for a single dealer.

9. Contractors

> Obviously the private contractor who undertakes to build at a fixed price or on cost-plus a new plant on specifications is not an employee of the industry thus served nor are his employees (*U. S.* v. *Silk*, 331 U. S. 704, 712 (1947) (dictum)).

However, subsequent to the Silk decision it was held in a lower court that contractors who assembled, labeled, filled, and loaded fruit boxes for fruit growers at a fixed rate per box were employees of the

fruit growers and not independent contractors (*Fah* v. *Tree-Gold Co-op Growers of Fla.*, 166 F. 2d 40 (1948)). The contractors hired their own employees. The court recognized that the growers exercised little control over the contractors but found that the latter were economically dependent for their livelihood on the business of the growers.

10. Dancers (taxi-)

Held to be employees of the dance-hall proprietor under the common-law test (*Matcovich* v. *Anglim*, 134 F. 2d 834 (1943) cert. den. 320 U. S. 744 (1943)). The proprietor had the right of discharge and exercised control as to dress and place of work.

11. Deliverymen

In *Willard Sugar Co.* v. *Gentsch* (59 F. Supp. 82 (1944)), it was held that deliverymen of a wholesale sugar company were employees under the common-law test. The court reached this conclusion even though the deliverymen owned their own trucks, maintained them at their own expense, and hired their own helpers. It was found decisive that they worked full-time for one company and were paid a fixed salary unconnected with the amount of deliveries made. The court stated that the terms of the contract were not conclusive in determining the employer-employee relation.

12. Drugstore licensees

When a company operating a chain of drugstores placed its stores under the control of licensees, the licensees were held to be independent contractors under the common-law test (*Nevin, Inc.* v. *Rothensies*, 58 F. Supp. 460 (1945), affirmed, 151 F. 2d 189). The licensees bought the stores, fixtures, and inventory from the company on credit. They could determine the type and quantity of goods to sell but were required to buy all merchandise from the drug company and use the company name.

13. Entertainers

Prior to *Bartels* v. *Birmingham* (332 U. S. 126 (1947)), the courts held in the majority of cases that musicians were not employees of the hiring establishment (*Williams* v. *U. S.*, 126 F. 2d 129 (1942), cert. den. 317 U. S. 655 (1942); *In re Ten Eyck Co.*, 41 F. Supp. 375 (1941); *Los Angeles Athletic Club* v. *U. S.*, 54 F. Supp. 702 (1944); *Biltgen* v. *Reynolds*, 58 F. Supp. 909 (1943); *Nebraska Nat. Hotel Co.* v. *O'Malley*, 63 F. Supp. 26 (1945); cert den. 330 U. S. 827 (1947)). These decisions were based on lack of control. However, in at least two cases an employer-employee relationship was found to exist (*General Wayne Inn* v. *Rothensies*, 47 F. Supp. 391 (1942); *Haines* v. *Kavanagh*, 70 F. Supp. 705 (1947)). In both of these cases the proprietor of the establishment had the contract right to discharge band members, and in the latter case he was authorized by the contract to exercise control as to means and methods and as to results accomplished.

In *Bartels* v. *Birmingham*, supra, the Supreme Court held that the members of the band were the employees of the leader and that no employer-employee relation existed between them or the leader and the proprietor. The contract involved in the case specified that there

was such a relation, and the circuit court of appeals, in applying the strict common-law test, concluded that the members of the band and the leader were employees because under the contract the ballroom operator had the right to direct "what should be done and how it should be done" (157 F 2d 295). The Supreme Court, on the other hand, stated that the terms of the contract were not controlling and decided after consideration of all the facts that there was not an employee relation.

14. Filling-station operators

Lessee-operators of gasoline filling stations were held to be employees of the lessor oil company in *U. S.* v. *Wholesale Oil Co.* (154 F. 2d 745 (1946)). The company owned the station and all merchandise. The operator was found to have no right of independent judgment in the management and operation of the business, notwithstanding the fact that the company had no right of discharge and that the operator's compensation was fixed at a share of the profits. It would seem that in reaching its decision the court departed from the strict common law test. (Note that this decision was handed down in 1946, or 1 year prior to the Silk case.)

15. Fishermen

Held to be independent contractors under the common law test (*Emard* v. *Squire*, 58 F. Supp. 281 (1945)). The fishermen involved in this case sold fish to a salmon-packing company at a price fixed by the company. The company deducted union dues according to the terms of its contract with the fishermen's union. However, the court found no control as to when, where, and how the latter should catch fish or as to their conditions of work.

16. Flour brokers

Held to be independent contractors and not employees of a milling company when found to represent several companies (*Cannon Valley Mill Co.* v. *U. S.*, 59 F. Supp. 785 (1945)). The court found insufficient elements of control.

Following enactment of Public Law 642 it was decided in *Ewing* v. *Vaughan* (169 F. 2d 837 (1948)) that a flour salesman who upon his retirement at 65 was given a brokerage contract under which he worked on a flat commission basis without direction from the company as to the time or place of work was not an employee.

17. Golf professional

Held to be an employee to the extent that the golf club paid him a fixed salary and an independent contractor to the extent that he ran a golf shop for his own profit (*Ridge Country Club* v. *U. S.*, 135 F. 2d 718 (1943)).

18. Home workers

Held to be independent contractors because of lack of control under common-law rules (*Glenn* v. *Beard*, 141 F. 2d 376 (1944), cert. den. 323 U. S. 724 (1944); *Kentucky Cottage Industries* v. *Glenn*, 39 F. Supp. 642 (1941)). These cases found that there was no supervision over the work; work could not be withdrawn from a home worker while it was being worked on within the time limit specified by the contract; the workers were paid only on delivery of the finished product; the workers were free to work when they wished and were not prohibited from engaging in similar work for others.

The same result has not been reached in all the State courts concerned with interpretation of unemployment-compensation laws. In Illinois, which has the threefold or A-B-C test rather than the common-law test, it was held that women engaged at home on a piecework basis in making collars from materials furnished by a manufacturing establishment were employees on the following grounds: (*a*) The workers could be discharged; (*b*) a certain speed of production was specified; (*c*) the services were in the usual course of the employer's business; and (*d*) the workers were not engaged in an independent business (*Peasley* v. *Murphy*, 44 N. E. (2d) 876). The same result has been reached in New York which does not have the A-B-C test (*Andrews* v. *Commodore Knitting Mills, Inc.*, 13 N. Y. S. (2d) 577).

19. Ice-station operators

These individuals were held to be employees under common-law rules (*Your Ice Co.* v. *U. S.*, 57 F. Supp. 830 (1944)). The ice company involved in this case entered into contracts with its station operators whereby it purported to lease the stations to them, selling its merchandise to each operator. However, the court found sufficient control as to manner of operation and results obtained so that the operators could not be termed independent contractors. Moreover, compensation was paid in the form of a fixed wage.

20. Jockeys

Held to be independent contractors when hired through an agent for individual races (*Whalen* v. *Harrison*, 51 F. Supp. 515 (1943)).

21. Logging contractors

None are covered under common-law rules (*Edens-Birch Lumber Co.* v. *Scofield*, 58 F. Supp. 268 (1944)). Following enactment of Public Law 642, it was held, when a company owned a large amount of timberland and contracted with 40 to 50 contractors to cut the timber and these contractors in turn hired 500 to 600 men and provided their own equipment, that the contractors were not employees (*Crossett Lumber Co.* v. *U. S.*, 79 F. Supp. 20 (1948)).

22. Mine lessees

Under the common-law test mine lessees have been held to be independent contractors (*Anglim* v. *Empire Star Mines Co.*, 129 F. 2d 914 (1942); *Combined Metals Reduction Co.* v. *U. S.* 53 F. Supp. 739 (1943)). They operate on a royalty basis. The owner furnishes tools and has the right to inspect in the interest of safety and to insure conformance with State laws. The lessee hires his own employees, although the lessor normally can require the discharge of workers for cause.

23. Newspaper vendors

Newspaper vendors were held to be the employees of the publisher in *Hearst Publications* v. *U. S.* (70 F. Supp. 666 (1946)). That decision was based ostensibly on the common-law rule. The vendors involved in the case were not permitted by the publisher to sell competing publications although they could sell noncompetitive publications and merchandise. Their profit was the difference between the wholesale and retail price. However, the publisher guaranteed a fixed minimum weekly profit which was somewhat in the nature of a wage. The court found that there was no control over the detailed methods of work, but held that the exercise of control would have been imprac-

tical in the type of work involved in the case and that control was unimportant because there is only one way to sell a newspaper.

24. Real-estate brokers

The court held in *Broderick, Inc.* v. *Squire* (163 F. 2d 980 (1947)) that real-estate brokers were independent contractors and not employees within the Social Security Act. The agency exercised minimum control over the brokers, and the brokers paid their own brokerage licenses. The relationship was terminable either by the agency or the broker, and the court found that the broker's opportunity for profit and loss depended entirely upon their own initiative and skill. The case was decided under the economic reality test.

25. Salesmen

(*a*) *Outside salesmen in manufacturing and wholesale trade.*—An example of the results reached under the common-law test as applied to outside salesmen in the manufacturing and wholesale trade is found in *De Raef Corp.* v. *U. S.* (70 F. Supp. 264 (1947)). In that case the salesmen sold the patented products of the taxpayer to ice-cream manufacturers in a specified territory. They were required to devote full time to the company's products. All orders were solicited subject to the company's approval. The salesmen were required to furnish a daily report. The company had the right to terminate the relationship upon breach of condition. Prices were fixed by the company and compensation was on a commission basis, the commission being credited to the salesmen on the books of the company. The salesmen were reimbursed for their travel expenses. The court held that these salesmen were independent contractors and not employees because the company was interested in results and not in the manner and details of performance.

However, even under the common-law test prior to the Supreme Court rulings, some lower Federal courts held certain salesmen to be employees. In *Beckwith* v. *U. S.* (67 F. Supp. 902 (1946)) the court held that outside salesmen for a wholesale stationery company who had office space on the premises of the company and who were compensated on the basis of 60 percent of the gross profit on sales to be employees. The salesmen were subject to discharge. In *Stone* v. *U. S.* (55 F. Supp. 230 (1943)) salesmen for a brokerage company, who procured orders subject to confirmation by the firm and who were subject to discharge, were held to be employees. This case, decided in 1943, indicates that the court gave considerable weight to the economic dependency of the salesmen.

(*b*) *House-to-house salesmen.*—The application of the common-law rule to this category of salesman can be found in *McGowan* v. *Lazeroff* (148 F. 2d 512 (1945)). The salesmen involved in that case were paid on a commission-only basis, furnished their own transportation and were free to solicit sales when, where, and how they pleased. The company had the right of discharge and the right to fix the retail price of the goods sold. The court held that no employer-employee relation existed because the company had no power to control the method and detail of performance of the services.

An example of the contrary result reached under the economic reality test is *Tapager* v. *Birmingham* (75 F. Supp. 375 (1948)). In that case salesmen engaged in the house-to-house selling and renting of household furnishings for a dealer on commission at prices

and terms fixed by the dealer were held to be employees as were salesmen-collectors engaged in collecting rentals. The salesmen were subject to dismissal for cause. They were free of detailed control and unrestricted as to territory covered. They used their own automobiles and prescribed their own hours of work, some working part-time and some engaging in other work at the same time.

(*c*) *Life-insurance salesmen.*—Industrial-insurance agents were held to be employees under the Supreme Court test in *Atlantic Coast Life Insurance Co.* v. *U. S.* (76 F. Supp. 627 (1948)) even though free from detailed control. In that case the salesmen were compensated on a commission basis. They were required to make reports. The court emphasized that, while the extent of the salesmen's compensation was unlimited in theory, their earnings were controlled in fact through assignment of territory by the company.

26. Sawmill operators

Held to be independent contractors and not employees (*Burrus* v. *Early*, 44 F. Supp. 21 (1942)). The operators involved in that case felled logs, sawed the timber, and delivered rough lumber to the taxpayer lumber company at stated prices per thousand feet. They hired their own employees and were subject to little or no supervision. (See cases under Logging contractors above.)

27. Seamstresses

Seamstresses who made alterations in a ladies' retail garment store without supervision were held to be employees in *U. S.* v. *Vogue, Inc.* (145 F. 2d 609 (1944)). They supplied their own equipment and received a percentage of the alteration charges. The court emphasized that the alteration department was essential to the business. The decision was handed down in 1944 at a time when the common-law test was controlling.

28. Tailors (journeyman)

It was held in *Schwing* v. *United States* (165 F. 2d 518 (1948)) that journeyman tailors were employees (reversing 65 F. Supp. 227). Under the facts of this case journeyman tailors put together and finish cloth cut by custom tailors according to customers' measurements. Each journeyman tailor involved in the Schwing case did this work at home or at his own shop, none at the taxpayer's place of business. Each furnished and owned his own equipment, including sewing machines, tables, irons, scissors, and so forth. The value of such equipment was estimated by the upper court to average $40. The taxpayer did not pay the tailors' rent, light, or heat. Each tailor was paid on a piecework basis and there was no guaranty of a minimum weekly wage or of a minimum quantity of work. The tailors were not required to work solely for the taxpayer. Some of them did similar work under similar arrangements with other merchants.

The court based its ruling that these tailors were employees on the finding that they were dependent upon the taxpayer rather than on the public at large for their livelihood and that they had no opportunity to profit other than through their labor.

29. Taxicab operators

Woods v. *Nicholas* (163 F. 2d 615 (1947)) held that drivers who bought their cabs from a cab company and thereafter paid a fixed fee to the company were not employees even under the Supreme Court test. Under the common-law test the driver who rents his taxi and operates it at his own expense and as he sees fit is generally not an employee but an independent contractor (*U. S.* v. *Davis*, 154 F. 2d 314 (1946)). A lessor-lessee relation was held to assist in *Magruder* v. *Yellow Cab Co.* (141 F. 2d 324 (1944)). The court pointed out that the company, by its methods of doing business and its public advertising, may be estopped from denying liability to the public in negligence actions, but that that fact does not necessarily establish an employer-employee relationship for OASI tax purposes. However, in *Jones* v. *Goodson* (121 F. 2d 176 (1941)) the court held under the common-law test that an employer-employee relationship existed. In that case the taxicab-operating company had the right to determine whether the driver should work on the day or night shift, to determine which cab he should drive if he operated a company-owned cab, to require that the company's insignia and telephone number be placed on cabs, to require that drivers purchase gasoline and oil from the company, to require that drivers operate only within city limits, telephone the main office hourly, maintain good accident records, be courteous and presentable in appearance, and had the right to discharge drivers for violations of the above requirements.

Under the Supreme Court test such operators were held to be employees (*Party Cab Co.* v. *U. S.*, 75 F. Supp. 307 (1947)). In that case the drivers retained all fares and paid the cab owner a fixed rate for the use of the cab and for gas and oil. They operated under hack and other licenses issued to the owner. The court held that the provision for retention of fares under the oral contract between the drivers and the owner was in reality a method of wage payment. (The Party Cab case was later reversed on the basis of Public Law 642.)

30. Trustees in bankruptcy

Held not to be the employee of the bankrupt (*Gigne* v. *Brush*, 30 F. Supp. 714 (1940)).

31. Watch repairmen

A watch repairman who occupied space in the taxpayer's jewelry store under a parol contract was held to be an independent contractor in *Tidwell* v. *U. S.* (63 F. Supp. 609 (1945)). He had full authority over all watch-repair work, used his own methods, set his own hours, furnished his own tools and materials, and was compensated on a percentage basis.

A contrary result was reached in *Gensler-Lee, Inc.* v. *U. S.* (70 F. Supp. 675 (1946)), without reference to the earlier Tidwell case. Watch repairmen were held to be employees of the corporate taxpayer when they worked on a commission basis in jewelry stores operated by the corporation. The court gave considerable weight to the Hearst case, which, although prior to the Supreme Court rulings, departed from the strict common-law test.

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ANALYSIS OF DEFINITION OF EMPLOYEE IN COMMITTEE PRINT

PREPARED FOR THE

COMMITTEE ON WAYS AND MEANS

OF THE

HOUSE OF REPRESENTATIVES

BY

THE STAFF OF THE JOINT COMMITTEE
ON INTERNAL REVENUE TAXATION

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ANALYSIS OF DEFINITION OF EMPLOYEE IN COMMITTEE PRINT

SUMMARY

The definition of "employee" as tentatively adopted can be described in general as follows:

(*a*) Paragraph (1) continues the present inclusion of corporation officers in the term "employee";

(*b*) Paragraph (2) is apparently intended to include as an "employee" any individual who would be an employee under the common law control test;

(*c*) Paragraph (3) in general is intended to include as an "employee" any individual who would be an employee under the Supreme Court or economic reality test; and

(*d*) A limited group of door-to-door salesmen is excluded specifically by an exception to the proposed definition of "employment".

We have attempted in this memorandum to analyze paragraphs (2) and (3) of the definition and the exception referred to in (*d*) above.

PARAGRAPH (2) OF THE DEFINITION

Paragraph (2) of the definition includes in the term "employee"—

(2) Any individual who in the performance of service for any other person for remuneration is subject to direction and control as to the manner and means of performing such service, either under his contract of service or in fact;

Thus, the control element of the common-law test is isolated and made determinative of the existence of the employer-employee relationship to the exclusion of all other factors, however relevant they may be. The result is a test which may in some cases be narrower and may in some cases be broader than that of the common law. While the factor of control has been traditionally the most significant, single element of the common-law rule, the courts in its application have not construed the rule so as to foreclose consideration of all other elements of the service relationship. For example, among the significant factors which have been considered by the courts, in addition to that of control, as being indicative of an employee status have been (*a*) payment of a fixed salary or wage,[1] (*b*) furnishing of materials or tools,[2] (*c*) working full-time for one person or business,[3] and (*d*) furnishing of a place to work.[4] The Treasury regulations, which were

[1] *Willard Sugar Co.* v. *Gentsch* (59 F. Supp. 82 (1944)); *Ridge Country Club* v. *United States* (135 F. 2d 718 (1943)); *Your Ice Co.* v. *United States* (57 F. Supp. 830 (1944)).
[2] *W. D. Lakie, Inc.* v. *United States* (70 F. Supp. 665 (1946)).
[3] *Willard Sugar Co.* v. *Gentsch*, supra.
[4] *Matcovich* v. *Anglim* (134 F. 2d 834 (1943)); *Beckwith* v. *United States* (67 F. Supp. 902 (1946)).

continued in force by Public Law 642, stated, after setting forth the control test:

> The right to discharge is also an important factor indicating that the person possessing that right is an employer. Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the services.

The extent to which paragraph (2) of the draft would limit the courts and administrative agencies in examining such other elements of the relationship cannot be predicted, but the proposed provision does invite the danger that some individuals who are employees today under the usual common-law rule might not be employees under paragraph (2) where the sole criterion is one of control. If such cases were to arise, the status of the individuals affected would have to be redetermined and possibly litigated.

It is equally true, moreover, that this paragraph, by making control the sole criterion, may well result in the inclusion within the term "employee" of individuals who are not employees today under the usual common-law rules. Where there is control over the individual performing the services, the individual would be an employee under paragraph (2) irrespective of the effect of other relevant factors. This result is in accord with the committee decision to overrule the Greyvan case (*Harrison* v. *Greyvan Lines, Inc.*, 331 U. S. 704 (1947)). In that case the Supreme Court held that owner-operators of trucks were independent contractors in spite of the considerable control exercised over them by the taxpayer. The Court found the substantial investment of the truckers in their facilities for work to be controlling. This reasoning was based upon application of the so-called economic reality test. Under paragraph (2), if the taxpayer company exercises considerable control over the drivers, they will be employees in spite of their ownership of their own trucks. It should be noted, however, that the lower court in the Greyvan case reached the same result as did the Supreme Court, but did so through application of the common-law rules and not through the economic reality test. The circuit court of appeals found that elements of control were present, but it also found that the truckers were free to hire and control their own helpers. This fact the court found decisive in ruling the truckers to be independent contractors. (156 F. 2d 412 (1946)). Under paragraph (2), the court would be precluded from considering this additional factor, even though the issue of control alone could not be clearly determined. Therefore, the committee should recognize that, in reaching the immediate goal of overruling the Supreme Court in its application of the economic reality test in all situations where there is exercise of control, it has gone considerably further and may have also overruled the courts in their application of the usual common-law rules.

It is difficult to predict the long-run implications of such action. For example, there may be a danger that the result in the Crossett Lumber case (*Crossett Lumber Co.* v. *United States*, 79 F. Supp. 20 (1948)) will be changed. That case held, under the common-law rules, that logging contractors were not employees. The court, after giving consideration to the control question, also gave weight in its decision to the fact that the logging contractors concerned hired their own employees and had large capital investment represented by trucks and cutting equipment. If these additional factors are to be ignored

under paragraph (2), then this result may have to be redetermined. This possibility that paragraph (2) may include some groups as employees who are not so included today should be approached with caution, inasmuch as no limitations or exceptions have been made applicable to this paragraph.

A second criticism of the wording of paragraph (2) arises from the ambiguity of the words "subject to direction and control." The words "subject to" may be broader than either the existence of the right to control or the actual exercise of control. The words "subject to direction and control" could be construed to include a situation where the principal does not have a right to control under the contract and has never, in actual fact, exercised control, but where it may be argued that he has an "economic power" to control because of superior economic resources and superior bargaining power. The phrase "subject to direction and control" appears in the present regulations, but in such a way as to indicate that a broad, economic power interpretation clearly is not intended. No such limitation appears in the proposed draft.

The Bartels case

The use in paragraph (2) of the phrase "whether under his contract of service or in fact" is intended to reverse the Bartels decision. In that case the Supreme Court held that the leaders of name bands were in fact the employers of the musicians in their bands in spite of the fact that the entertainment operators who hired the bands had signed contracts which set forth their right to control the musicians in the bands. Paragraph (2), on the other hand, would require the Bureau of Internal Revenue to look at the contract without reference to the actual economic facts of the relationship in any such case.

However, there is a technical difficulty in using the phrase "under his contract of service or in fact," because under that provision the Treasury could proceed against either the entertainment operator or the band leader, or both, in the Bartels type of situation, inasmuch as both appear to be employers within the wording of paragraph (2), the entertainment operator being an employer under the contract and the band leader being an employer in fact. It may be safe to assume that the Treasury would proceed only against the entertainment operator, but under the wording of paragraph (2) the band leader would have to rely at his own risk on the hope that the Bureau would not proceed against him.

Recommended change in paragraph (2)

In concluding this discussion of paragraph (2), it is suggested that the following draft be adopted in order to remove the ambiguities of wording inherent in the present draft, in order to eliminate the uncertainty of result in requiring control to be the sole operative element of the common-law rule, and, finally, in order to insure that the status of individuals now covered under that rule need not be redetermined:

(2) Any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee, an express provision in the contract of service that such status exists to be conclusive of the existence of such status in every case where the service performed under that contract constitutes employment as defined in section 1426 (b);

Paragraph (3) of the definition

Paragraph (3) is phrased as follows:

(3) Any individual who in the performance of service for any other person for remuneration is not engaged in an independently established trade, business, or profession of the same nature as that involved in the contract of service, as determined from the combined effect of: (A) Degree of control over the individual, (B) permanency of the relationship, (C) integration of the individual's work in the business to which he renders service, (D) skill required of the individual, (E) investment by the individual in facilities for work, and (F) opportunities of the individual for profit or loss.

A major objection to this draft is that individuals could be treated as employees regardless of the circumstances surrounding the particular service relationship in question. For example, if X, an independent retail merchant, contracts to build a house for Y, X is automatically an employee of Y by virtue of this paragraph, simply because X is prima facie not engaged in an independently established business of the same nature as that involved in the contract of service, in this case that of building houses. X would be an employee even though all six of the factors listed in paragraph (3) might show him to be an independent contractor if they were applied to the particular job of building the house for Y.

Under the Supreme Court cases and under the Treasury regulations proposed last year, the six factors were to be applied to a particular service relationship in order to determine whether or not an employee status existed in respect to that relationship. In paragraph (3), however, the issue is not the particular service relationship, but whether or not the individual has an independently established business of the same nature as that involved in that relationship. Several of the factors become quite ambiguous when applied to this question. For example, factor (B), "permanency of the relationship", had reference in the proposed regulations and in the Supreme Court decisions to the particular job in question, but, as used in paragraph (3), it is impossible to tell what relationship is referred to.

Paragraph (3) is phrased in such a manner that those engaged in independently established businesses are an exception from its terms. Since an exemption is to be construed narrowly under the accepted rules of statutory construction, any uncertainty remaining after application of the six factors in paragraph (3) would be resolved in favor of the conclusion that the individual is an employee. This rule that exemptions are to be narrowly construed is illustrated by the case of *Phillips Co.* v. *Walling* (324 U. S. 490 (1945)), where the Supreme Court, in construing an exemption from the wage-and-hour provisions of the Fair Labor Standards Act, stated, "Any exemption from such humanitarian and remedial legislation must therefore be narrowly construed, giving due regard to the plain meaning of statutory language and the intent of Congress. To extend an exemption to others than those plainly and unmistakably within its terms and spirit is to abuse the interpretative process and to frustrate the announced will of the people." This rule of construction applied to paragraph (3) would make everyone an employee who is not "plainly and unmistakably" within the terms of the exemption for those engaged in independently established businesses.

In view of the rule of interpretation laid down in the Walling case, the phrase "as determined by the combined effect of" in paragraph (3) may be construed to mean that all six of the factors must indicate

the existence of an independently established business. Where some of the factors might point toward an employee status the individual concerned would not be "plainly and unmistakably" engaged in an independently established business. Where any doubt exists, under the Walling case the individual would have to be ruled to be an employee. For example, application of the six factors to an automobile dealer results in a majority of these factors pointing toward an employee status, so it could certainly not be said by an application of these factors that he was "clearly and unmistakably" in an independently established business.

Another peculiar consequence in paragraph (3) of copying the six factors from the proposed regulations without changing the way in which they are phrased is that it would appear from the wording of paragraph (3) that control, permanency, integration, skill, investment, and opportunities for profit and loss all point toward the conclusion that the individual is an employee. In fact, the intention is that three of the factors, skill, investment, and opportunities for profit and loss, shall point toward the opposite conclusion—that the individual is engaged in an independently established business.

If it is the desire of the committee to spell out the six factors of the economic dependency test in the definition and to include as employees all individuals which that test would include, many of the ambiguities in the present phrasing of the definition can be eliminated by changing paragraph (3) to the following:

> (3) any individual who is not an employee under paragraphs (1) or (2) of this subsection but who, in the performance of service for any other person for remuneration, has the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) integration of the individual's work in the business to which he renders service, (D) lack of skill required of the individual, (E) lack of investment by the individual in facilities for work, and (F) lack of opportunities for the individual for profit or loss, except that an employer-employee relationship shall not be deemed to exist for the purposes of this paragraph where such an individual is engaged in an independently established business of the same nature as that involved in the contract of service.

This draft would not, however, cure many of the fundamental defects in paragraph (3) which are described in this memorandum.

Interpretation of the six factors in paragraph (3)

Probably the best indication of the administrative interpretation which will be placed on the six factors listed in paragraph (3) is the discussion of them which is found in the proposed regulations which were issued by the Treasury after the Silk and Greyvan cases and before enactment of House Joint Resolution 296.

Control

It is clear from the proposed regulations that "degree of control" is not meant to be limited to control of the type ordinarily associated with the usual common-law definition of employee. The proposed regulations stated that "control" as an indication of economic dependency included, in addition to the exercise of control and the right to control, the "power" to control. This latter is an extremely broad concept of the word "control," since a power to control might be inferred from the economic strength or weakness of the parties even though the contract of service contains no right to control and no control is, in fact, ever exercised.

Permanency

Permanency of the relationship is supposed to indicate that the individual is an employee. By "permanency" is meant continuity of the relationship. It is clear from the proposed regulations that permanency may exist even though the service is part time or occasional, so it is likely that permanency would be inferred even in a relationship where services are performed as a series of isolated, intermittent acts on a part-time basis.

Integration

The integration factor is perhaps the most general and inclusive of the elements listed in paragraph (3) of the definition. In describing integration in the business of the person served the proposed regulations stated that it might be established from the fact that services, even though not essential, are performed "in the course of such business," or from the fact that the services affect the good will of the business, are carried out under license of the business, are carried out on the business' premises, or are carried out with tools or equipment furnished by the business.

As interpreted by the proposed regulations, the integration factor itself involved virtually as many problems as the basic question of whether or not the individual is an employee. In fact the proposed regulations tended to show that the integration problem could not be solved until it was first determined whether or not the individual in question was an employee of the business.

Skill

The factor of skill is of extremely limited value in determining the existence of an independently established business. There are innumerable examples of skilled employees and unskilled independent businessmen, but the factor of skill, as used in paragraph (3) of the definition, is meant to point toward existence of an independently established business. As interpreted by the proposed regulations, the skill factor was unique in that the absence of skill was a more important factor than the presence of skill, i. e.:

> usually the absence of skill points more clearly toward an employer-employee relationship than the presence of skill points toward an independent contractor relationship.

Investment

The proposed regulations listed as elements in evaluating the importance of investment by an individual its "reality," its "essentiality," and its "adequacy." "Adequacy" was explained as meaning that the individual's investment must be sufficient for him to perform the services in question independently of the facilities of others. "Reality" was explained as meaning that little weight would be given to investment by an individual in equipment which he purchased on time from the person for whom the services are performed where the individual's equity in the equipment was small. "Essentiality" apparently meant that the investment must be essential to the services. An example of the way in which the essentiality requirement would be applied is shown by the statement of a Treasury

representative before the Finance Committee last year regarding the investment by a salesman in an automobile:

> I think the truck is much more an essential part of the business of the trucker than the automobile to the salesman. Many salesmen may operate without an automobile. In fact, it is probably not required.

No indication was given in the proposed regulations as to the size an investment would have to reach in order to be considered significant.

Opportunities for profit or loss

As the factor of opportunities for profit or loss was interpreted by the proposed regulations, it was little more than a repetition of the investment factor. The proposed regulations stated, " 'Profit or loss' generally implies the use of capital. * * *" And it was stated that mere opportunity for higher earnings does not imply profit or loss "without capital as a material income-producing element." If utilization of capital is essential to the existence of the profit or loss factor, then it would generally be operative only where the investment factor had already been shown.

Application of the six factors

In most doubtful situations some of the six factors will point each way, and under paragraph (3) it would be impossible to forecast which factors would be controlling when they conflict. In practice it is likely that such conflicts would be resolved by the tax administrators through an intuitive approach, based on a sort of a "feeling" or intuition as to the correct result—an approach that is contrary to the principle of certainty in tax statutes.

Under paragraph (3) there would be no guide or standard by which the six factors could be applied. In the Silk and Greyvan cases the Supreme Court used as a guide what it judged to be the purpose of the act—broad social-security coverage. However, if old-age and survivors insurance is provided for the self-employed broad coverage will be accomplished without extensions of the definition of employee, so this standard would no longer be of use in applying the economic dependency test. Coverage for the self-employed would reduce the problem of defining employee to a problem of defining tax liability, but, under paragraph (3), the courts and the administrators would be precluded from considering the practical aspects of determining the amount of compensation and withholding OASI taxes from it in doubtful cases.

In laying down the economic dependency test both the Supreme Court and the proposed Treasury regulations left the door open for the development of new factors in future cases. However, it was pointed out that the scope of the definition could never be predicted as long as new factors could be added without notice, so paragraph (3) of the definition limited consideration to six specified factors. It was anticipated that this would avoid uncertain tax consequences, but this may prove to be a handicap to the taxpayer in many cases. For example, the fact that an individual is free to hire helpers in performing the services contracted for deserves to be treated as a factor indicating an independent contractor status. Other factors which should be given independent consideration and weighed along with the

six factors listed in paragraph (3) include the form or method of compensation, the fact that the services are performed on a part-time basis, the fact that similar services are performed for competitors, the fact that similar services are offered to the public at large, the fact that the individual exercises individual judgment or initiative in performing the services, and the fact that the relationship is consistent with the customs and usage of the business and is not merely a tax-avoidance scheme. If it is argued that these factors and others are covered by the six factors already listed in paragraph (3), then it is clear that paragraph (3) has failed to give certainty of scope to the economic dependency test and that the six factors are themselves so broad that there is no foreseeable limit to the factors which may be introduced under paragraph (3).

EXCEPTION TO THE DEFINITION

Paragraph (18) of the definition of employment contains a specific, narrowly defined exception to the definition of employee:

> (18) Service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (A) the fitness of such individual to perform such service, (B) the geographical area in which such service is to be performed, (C) the volume of goods or commodities to be sold or distributed, or (D) the selection or solicitation of customers.

This exception is designed to exclude house-to-house salesmen who are hired indiscriminately in large numbers and are compensated out of the amounts they receive from their customers. Any control over these salesmen, regardless of its degree, with regard to either their fitness, their territories, the amount of service to be performed, the selection of customers, or the method of soliciting customers would violate the terms of this exception and, presumably, mean that the salesmen would be treated as employees. The Federal Security Agency has indicated that only about 60,000 of the estimated 1,000,000 house-to-house salesmen would be covered as employees under the Supreme Court test, but it is extremely doubtful that 940,000 of these salesmen would meet the terms of the narrow exemption contained in paragraph (18) of the definition of employment.

Under the accepted rules of statutory construction by which the existence of an exception serves to exclude the implication of other exceptions, the narrow exception for outside salesmen implies that all other outside salesmen are to be treated as employees. Since the exception is phrased in terms of "sale or distribution * * * off the premises," it concerns the whole field of outside salesmen, although it is improbable that anyone other than house-to-house salesmen could meet the terms of the exception. As a result, the exception carries an implication, not merely that all house-to-house salesmen who fail to meet its terms are employees, but also that all others who sell goods but who fail to meet its terms are employees.

Conclusion

This memorandum contains a tentative revision of paragraph (3) of the definition which would remove many of the technical difficulties in the present phrasing of that paragraph. Even if paragraph (3) were adopted in this revised form, however, the principal objections to it would still remain. It is the opinion of the staff that paragraph (3) of the definition adopts a method of extending the definition of employee which is basically undesirable because it is too uncertain in its scope and because it will extend the definition of employee to include groups for whom it would be impractical, if not impossible, to demand an accounting for remuneration or tax withholding from it.

Assurances by present administrators of the voluntary limits which they will place on interpretation of the broad provisions of paragraph (3) will not be binding for the future, and the Federal Security Agency and the Treasury will not be in a position to limit the scope of paragraph (3) if the courts decide to place a wider interpretation on it. The issue could be litigated, in spite of the attitude of the administrative agencies, by individuals suing for benefits or for establishment of wage credits or to avoid a tax on the self-employed.

Even if paragraph (3) is construed as being no broader than the economic dependency test outlined in the proposed regulations published to interpret the Silk and Greyvan cases, its scope would be virtually unknown. The Federal Security Agency states as its present opinion that the economic-dependency test would extend the definition of employee to include the following groups who are considered independent contractors under the common law:

Outside salesmen in manufacturing and wholesale trades	220,000
Lessee taxicab operators	150,000
Full-time life-insurance salesmen	60,000
House-to-house salesmen	70,000
Industrial home workers	40,000
Entertainers	10,000
Contract loggers	8,750
Mine lessees	10,000
Journeymen tailors	(1)
Subcontractors, building repairs and alterations	(1)
Contract filling-station operators	(1)

[1] Number unknown.

It is highly probable that the economic-dependency test would also extend the definition of employee to include the following:

Neighborhood newspaper correspondents;
Part-time life-insurance salesmen and at least some fire, theft, and casualty insurance salesmen;
Real-estate salesmen on a commission basis, either full time or part time;
Bulk-oil distributors;
Gasoline-station operators;
Subscription agents for periodicals.

Examples of application of the six factors of the economic dependency test to some of the more important groups of individuals who are independent contractors under the common law are contained in appendix A.

APPENDIXES

APPENDIX A

APPLICATION OF THE DEFINITION TO SPECIFIC SITUATIONS

The implications of the general language of the definition can be clarified somewhat by application of the definition, particularly paragraph (3), to typical situations which are beyond the scope of the usual common-law definition of employee. The service relationships described here are based primarily on testimony from the Ways and Means Committee hearings on H. R. 2893 and from the Finance Committee hearings on House Joint Resolution 296 in 1948.

1. LIFE-INSURANCE SALESMEN

(*a*) *Full-time life-insurance agents in company offices*

A typical service relationship in the life-insurance field is that of the full-time agent who solicits applications primarily for one company and is compensated solely on a commission basis. He is not controlled as to the details and means by which he solicits insurance and is not required to devote a specified number of hours to the work, but it is presumed that this work will be his principal activity. The applications he obtains are subject to approval by the insurance company. He occupies office space provided by the company, and the company may provide him with stenographic assistance, telephone facilities, forms, ratebooks, and advertising facilities. Such an agent may deal directly with the insurance company, or he may deal with a general agent of the insurance company. He may have the privilege of offering insurance applications to other companies in the event that his company or general agent declines to insure the prospect.

Most of the factors listed in paragraph (3) of the definition, when applied to such an agent, would indicate that he is an employee of either the insurance company or the insurance company's general agent. Although he is not subject to sufficient control over the details and means of his work to fall within the common-law concept of an employee, he is controlled in some degree. He meets the test of permanency of the relationship since his arrangement with the company or general agent contemplates a continuing relationship. He is clearly integrated in the business of the insurance company and also in the business of the general agent, if he deals with a general agent, since the soliciting of insurance contracts is an integral part of the insurance business. A considerable degree of skill may be employed by the agent in soliciting insurance contracts, and this might point toward his being engaged in an independently established business, but the regulations proposed by the Treasury last year state that "usually the absence of skill points more clearly toward an

employer-employee relationship than the presence of skill points toward an independent contractor relationship." In the situation described above, the agent would have no appreciable investment in facilities for work with a possible exception of his automobile, and testimony of Treasury officials indicates that ownership of an automobile by a salesman is to be given little or no weight in considering the investment factor. Since the agent does not sustain his own office overhead, he has little opportunity for loss but, of course, opportunity for profit is virtually unlimited and is dependent almost completely on his own ability and energy.

(*b*) *Full-time life-insurance agents in independent offices*

Another type of life-insurance agent is the agent who works full-time, primarily for one company, and is compensated on a commission basis, but who maintains his own office, paying his own rent, telephone, and stenographic expenses.

This agent is also subject to a certain degree of control. In terms of his contract, he may be subject to the same control as the agent who works in a company office, but as a practical matter it is unlikely that the same degree of supervision is exercised over him. His arrangement with the life-insurance company or general agent contemplates the same permanency of the relationship as the arrangement of a life-insurance agent in a company office, and he is equally integrated in the work of the insurance company to which he renders service. His skill is no greater or less than that of the agent who operates out of a company office. He may have a slightly greater investment in the facilities for work if he owns his own office furniture. It is probable that he rents his office, and it is not clear whether the investment factor is meant to include overhead expenses such as rent and wages or merely to apply to capital investment. This agent has somewhat more opportunity for loss than the agent who operates out of a company office, since his commissions may fail to cover his overhead expenses. His opportunities for profit are the same.

(*c*) *Part-time life-insurance agents*

A fairly typical situation in the life-insurance field is the agent who works only part time and is compensated solely on a commission basis. He may sell life insurance as an adjunct to an independently established business in another field such as the real-estate business, or he may sell life insurance as an adjunct to his activities as an employee, such as the bank employee who sells life insurance to the bank's customers as a side line. Possibly the part-time life-insurance agent is engaged primarily in a non-money-making activity such as attending school. In the latter case, he may operate out of a company office and utilize facilities furnished by the company.

The six factors listed in paragraph (3) do not provide a basis for distinguishing part-time life-insurance agents from full-time life-insurance agents. Both are subject to the same degree of control. There is permanency in the relationship in both cases, since the part-time agent may continue to sell insurance for the company over a long period of time. In the case of some insurance companies, it might be argued that solicitation by part-time agents is not such an integral part of the company's business, since they depend primarily upon full-time agents, but the act of soliciting insurance is certainly an integral part of the company's business, and in the case of at least

one large life-insurance company it is understood that its system of soliciting insurance is based primarily on part-time agents who are engaged primarily in other types of work. The skill required of the agent is the same, regardless of whether he works full-time or part-time. The agent has little or no investment in facilities for work in either case, if investment in his automobile is excluded. The part-time agent probably has less opportunity for loss through failure to meet overhead than the full-time agent who maintains his own office, but is in the same position in this respect as the full-time agent who operates out of the company office. All of the agents are alike in that their opportunity for profit is dependent on their own ability and energy.

(*d*) *Agents who sell both life insurance and fire and casualty insurance*

At least one major insurance company contracts with its agents to solicit both life insurance and fire and casualty insurance. In other respects the company's relationship is similar to that in the three typical situations described above.

In terms of permanency of the relationship, integration, skill, investment, and opportunities for profit and loss, the situation of this agent does not differ because he solicits fire and casualty contracts as well as life-insurance contracts for his company. There is apparently considerably less control exercised by the ordinary fire and casualty insurance companies over agents who engage full time in the fire and casualty field than there is over agents who engage full time in the life-insurance field. It would probably require a subjective analysis of the attitude of both the company and its agents to determine whether a company which sells both life insurance and fire and casualty insurance treats the agents as though they were life-insurance salesmen or as though they were fire and casualty salesmen.

2. OUTSIDE SALESMEN IN THE MANUFACTURING AND WHOLESALE TRADE

The outside wholesale salesmen who are not treated as employees under the usual common-law rules are the city and traveling salesmen who sell at wholesale to retailers, operate off the company's premises, and are compensated on a commission basis. These salesmen are ordinarily assigned to specific territories, are required to sell merchandise at the price set by the company, and their relationship with the company may be terminated at short notice. The company reserves the right to accept or reject orders sent in by the salesmen. The company fills the salesmen's orders by shipping directly to the customers and billing the customers directly. The salesmen receive their compensation from the company. The salesmen are not controlled as to the details and means by which they cover their territories, but in the ordinary case they are expected to call on regular customers with a fair degree of regularity, and if their sales fail to meet the expectations of the company they may expect the relationship to be terminated. These salesmen may in some cases be required to make periodic reports to the company on their activities, and they may be required to attend sales meetings and to report at the company's offices periodically.

Salesmen of the type described above are subject to a considerable degree of control, although it may not be sufficient to meet the usual common-law rules. Permanency of the relationship is contemplated and in the ordinary case it may be assumed that they are closely integrated in the business of the company they serve. In some cases, however, it is possible that the salesmen are not integrated in the business of the company if the company sells primarily by mail or through its own retail outlets and merely supplements this principal activity by contracting with one or two wholesale salesmen. In such an instance the relationship of the salesman to the company might be exactly the same as the relationship of a salesman to a company which depended primarily on wholesale salesmen, but from the point of view of the company the integration of the salesman's work might be far less complete. A considerable degree of skill in the art of salesmanship is required of wholesale salesmen, which would tend to point to the conclusion that they are engaged in independently established businesses. The salesman is unlikely to have investment in the facilities for work, other than an automobile. The salesman has little opportunity for loss unless the overhead expenses on his automobile exceed his commissions. He has a considerable opportunity for profit in the short run, although the company may limit his opportunity for profit by reassigning territories, raising prices, or lowering commissions if the salesman's profits appear to be disproportionately high.

8. HOUSE-TO-HOUSE SALESMEN

(a) Commission salesmen

The typical house-to-house salesmen are compensated on a commission basis and are not subject to control as to the details and means by which they perform their work. They furnish their own transportation and operate off the premises of the companies for whom they sell. A large proportion of these salesmen do not engage in house-to-house selling as their principal means of livelihood. They may be housewives, retired persons, persons between jobs, or students. It is unusual for these salesmen to receive any part of their compensation from the companies for whom they sell. Ordinarily they receive the purchase price of the articles they sell from their customers, deduct their own commissions, and remit the balance to the company, or they may receive only a part payment from their customers which is equivalent to a commission. In the latter case they simply send the order to the company, and it is filled by c. o. d. shipment to the customer for the balance of the purchase price. In most instances these salesmen are not assigned exclusive territories and are not required to make reports to the companies on their activities. Typically, they may handle commodities for several different companies, including competing lines. A distinguishing characteristic of the usual house-to-house selling arrangement is that the companies are eager to add to their sales forces with little or no regard for the qualifications of the salesmen and do not ordinarily terminate their relations with salesmen because of failure to meet minimum sales quotas. Termination of the relationship is a voluntary act on the part of the salesmen and is accomplished without formal notice,

merely by failure to send in more orders. The turn-over among house-to-house salesmen for a company is usually high, and the average sales per salesman are typically quite low.

Under the proposed definition some house-to-house salesmen would be specifically exempt under an exception to the definition of employment. This exception is closely circumscribed and is applicable only to salesmen who meet the following conditions: (1) The salesman must work off the premises; (2) the salesman must receive his entire remuneration directly from his customers; (3) no provision may be made other than by correspondence for training the salesmen; and (4) no requirement may be imposed upon the salesmen with respect to: (*A*) his fitness; (*B*) his territory; (*C*) the amount of service to be performed; or (*D*) the selection or solicitation of customers. The terms of this exception would not be met if the salesman were given a training course regardless of its duration and regardless of whether or not it was voluntary. The terms of the exception would not be met if the salesman took orders for a company but failed to collect from the customers, receiving his commission from the company instead. The terms of the exception would not be met if the salesman were limited to a specific area even though this area was not his exclusive territory. It is doubtful if the terms of the exception would be met if the company imposed a minimum requirement on the salesman such as requiring that he be 18 or 21 years of age.

The implication of the specific exception from the definition of employment described above is that house-to-house salesmen in general come within the proposed definition of employee. Since such salesmen are clearly not subject to direction and control as to the manner and means of performing services, their inclusion within the definition of employee must be under paragraph (3). With respect to the factors listed in paragraph (3) house-to-house salesmen are usually subjected to little or no control, but it would probably be assumed that permanency was contemplated with respect to any one relationship of this type, in spite of the fact that the experience of companies in the direct selling field indicates that the average relationship of this type is highly impermanent. As a class house-to-house salesmen are, of course, highly integrated in the business of firms who depend upon house-to-house selling as their main outlet, but it is difficult to see how any individual house-to-house salesman can be considered as being closely integrated in the business of the company he serves since experience indicates that his selling activities are likely to be impermanent and casual. The skill required of individuals engaged in house-to-house selling is a matter of opinion. In some individual instances persons may make this their life work and become highly skilled at it, but it is likely that in most cases the house-to-house salesmen are not highly skilled. Investment of individuals in the work of house-to-house selling varies greatly. Some salesmen may invest in automobiles or trucks for their work and some may carry large stocks of goods. Others may work on foot and may be equipped only with a catalog and an order book. Since the companies ordinarily have no direct contact with their house-to-house salesmen, it is difficult to see how they could know the investments of their individual salesmen. The house-to-house salesmen as a general rule have little opportunity for

loss from this type of activity but their opportunity for profit is relatively great since they may work as hard as they like, utilize any selling methods they may devise, and sell for as many companies as they wish.

(*b*) *Dealer salesmen*

House-to-house dealer salesmen differ from house-to-house commission salesmen in one significant respect. The dealers buy their stocks of commodities and resell them to their own customers. In many respects they are similar to ordinary retail merchants but they sell house-to-house instead of selling at an established location. A typical dealer arrangement was described in both the 1948 Finance Committee hearings and the 1949 Ways and Means Committee hearings by a representative of the Fuller Brush Co. The Fuller Brush men are dealers who buy from the company at wholesale prices less recognized discounts and sell at their own retail prices. The company recommends resale prices (which are advertised nationally), but the company states that these prices are not binding on the dealers. When the dealers sell on credit the company does not assume their credit losses. The dealers are free to sell articles manufactured by other companies. The dealers are assigned exclusive territories under 1-year contracts which the dealers may terminate at 20 days' notice but which the company is not free to terminate. While these contracts are not assignable, the company's representative stated that some dealers operate their territories through their wives or other members of their families or through employees. The company makes selling suggestions to the dealers but states that these are optional. The company also states that it is optional with each dealer as to whether or not he attends the meetings which are held on salesmanship. The company maintains a system of district, field, and branch managers.

House-to-house dealers of the type described above would not meet the terms of the exception to the definition of employment since the companies make provisions for training these salesmen and assign them specific territories. Application of the six factors listed in paragraph (3) of the proposed definition to these house-to-house dealers indicates that they are subject to little control, permanency of the relationship is contemplated, they are closely integrated in the businesses whose commodities they sell, and the degree of skill in selling attained by these individuals varies widely. These salesmen-dealers may have a considerable investment in inventories but these inventories may have been obtained on credit from the companies whose commodities they sell. This raises an important question of interpretation with respect to the word "investment" in the proposed definition. It is not known whether or not assumption by a dealer of liability to pay for commodities which he has ordered on credit amounts to an investment in facilities for work within the meaning of the proposed definition. These dealers clearly have an opportunity for profit or loss in the same manner as ordinary storekeepers unless it should be held that the practice by companies of allowing dealers to turn back goods they are unable to sell removes the opportunity for loss.

4. AGENT-DRIVERS

Agent-drivers are commission salesmen who drive trucks on regular routes selling processed foods, laundry, milk, bakery products, beverages, etc. In some instances these drivers own their own delivery trucks although the trucks usually carry the name of the company for whom the drivers sell. Where the drivers own their own trucks it is typical for them to negotiate their purchase through the companies and pay for them by installments. While these drivers are not subjected to the same degree of control as salesmen who work on the premises, they operate on assigned routes and are normally required to cover their routes at regular intervals. In some instances the actual hour at which they are required to commence work in the morning is specified. The prices at which they sell are ordinarily set by the companies and they are not permitted to sell competing products. From testimony by representatives of groups of agent-drivers before the Ways and Means Committee it would appear that many of these drivers should be treated as employees under the usual common-law control test realistically applied. It is doubtful that application of the six factors listed in paragraph (3) of the proposed definition would greatly improve the opportunities of these drivers to be covered as employees. While permanent relationships are contemplated and the individuals are integrated in the businesses of the companies they serve, the degree of skill required for this type of work is probably controversial and the fact that these drivers may own their own trucks and are paid on a commission basis would tend to show that they were engaged in independently established businesses because of their investment and their opportunities for profit or loss.

5. REAL ESTATE SALESMEN ON A COMMISSION BASIS

Real estate salesmen on a commission basis do not ordinarily maintain a regular office routine and do most of their selling off the premises of the real estate brokers with whom they are affiliated. They pay their own sales expenses and buy their own brokers' licenses. Ordinary deposits on real estate sales are placed in an escrow account and the commission is divided between the broker and the salesman when the sale is closed. Since these salesmen are compensated entirely on the basis of the sales they produce, in many cases the brokers may be willing to continute the relationship without regard to any minimum performance by the salesman. Many of these salesmen work only part time.

Examination of the relationship of real estate salesmen in the light of the six factors listed in paragraph (3) of the proposed definition indicates that the degree of control exercised over them is relatively slight. Permanency is contemplated in their relationship although the activities within that relationship may be sporadic. Their integration in the business of real estate brokers may vary greatly in invididual instances depending on the extent to which the broker relies on commission salesmen for his sales. While some real estate salesmen are highly skilled, it cannot be said that skill is an important requirement for entering this type of work since many people act as real estate salesmen in periods between regular employment or perhaps merely to exploit a wide circle of acquaintances. Investment

of real estate salesmen in facilities for work is likely to be negligible unless the investment by the salesman in his own automobile is counted. These salesmen have little or no opportunity for loss but their opportunity for profit is great, since the returns on this type of work are highly variable.

6. ADVERTISING SOLICITORS

It is a frequent practice for small daily or weekly newspapers to contract with local citizens to solicit advertising, subscriptions, and job printing on a commission basis. These solicitors may devote only part of their time to this work and are not controlled as to the manner and means of their soliciting.

These advertising solicitors may be held to be employees under paragraph (3) of the proposed definition despite the fact that they are subject to little or no control. Although the services may be intermittent and part time, permanency of the relationship is contemplated. In cases where most of the newspaper's advertising or subscriptions are through part-time solicitors on a commission basis, these solicitors would be closely integrated in the business of the newspapers. Little or no skill is required for this type of work, and it is unlikely that the solicitors have any investment in facilities for this work. These solicitors would have virtually no opportunity for loss, and in cases where soliciting advertising or subscription was a minor activity on their part they would have little opportunity for profit.

7. TAXICAB DRIVERS

(*a*) *Drivers of leased cabs*

Drivers of leased cabs ordinarily operate on a day-to-day basis, renting cabs from a cab company for specified amounts per day. They are compensated by the difference between the rental they pay the company and the amount they take in during the day in cab fares. In general they are free to pick up fares where they choose, although they may utilize the cab stands and call boxes furnished by the company. Cabs are operated under the company's name. The drivers may be required to observe printed rules issued by the company.

Under the usual common-law rules the question of whether or not lessee cabdrivers are employees would be resolved on the basis of the degree of control exercised by the company over the drivers. In *Jones* v. *Goodson* (121 F. 2d 176 (1941)), lessee cabdrivers were held to be employees because the company in that case exercised a substantial degree of control over the lessee drivers. A sufficient degree of control to meet the usual common-law test was not found in two later cases involving lessee drivers. These cases were *Magruder* v. *Yellow Cab Co.* (141 F. 2d 324 (1944)); *United States* v. *Davis* (154 F. 2d 314 (1946)) and *Party Cab Co.* v. *United States* (172 F. 2d 87 (1948)).

Representatives of the Federal Security Agency and the Treasury have stated that all or virtually all lessee cab drivers would be treated as employees under their interpretation of the economic dependency test enunciated by the Supreme Court. The degree of control over lessee cab drivers may vary from company to company depending upon the company's system of operation and the circumstances in the area

in which it operates. Cabs are ordinarily rented on a day-to-day basis, and it is unlikely that there is any obligation on the part of the company to continue the rental arrangement from one day to the next or on the part of any individual driver to continue paying rent for a cab. However, there is a possibility that permanency of the relationship might be presumed from the mere fact that a driver did consistently rent cabs from one company day after day. While the relationship between lessee cab drivers and the company from whom they rent cabs may not be considered a service relationship, it is clear that the rental of cabs to drivers is closely integrated in the business of such a cab company—in fact it is the essence of such a business. The question of whether skill is required to drive a cab is debatable but an indication of the attitude of the courts on this point can be found in the district court's decision in the Party Cab Co. case where the court stated that "the only skill they are required to exercise is that of any person who drives a car in the congested traffic of a large city." By definition lessee cab drivers do not have an investment in the cabs they drive. They do, however, have an opportunity for loss in the event that their receipts from customers fail to equal the rental they pay. This is a relatively limited opportunity for loss, however, since the drivers are free to discontinue their rental arrangements whenever the rentals begin to exceed the fares they are likely to take in. Opportunities for profit through operating leased cabs are limited by the rate schedules established in the areas in which they operate. Ordinarily such rate schedules are established by public authorities and not by the companies from whom the cabs are leased.

Apparently the assertion by the Treasury and Federal Security Agency representatives that lessee cab drivers would be treated as employees under the Supreme Court test (and presumably also under par. (3) of the proposed definition) is based primarily on the absence of investment by the drivers. Failure of the six factors listed in paragraph (3) to cover all of the points pertinent for determination of employee or independent contractor status is high lighted in the case of lessee cab drivers. One of the most significant factors in the relationship between the owner of a taxicab and the driver who leases it for a fixed amount per day is the fact that the owner of the cab has no effective means of determining the amount of fares collected during the day by the driver unless the cab is equipped with a meter and the driver is unable to tamper with the meter. This difficulty is illustrated by the situation in the District of Columbia where metered cabs are not used. The Yellow Cab Co. case, supra, involved District of Columbia cabs. With respect to this situation the district court stated (49 F. Supp. 611):

> It appears that the Commissioner in effect required the taxpayer to pay the tax on the more or less arbitrary assumption that the driver's wages were at $3 per day; but there is no evidence to show that this was in fact the actual amount of the net earnings of the drivers which obviously must have varied greatly from day to day.

(*b*) *Owner-operators of cabs operating under company contracts*

A fairly typical situation in the taxicab business is for the owner-operator of a taxicab to affiliate himself with the taxicab company so that he may utilize the company's cab stands, call boxes, two-way radios, or other facilities. In such a situation the owner may paint his cab with the company's name and pay the company a fixed amount

per month for these privileges. He may obligate himself to answer specific calls for the company.

There has never been any attempt to treat owner-operators of cabs as employees under the usual common-law rules. However, there is a possibility that paragraph (2) of the proposed definition, by basing the existence of the employee relationship exclusively on control without regard to other factors in the relationship, may result in applying the control test to situations beyond the scope of the usual common-law definition of employee with the result that owner-operators of taxicabs may be treated as employees because of their contractual obligations to maintain certain standards or to fulfill certain orders for the company with which they are affiliated. There is also a possibility that the owner-operators of taxicabs who are affiliated with taxicab companies may be treated as employees under paragraph (3) of the proposed definition in spite of the investment by these drivers in the facilities for their work and their opportunities for profit or loss. Such a conclusion would be possible if the administrators or the courts should emphasize the minor degree of control exercised over these drivers, the permanency of their relationship with the companies, their integration in the business of the company, and the lack of skill required to drive a cab.

8. OWNER-OPERATORS OF LEASED TRUCKS

(a) "Itinerant" truckers

The itinerant-type truckers are those who rent their trucks and their own services as drivers on a job-to-job basis to a number of different companies. They bargain over the price of each load they haul and are typically subject to little control as to the manner and means by which they carry out their work.

These owner-operators of trucks are clearly not employees under the usual common-law rules. It is unlikely that these truckers would be employees under paragraph (3) of the proposed definition since there is no permanency of relationship between them and the companies for whom they haul and since the truckers have substantial investments in the facilities for their work, with consequent opportunities for profit or loss. There is a possibility that these truckers might be considered employees under paragraph (2) of the proposed definition in some individual instances where they are controlled to a considerable extent in the performance of their work, since paragraph (2) is specifically limited to the control element without regard to its relationship to other elements.

(b) "Permanent" type

The "permanent" type of owner-operator truckers are truckers who regularly hire themselves and their trucks to a single company. In some instances their wages are set by union contract. They are paid for the use of their trucks on a mileage basis or on the basis of so much per load hauled. These truckers are subject to varying degrees of control. They may be closely controlled as to the details and means of performance of their work. Two typical examples of the "permanent" type of owner-operator truckers were described by the Supreme Court

in the Silk and Greyvan cases. In the Silk case the Court described the truckers as follows:

Respondent owns no trucks himself but contracts with workers who own their own trucks to deliver coal at a uniform price per ton. This is paid to the trucker by the respondent out of the price he receives for the coal from the customer. When an order for coal is taken in the company office, a bell is rung which rings in the building used by the truckers. The truckers have voluntarily adopted a call list upon which their names come up in turn, and the top man on the list has an opportunity to deliver the coal ordered. The truckers are not instructed how to do their jobs, but are merely given a ticket telling them where the coal is to be delivered and whether the charge is to be collected or not. Any damage caused by them is paid for by the company. The district court found that the truckers could and often did refuse to make a delivery without penalty. Further, the court found that truckers may come and go as they please and frequently did leave the premises without permission. They may and did haul for others when they pleased. They pay all the expenses of operating their trucks, and furnish extra help necessary to the delivery of the coal and all equipment except the yard storage bins. No record is kept of their time. They are paid after each trip, at the end of the day or at the end of the week, as they request.

A somewhat different set of conditions were described in the Greyvan case:

The respondent operates its trucking business under a permit issued by the Interstate Commerce Commission under the "grandfather" clause of the Motor Carrier Act (32 M. C. C. 719, 723). It operates throughout 38 States and parts of Canada, carrying largely household furniture. While its principal office is in Chicago, it maintains agencies to solicit business in many of the larger cities of the areas it serves, from which it contracts to move goods. As early as 1930, before the passage of the Social Security Act, the respondent adopted the system of relations with the truckmen here concerned, which gives rise to the present issue. The system was based on contracts with the truckmen under which the truckmen were required to haul exclusively for the respondent and to furnish their own trucks and all equipment and labor necessary to pick up, handle, and deliver shipments, to pay all expenses of operation, to furnish all fire, theft, and collision insurance which the respondent might specify, to pay for all loss or damage to shipments and to indemnify the company for any loss caused it by the acts of the truckmen, their servants and employees, to paint the designation "Greyvan Lines" on their trucks, to collect all money due the company from shippers or consignees, and to turn in such moneys at the office to which they report after delivering a shipment, to post bonds with the company in the amount of $1,000 and cash deposits of $250 pending final settlement of accounts, to personally drive their trucks at all times or be present on the truck when a competent relief driver was driving (except in emergencies, when a substitute might be employed with the approval of the company), and to follow all rules, regulations, and instructions of the company. All contracts or bills of lading for the shipment of goods were to be between the respondent and the shipper. The company's instructions covered directions to the truckmen as to where and when to load freight. If freight was tendered the truckmen, they were under obligation to notify the company so that it could complete the contract for shipment in its own name. As remuneration, the truckmen were to receive from the company a percentage of the tariff charged by the company varying between 50 and 52 percent and a bonus up to 3 percent for satisfactory performance of the service. The contract was terminable at any time by either party. These truckmen were required to take a short course of instruction in the company's methods of doing business before carrying out their contractual obligations to haul. The company maintained a staff of dispatchers who issued orders for the truckmen's movements, although not the routes to be used, and to which the truckmen, at intervals, reported their positions. Cargo insurance was carried by the company. All permits, certificates, and franchises "necessary to the operation of the vehicle in the service of the company as a motor carrier under any Federal or State law" were to be obtained at the company's expense.

In both the Silk case and the Greyvan case the district court and the circuit court of appeals thought the truckers were independent contractors under the common-law rules. The Supreme Court held them to be independent contractors under its economic dependency

test. Presumably, therefore, these truckers would not be employees under an application of the six factors in paragraph (3), although the factors of control (in some degree), permanency of the relationship, and integration would point toward employee status under paragraph (3). As was explained in the general discussion of the proposed definition, the exact scope of paragraph (2) of the definition is unknown since it isolates the factor of control from the other circumstances of the relationship which have ordinarily been considered by the courts under the usual common-law rules. In spite of the decisions holding truckers of the type described above to be independent contractors both under the common-law rules and the Supreme Court economic dependency test, there is a strong possibility that paragraph (2) of the proposed definition would have the effect of making these truckers employees.

The status of owner-operators of trucks for purposes of old-age and survivors' insurance taxes is further complicated by the problem of liability for the tax on the transportation of property. In the past there have been instances where the Bureau has attempted to hold persons liable for pay-roll taxes on the grounds that owner-operators of trucks were their employees, while at the same time maintaining that the tax on the transportation of property should be paid because the truckers were independent contractors. It is understood that these difficulties have been resolved, but any change in the scope of the definition of employee to include owner-operators of trucks might result in the recurrence of this problem unless section 3475 of the code (relating to the tax on the transportation of property) is also amended.

9. CONTRACT LOGGERS

A wide variety of contract relationships have been developed between loggers and lumber companies. In some instances the loggers merely cut timber. In other cases they both cut timber and haul it to designated points. In stating that half of the contract loggers who are now treated as independent contractors would come within the economic dependency test of employees, Mr. Harold Packer, assistant general counsel of the Federal Security Agency stated:

> Most of these people are individuals who are sent out into the forest to fell trees and are given special specifications as to the type of log to cut. The reason that they are excluded from the usual common-law test is that no one stands there to tell them how to wield the ax or how to handle the saw. They have nothing other than their own tools of work. They have no investment. These forest or timber lands belong to the company for which they work and under the Supreme Court at least half of them would be included.

A type of contract logger which differs considerably from the type described by Mr. Packer and which the Treasury has in the past attempted to treat as employees is the type involved in the case of *Crossett Lumber Co.* v. *United States* (79 F. Supp. 70, District Court, W. D. Ark. (July 31, 1948)). In this case the lumber company contracted with 40 or 50 contract loggers to cut and haul trees on 40-acre tracts belonging to the company. The trees to be cut were marked by the lumber company. Between them the contract loggers hired from 500 to 600 men and each had a minimum investment of from $2,000 to $3,000. The contract loggers hired and fired their own employees and fixed their own hours of work. They were compensated on the basis of so much per thousand board feet and so much per cord

for pulp wood. Company supervisors made periodic inspections to ascertain whether contract loggers and their employees were following the company's selective timber-cutting practices. Contracts were terminable on 3 days' notice. The contract loggers were required to present their books and records for inspection to the company upon request. Under these facts the district court held that contract loggers were not employees under the usual common-law rules.

Another type of contract logging arrangement is one in which the company gives the contract loggers weekly orders for so many cords of pulp wood to be delivered at specified railroad sidings. In some instances the contract loggers are free to make their own arrangements for obtaining the wood. In other instances the contract loggers buy stumpage from the company, cut the timber and deliver it to the company and are paid for the amount delivered after a deduction of the price of the stumpage purchased from the company. These logger contractors carry on operations of varying sizes but in all instances they own their own equipment including trucks, teams, and saws.

The application of both paragraph (2) and paragraph (3) of the proposed definition to contract loggers is extremely uncertain. It is possible that the control test stated in paragraph (2) would be interpreted as requiring contract loggers to be treated as employees because of the control exercised over them through specifications as to the timber to be cut and delivered regardless of the other factors of the relationship such as the fact that they are free to hire and fire their own employees. Paragraph (3) is also ambiguous as applied to contract loggers since they are subject to some degree of control and their relationship with the lumber company may be a relatively permanent one, even though they are free at any time to take their equipment and contract with some other company. These contract loggers are often closely integrated in the business of the lumber companies they serve. It is not unusual for a lumber company to be entirely dependent on contract loggers for its supply of timber. On the other hand contract logging probably requires a considerable degree of skill, the loggers may have a considerable investment in the facilities for their work, and they have a considerable opportunity for profit or loss through their operations.

10. MINING LESSEES

Mining lessees are miners who lease specific areas in mines and conduct their own mining operations without supervision. Typically they give the mine owner a percentage of the return from their operations as consideration for the leases. A mining lessee usually selects partners who carry out the mining operations with him. Occasionally he may employ men by the day. The mining leases ordinarily provide that the lessee is to follow "good mining practices" and his operations are subject to supervision by the mine owner to see that good mining practices are followed and to see that safety regulations are complied with. The mine owner supplies the lessee with ventilation, tracks for dump cars, and other services. The mining lessees may provide their own tools, possibly representing a considerable investment. Mining lessees may be required to deliver their ore to the mine owner according to a specified schedule.

Mining lessees have been held to be independent contractors in the past and presumably would not be treated as employees under the control test set out in paragraph (2) of the proposed definition. It cannot be said with certainty whether the status of mining lessees would be affected by paragraph (3) of the proposed definition. While some degree of control is exercised over the lessees and there is permanency in the relationship, their work is not ordinarily closely integrated in the business of the mine owners. It appears that ordinarily contracts are made with mining lessees merely to work the more distant parts of the mines where closely supervised work in accordance with the usual practices would not be efficient. To a considerable extent, therefore, mining lessee arrangements are entered into by the mines primarily because the work done by these lessees cannot be integrated with the regular mining operations. Mining operations carried out without supervision undoubtedly require a high degree of skill which would tend to point toward an independently established trade, and mining lessees may have a considerable investment in the facilities for their work. They undoubtedly have opportunities for profit or loss. While four of the six factors listed in paragraph (3) of the proposed definition tend to indicate that mining lessees are engaged in independently established trades and one of the two remaining factors (degree of control) is too small to be effective under the usual common-law rules, Mr. Packer, assistant general counsel of the Federal Security Agency, has stated:

> I would say, sir, of the mining lessees all 10,000 would be included as employees under the economic reality test in the Supreme Court decision. Those 10,000 would all be excluded in an application of the common-law rule.

11. INDUSTRIAL HOME WORKERS

Industrial home workers have been described by Mr. Packer as "people who make arrangements with concerns who manufacture quilts, various knitted goods, who call at the company periodically, receive instruction as to how to knit the goods and prepare the finished article, and bring it back to the company. There it is examined and inspected and they are paid by the number of articles accepted by the company." A somewhat similar type of industrial home worker was described in a communication to the Senate Finance Committee in connection with its hearings on House Joint Resolution 296 last year. This industrial home work was the insertion of drawstrings and the tagging of small cotton tobacco bags. It was stated that these bags were delivered to cooperatives who gave the bags to home workers. The home workers were paid so much per thousand for bags which were strung and tagged.

It appears likely that a preponderance of the factors listed in paragraph (3) of the proposed definition would point toward the existence of an employee relationship for industrial home workers, in spite of the fact that little control is exercised over these workers and the relationship may be sporadic and without permanency in many instances. The degree of skill required for industrial home work probably varies widely with the type of work. The extent to which industrial home workers are integrated in the business of the companies to which they render service is something which would have to be determined in each individual instance, depending on the extent to which the companies

rely on industrial home workers. In the ordinary types of industrial home work the workers have little investment in the facilities for work and little or no opportunities for profit or loss.

12. COUNTRY NEWSPAPER CORRESPONDENTS

It has been estimated that there are approximately 250,000 country newspaper correspondents in the United States. These are casual writers who contribute local news items principally to small town newspapers. They may also act as advertising and subscription solicitors in their districts. They are paid on the basis of the extent to which their news items are used, and this compensation is not ordinarily their principal source of income. Newspaper editors are free to accept or reject material submitted by these correspondents.

It is quite possible that the six factors listed in paragraph (3) of the proposed definition, if applied to country newspaper correspondents, would result in their being treated as employees of the newspapers to whom they sell news items. While no control is ordinarily exercised over the manner in which they gather news, it might be argued that they are controlled through the power of the editor to accept or reject the items which they submit. Their relationship with the newspapers is ordinarily a permanent one even though it is sporadic and seldom full time. It may be argued that they are integrated in the work of the newspapers they serve since local news comprises a vital portion of a newspaper's services. Little skill is required for this type of work and, in most instances, no investment at all. The correspondents have little opportunity for profit or loss. Therefore, all of the factors listed in paragraph (3) point, to at least some extent, toward the existence of an employee relationship within the meaning of the paragraph, in spite of the fact that the work as a country newspaper correspondent is almost invariably a sporadic part-time activity with only a minor effect on the economic condition of the individuals involved.

13. MERCHANT POLICE

It is a fairly common practice for an individual to contract with a group of merchants or other businesses to furnish them with night watchman or night patrol services for a stated amount per month. Such a person may contract individually with 10 or 20 businessmen to patrol their buildings at night, checking against burglary, vandalism, and fire. The merchant policemen or night watchmen ordinarily undertake to inspect each building at stated intervals during the night. In some instances merchant police services may develop into a fairly large-scale business, with the contractor hiring several employees and furnishing them with uniforms and possibly patrol cars.

While it is not contemplated that merchant policemen will be subject to regular supervision in the course of their work, it is typical for their arrangements with the businessmen they serve to set out in fairly specific detail the services they are to perform. This might be inferred as being an exercise of some degree of control over the merchant policemen. Since these arrangements are ordinarily entered into on a monthly basis and are continued until terminated, they are undoubtedly permanent within the meaning of the second factor

listed in paragraph (3) of the proposed definition. This type of work is not integrated in the business of the persons served by it since it is a purely incidental service function. However, little skill is required for this work and little or no investment is required unless the service is performed by a fairly large-scale merchant police organization. An individual who contracts his personal services as a merchant policeman has no opportunity for profit or loss. Therefore, all of the factors listed in paragraph (3), with the exception of integration, point, at least to some extent, toward the existence of employee status, in spite of the fact that holding a merchant policeman to be an employee would result in his having a large number of employers.

14. MISCELLANEOUS

The proposed definition may result in defining employer-employee status to include a wide range of service relationships, in addition to those listed above, which have heretofore been considered independent contractor relationships. Among these are the following:

(*a*) *Free-lance artists who sell their work to newspapers and magazines*

While these artists are subject to no control over the performance of their work and often select their own projects, they might be considered employees if they sell the products of their work fairly consistently to the same publication or publications, since they have little investment in the facilities for work and may have only slight opportunities for profit or loss.

(*b*) *Bulk oil plant operators*

Wholesale distributors of oil products may have quite extensive investments and may hire numerous employees, but they are subject to some regulation by the oil companies whose products they distribute. There is permanency in their relationship with the oil companies, and they are closely integrated in the business of the oil companies, since they perform the integral function of serving as outlets for oil company products.

(*c*) *Gas station operators*

Gas station operators who lease their stations from oil companies or distributors may have only limited investments in their facilities, and permanency is contemplated in their relationship with the oil companies or distributors. Furthermore, retail outlets are integral to the production, distribution, and sale of oil products and a relatively slight degree of skill is required for this work. Consequently, although the degree of control exercised over gas-station operators may be slight and although they may have considerable opportunities for profit or loss, they might be treated as employees under paragraph (3) of the proposed definition.

APPENDIX B

The following draft, in lieu of paragraph (3) of the definition in the committee print, indicates, in our opinion, a proper approach to extension of the definition of employee beyond the usual common-law rule. This draft would include as employees the bulk of the individuals which the Federal Security Agency has indicated would be

covered under the economic-dependency test. The committee could, of course, eliminate from or add to the categories covered by this definition, depending on whether they desire broader or narrower coverage.

(d) The term "employee" means—

* * * * * * *

(3) any individual (other than an individual who is an employee under paragraphs (1) or (2) of this subsection), who performs services for remuneration for any person—

(A) as an outside salesman in the manufacturing or wholesale trade;

(B) as a full-time life insurance salesman;

(C) as a driver-lessee of a taxicab;

(D) as a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;

(E) as a contract-logger;

(F) as a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

(G) as a house-to-house salesman if under the contract of services or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person—

if the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally by such individual, except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

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[COMMITTEE PRINT]

SUMMARY OF PRINCIPAL CHANGES IN THE SOCIAL SECURITY ACT

UNDER

H. R. 6000

AUGUST 29, 1949

Prepared for the use of the Committee on Ways and Means
by its staff

UNITED STATES

95816

WASHINGTON : 1949

COMPARISON OF PRINCIPAL CHANGES IN THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM UNDER H. R. 6000 WITH EXISTING PROGRAM

(NOTE.—All changes effective on January 1, 1950, unless otherwise noted)

EXISTING LAW	CHANGES IN H. R. 6000
(1) BENEFITS PAYABLE TO—	
(*a*) Insured worker, age 65 or over.	No change.
(*b*) Wife, age 65 or over, of insured worker.	No change in age requirement. No age requirement if children under 18 are present.
(*c*) Widow, age 65 or over, of insured worker.	No change.
(*d*) Children under 18 of retired worker and children of deceased worker, and in latter case widows regardless of age.	Certain dependency and relationship requirements liberalized, especially in regard to dependency on married insured women.
(*e*) Dependent parents, age 65 or over, of deceased worker if no surviving widow or child who could have received benefits.	No change.
(*f*) Lump-sum death payment where no monthly benefits immediately payable.	Lump-sum for all insured deaths.
(2) INSURED STATUS	
(*a*) Based on "quarters of coverage," namely calendar quarters with $50 or more of wages.	After 1949, $100 of wages and $200 of self-employment income required for quarter of coverage. Special provision for converting annual self-employment income into quarters of coverage.
(*b*) Fully insured (eligible for all benefits) requires one quarter of coverage for each two quarters after 1936 and before age 65 (or death if earlier). In no case more than 40 quarters of coverage required.	Alternative requirement provided; namely, 20 quarters of coverage out of 40 quarters preceding death, or age 65 or any later date.
(*c*) Currently insured (eligible only for child, widowed mother, and lump-sum survivor benefits) requires 6 quarters of coverage out of 13 quarters preceding death.	No change.
(3) WORKER'S MONTHLY OLD-AGE BENEFIT (CALLED "PRIMARY BENEFIT")	
(*a*) Average monthly wage based on period from 1937 to age 65 (or death if earlier) regardless of whether in covered employment in all such years.	Average monthly wage based on average over years of coverage (after either 1936 or 1949, whichever is higher). A year of coverage is a calendar year in which $400 is credited ($200 prior to 1950).
(*b*) Monthly amount is 40 percent of first $50 of average wage plus 10 percent of next $200, all increased by 1 percent for each year of coverage.	Monthly amount is 50 percent of first $100 of average wage plus 10 percent of next $200, increased by ½ percent for each year of coverage, and unless in

EXISTING LAW	CHANGES IN H. R. 6000
	covered employment in entire period reduced by percentage of time out of covered employment since 1936 or 1949, whichever gives smaller reduction. Benefits of present beneficiaries increased by table which gives effect to new benefit formula and new average wage concept; on the average, benefits will be increased by 70 percent, with somewhat greater relative increases for those receiving smallest amounts, as indicated by following table for certain illustrative cases:

Present primary insurance benefit	*New primary insurance amount*
$10	$25
15	31
20	36
25	44
30	51
35	55
40	60
45	64

(*c*) Minimum primary benefit, $10.	$25.
(*d*) Maximum family benefit, $85 or 80 percent of average wage or twice the primary benefit, whichever is less.	$150, or 80 percent of average wage if less.

(*e*) Illustrative primary benefits for 10 years of coverage, no period of noncoverage:

Level monthly wage	Present monthly benefit	Proposed monthly benefit
$100	$27.50	$52.50
$150	33.00	57.80
$200	38.50	63.00
$250	44.00	68.30
$300	44.00	73.50

(*f*) Illustrative primary benefits for 40 years of coverage, no periods of noncoverage.

Level monthly wage	Present monthly benefit	Proposed monthly benefit
$100	$35.00	$60.00
$150	42.00	66.00
$200	49.00	72.00
$250	56.00	78.00
$300	56.00	84.00

(*g*) Illustrative primary benefits for 5 years of coverage, 5 years of noncoverage, all after 1936 (or alternatively for H. R. 6000, all after 1949):

Level monthly wage while working	Present monthly benefit	Proposed monthly benefit
$100	$21.00	$26.30
$150	23.63	28.90
$200	26.25	31.50
$250	28.88	34.20
$300	31.50	36.80

(*h*) Illustrative primary benefits for 20 years of coverage, 20 years of noncoverage all after 1949 (or alternatively all after 1936):

Level monthly wage while working	Present monthly benefit	Proposed monthly benefit
$100	$24.00	$30.00
$150	27.00	33.00
$200	30.00	36.00
$250	33.00	39.00
$300	33.00	42.00

(*i*) Illustrative primary benefits for 10 years of coverage, 30 years of noncoverage, all after 1949 (or alternatively all after 1936):

Level monthly wage while working	Present monthly benefit	Proposed monthly benefit
$100	$11.00	$25.00
$150	16.50	25.00
$200	22.00	25.00
$250	23.38	25.00
$300	23.38	25.00

(4) BENEFIT AMOUNTS OF DEPENDENTS AND SURVIVORS RELATIVE TO WORKER'S MONTHLY PRIMARY BENEFIT

EXISTING LAW	CHANGES IN H. R. 6000
(*a*) Wife, one-half of primary.	No change.
(*b*) Widow, three-quarters of primary.	No change.
(*c*) Child, one-half of primary.	No change, except for deceased worker family, first child gets three-quarters of primary.
(*d*) Parent, one-half of primary.	Three-quarters of primary.
(*e*) Lump sum at death, six times primary benefit.	Three times primary benefit.

(*f*) Illustrative monthly benefits for retired workers:

[All figures rounded to nearest dollar]

Average monthly wage	Present law		H. R. 6000	
	Single	Married [1]	Single	Married [1]
	Insured worker covered for 5 years			
$50	$21	$32	$26	$38
$100	26	39	51	77
$150	32	47	56	85
$200	37	55	62	92
$250	42	63	67	100
$300	(2)	(2)	72	108
	Insured worker covered for 10 years			
$50	$22	$33	$26	$39
$100	28	41	52	79
$150	33	50	58	87
$200	38	58	63	94
$250	44	66	68	102
$300	(2)	(2)	74	110
	Insured worker covered for 20 years			
$50	$24	$36	$28	$40
$100	30	45	55	80
$150	36	54	60	91
$200	42	63	66	99
$250	48	72	72	107
$300	(2)	(2)	77	116

See footnotes at end of table, p. 4.

[All figures rounded to nearest dollar]

Average monthly wage	Present law		H. R. 6000	
	Single	Married [1]	Single	Married [1]
	Insured worker covered for 40 years			
$50	$28	$40	$30	$40
$100	35	52	60	80
$150	42	63	66	99
$200	49	74	72	108
$250	56	84	78	117
$300	[2]	[2]	84	126

[1] With wife 65 or over.
[2] Present law includes wages only up to $250 per month.

NOTE.—"Average wage" is computed differently under the two plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1949 (or after 1936 as the case may be).

(*g*) Illustrative monthly benefits for survivors of insured workers:

[All figures rounded to nearest dollar]

Average monthly wage	Aged widow [1]		Aged parent [1] or 1 child alone		Widow and 1 child		Widow and 2 children		Widow and 3 children	
	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000
	Insured worker covered for 5 years									
$50	$16	$19	$10	$19	$26	$38	$37	$40	$40	$40
$100	20	38	13	38	33	77	46	80	52	80
$150	24	42	16	42	39	85	55	113	63	120
$200	28	46	18	46	46	92	64	123	74	150
$250	32	50	21	50	52	100	74	133	84	150
$300	[2]	54	[2]	54	[2]	108	[2]	144	[2]	150
	Insured worker covered for 10 years									
$50	$16	$20	$11	$20	$28	$39	$38	$40	$40	$40
$100	21	39	14	39	34	79	48	80	55	80
$150	25	43	16	43	41	87	58	116	66	120
$200	29	47	19	47	48	94	67	126	77	150
$250	33	51	22	51	55	102	77	137	85	150
$300	[2]	55	[2]	55	[2]	110	[2]	147	[2]	150
	Insured worker covered for 20 years									
$50	$18	$21	$12	$21	$30	$40	$40	$40	$40	$40
$100	22	41	15	41	38	80	52	80	60	80
$150	27	45	18	45	45	91	63	120	72	120
$200	32	50	21	50	52	99	74	132	84	150
$250	36	54	24	54	60	107	84	143	85	150
$300	[2]	58	[2]	58	[2]	116	[2]	150	[2]	150
	Insured worker covered for 40 years									
$50	$21	$22	$14	$22	$35	$40	$40	$40	$40	$40
$100	26	45	18	45	44	80	61	80	70	80
$150	32	50	21	50	52	99	74	120	84	120
$200	37	54	24	54	61	108	85	144	85	150
$250	42	58	28	58	70	117	85	150	85	150
$300	[2]	63	[2]	63	[2]	126	[2]	150	[2]	150

[1] Age 65 or over.
[2] Present law includes wages only up to $250 per month.

NOTE.—"Average wage" is computed differently under the two plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1949 (or after 1936 as the case may be).

(5) AMOUNT OF EMPLOYMENT PERMITTED BENEFICIARY FOR BENEFIT RECEIPT (WORK CLAUSE)

EXISTING LAW	CHANGES IN H. R. 6000
No benefits paid for month in which $15 or more earned in covered employment.	Same except $15 limit is increased to $50 and no limitation at all after age 75.

(6) COVERED EMPLOYMENT

All except self-employment and employment in Federal and State Governments, railroads, nonprofit (charitable, educational, and religious), agriculture, and domestic service. Employment covered only in the 48 States, District of Columbia, Alaska, and Hawaii, and on American ships outside the United States.	All except employment on railroads, farms (including self-employment), casual domestic work, military or naval service, certain professional self-employed, and in Federal civilian service where covered by retirement system or in very temporary or casual employment. State employment included on elective basis by the State, except where retirement system exists, employees and beneficiaries must elect by two-thirds majority in referendum to be covered. Employment in Puerto Rico and the Virgin Islands included, and also all employment of Americans outside the United States by an American employer. Coverage extended to salesmen, and certain other employees, who were deprived of coverage as employees by Public Law 642, Eightieth Congress.

(7) PERMANENT AND TOTAL DISABILITY BENEFITS

None.	For worker both currently insured and having 20 quarters of coverage out of last 10 years. Amount of primary benefit determined as for retired worker. No benefit for dependents of disabled worker. Benefits begin in January 1951.

(8) WAGE CREDITS FOR WORLD WAR II SERVICE

None.	World War II veterans (including those who died in service) given wage credits of $160 for each month of military service in World War II.

(9) MAXIMUM ANNUAL WAGE AND SELF-EMPLOYMENT INCOME FOR TAX AND BENEFIT PURPOSES

$3,000.	$3,600 after 1949.

(10) TAX (OR CONTRIBUTION) RATES

One percent on employer and 1 percent on employee through 1949, 1½ percent for 1950–51, and 2 percent thereafter.	One and one-half percent on employer and 1½ percent on employee for 1950, 2 percent for 1951–59, 2½ percent for 1960–64, 3 percent for 1965–69, and 3½ percent thereafter, except— (*a*) For self-employed, one and one-half times rates for employees. Self-employment income would be, in general, income from trade or business; (*b*) For nonprofit employment, no tax is imposed on employer who can pay it voluntarily. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages.

COMPARISON OF PRINCIPAL CHANGES IN STATE-FEDERAL PUBLIC ASSISTANCE AND CHILD WELFARE SERVICE PROGRAMS UNDER H. R. 6000, WITH EXISTING PROGRAMS

(NOTE.—All changes effective October 1, 1949, unless otherwise noted)

I. GROUPS ELIGIBLE FOR AID

EXISTING LAW	CHANGES IN H. R. 6000
Three categories defined for assistance purposes as needy persons—(1) 65 years of age and over, (2) blind, and (3) children under 16 years of age and children 16 to 18 years of age, if they are regularly attending school.	Fourth category provided for permanently and totally disabled individuals who are in need. In aid to dependent children the mother or other relative with whom a dependent child is living is included as a recipient for Federal matching purposes.

II. FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES

Federal share for old-age assistance and aid to blind is three-fourths of first $20 of a State's average monthly payment plus one-half of the remainder within individual maximums of $50; for aid to dependent children, three-fourths of the first $12 of the average monthly payment per child, plus one-half the remainder within individual maximums of $27 for the first child and $18 for each additional child in a family. Administrative costs shared 50 percent by Federal Government and 50 percent by States.	Federal share for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is four-fifths of the first $25 of a State's average monthly payment, plus one-half of the next $10, plus one-third of the remainder within individual maximums of $50; for aid to dependent children, four-fifths of the first $15 of the average monthly payment per recipient, plus one-half of the next $6, plus one-third of the next $6 within individual maximums of $27 for the relative with whom the children are living, $27 for the first child, and $18 for each additional child in a family. (See tables below for illustrations of the effect of these changes.) Administrative costs shared 50 percent by Federal Government and 50 percent by States for all categories.

Old-age assistance and aid to the blind: Amount and percent of Federal funds in average monthly payments of specified size under present law and under H. R. 6000

Average monthly payment [1]	Present law		H. R. 6000 [2]	
	Federal funds	Percent of total	Federal funds	Percent of total
$20	$15.00	75	$16.00	80
$25	17.50	70	20.00	80
$30	20.00	67	22.50	75
$35	22.50	64	25.00	71
$40	25.00	62	26.67	67
$45	27.50	61	28.33	63
$50	30.00	60	30.00	60
$60	30.00	50	30.00	50
$70	30.00	43	30.00	43

[1] Average for Federal matching purposes includes all payments of $50 or less, and in the case of larger payments only the first $50.

[2] Also applies to permanently and totally disabled.

Old-age assistance and aid to the blind: Amount to which average monthly payments of specified size under present provisions could be increased under H. R. 6000, assuming the same average expenditure per recipient from State and local funds

Present law			H. R. 6000 [2]			
Average monthly payments [1]	Federal funds	State and local funds	Average monthly payments [1]	Federal funds	State and local funds	Increase in Federal funds
$20	$15.00	$5.00	$25.00	$20.00	$5.00	$5.00
$25	17.50	7.50	30.00	22.50	7.50	5.00
$30	20.00	10.00	35.00	25.00	10.00	5.00
$35	22.50	12.50	38.75	26.25	12.50	3.75
$40	25.00	15.00	42.50	27.50	15.00	2.50
$45	27.50	17.50	46.25	28.75	17.50	1.25
$50	30.00	20.00	50.00	30.00	20.00	----------
$60	30.00	30.00	60.00	30.00	30.00	----------
$70	30.00	40.00	70.00	30.00	40.00	----------

[1] Average for Federal matching purposes includes all payments of $50 or less, and in the case of larger payments only the first $50.
[2] Also applies to permanently and totally disabled.

Aid to dependent children: Amount and percent of Federal funds in average monthly payments to families of specified size, under present law and under H. R. 6000

Average monthly payments [1]	Present law		H. R. 6000	
	Federal funds	Percent of total	Federal funds	Percent of total
	1-child family			
$25	$15.50	62	$20.00	80
$35	16.50	47	26.50	76
$45	16.50	37	31.00	69
$55	16.50	30	34.00	62
$75	16.50	22	34.00	45
$90	16.50	18	34.00	38
	3-child family			
$25	$18.75	75	$20.00	80
$35	26.25	75	28.00	80
$45	31.50	70	36.00	80
$55	36.50	66	44.00	80
$75	40.50	54	55.50	74
$90	40.50	45	62.00	69
$110	40.50	37	62.00	56

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of larger payments, the amounts of such maximums.

Aid to dependent children: Amount to which average monthly payments to families of specified size under present provisions could be increased under H. R. 6000 assuming the same average expenditure per family from State and local funds

Average monthly payments [1]	Present law		H. R. 6000			
	Federal funds	State and local funds	Average monthly payments [1]	Federal funds	State and local funds	Increase in Federal funds
	1-child family					
$25	$15.50	$9.50	$37.00	$27.50	$9.50	$12.00
$35	16.50	18.50	51.75	33.25	18.50	16.75
$45	16.50	28.50	62.50	34.00	28.50	17.50
$55	16.50	38.50	72.50	34.00	38.50	17.50
$75	16.50	58.50	92.50	34.00	58.50	17.50
$90	16.50	73.50	107.50	34.00	73.50	17.50
	3-child family					
$25	$18.75	$6.25	$31.25	$25.00	$6.25	$6.25
$35	26.25	8.75	42.75	35.00	8.75	8.75
$45	31.50	13.50	63.00	49.50	13.50	18.00
$55	36.50	18.50	73.00	54.50	18.50	18.00
$75	40.50	34.50	96.50	62.00	34.50	21.50
$90	40.50	49.50	111.50	62.00	49.50	21.50
$110	40.50	69.50	131.50	62.00	69.50	21.50

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of large payments, the amounts of such maximums.

III. Medical Care

EXISTING LAW

Federal sharing in costs of medical care limited to amounts paid to recipients that can be included within the monthly maximums on individual payments of $50 for aged and blind, and $27 for first child and $18 for each additional child in an aid-to-dependent-children family. No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.

CHANGES IN H. R. 6000

Federal Government will share in cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums specified in item II above. Federal government shares in the cost of payments to recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis.

IV. Changes in Requirements for State Public-Assistance Plans

A. RESIDENCE

For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and one continuous year before filing the application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother

No change in requirements for old-age assistance and aid to dependent children. For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State of more than one continuous year prior to filing of the application for aid. For aid to the permanently and totally disabled no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and begin-

EXISTING LAW	CHANGES IN H. R. 6000
in the State for 1 year preceding the birth.	ning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid. (All other requirements for aid to the permanently and totally disabled are the same as for old-age assistance.)
B. INCOME AND RESOURCES	
For the three categories, a State must in determining need, take into consideration the income and resources of an individual claiming assistance.	Provision in existing law is made applicable to aid to the permanently and totally disabled. For aid to the blind, effective October 1, 1949, a State may disregard such amount of earned income, up to $50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for, or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources which are not predictable or actually not available to the individual and take into consideration the special expenses arising from blindness.
C. TEMPORARY APPROVAL OF STATE PLANS FOR AID TO THE BLIND	
No provision.	For the period October 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on January 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (relating to consideration of income and resources in determing need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the aforementioned income and resources requirement of the act.
D. EXAMINATION TO DETERMINE BLINDNESS	
No provision.	A State aid to the blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist.
E. ASSISTANCE TO BE FURNISHED PROMPTLY	
No specific provision relating to opportunity to apply for assistance promptly.	Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals.
F. FAIR HEARING	
Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time.

G. STANDARDS FOR INSTITUTIONS

EXISTING LAW	CHANGES IN H. R. 6000
No provision.	If a State plan for old-age assistance, aid to the blind or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions. (Effective July 1, 1953.)

H. TRAINING PROGRAM FOR PERSONNEL

No specific provision.	States must provide a training program for the personnel necessary to the administration of the plan.

I. NOTIFICATION TO LAW ENFORCEMENT OFFICIALS

No provision.	In aid to dependent children the States must provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent.

V. Puerto Rico and Virgin Islands

Federal funds for public assistance are not available to Puerto Rico and the Virgin Islands.	The four categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share, for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to one-half of the total sums expended under an approved plan up to a maximum payment for any individual of $30 per month. For aid to dependent children the Federal share is limited to one-half of the expenditures under an approved plan up to individual maximums of $27 for the first child and $18 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50–50 basis.

VI. Child Welfare Services

Authorizes an annual appropriation of $3,500,000 for grants to the States for child welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: $20,000 to each State and remainder on basis of rural population of the respective States.	Authorization for annual appropriation increased to $7,000,000 and the $20,000 now allotted to each State is increased to $40,000 with the remainder to be allotted on the basis of rural population of the respective States. Specific provision is made for the payment of the cost of returning any runaway child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. (Effective for fiscal years beginning after June 30, 1951.)

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[COMMITTEE PRINT]

ACTUARIAL COST ESTIMATES FOR EXPANDED COVERAGE AND LIBERALIZED BENEFITS PROPOSED FOR THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM BY H. R. 6000

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Prepared for the use of the Committee on Ways and Means
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ACTUARIAL COST ESTIMATES FOR EXPANDED COVERAGE AND LIBERALIZED BENEFITS PROPOSED FOR THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM BY H. R. 6000

A. Introduction

This actuarial study presents long-range cost estimates for H. R. 6000, which was favorably reported by the Committee on Ways and Means on August 22, 1949.

The main features of this bill are as follows (a complete analysis is contained in H. Rept. 1300, 81st Cong., 1st sess.):

(1) Extension of coverage to all gainful employment except railroad, casual domestic service, agriculture (including the self-employed, i. e., the farmers), certain professional self-employed persons, service in the armed forces, and Federal civilian service covered by a retirement system. In this connection the cost estimates assume that over the long range about one-half of all State and local government employment will be covered as a result of election to be covered. Further it is assumed that for nonprofit employment the employer in all cases pays the optional contribution. The net effect is to increase the number of covered jobs by about 30 percent.

(2) Maximum annual wage base of $3,600. Requirement for quarter of coverage raised to $100 for wages and $200 for self-employment income. Requirement for year of coverage raised to $400 of wages or self-employment income.

(3) Average monthly wage determined over all years of coverage (increment years), with the option of a "new start" after 1949.

(4) Monthly primary benefit based on 50 percent of the first $100 of average monthly wage plus 10 percent of the next $200, with a one-half percent increment for each year of coverage and with a continuation factor to apply in the future to reduce the amount of the benefit by taking into account years of noncoverage. Minimum monthly primary benefit of $25 and maximum family benefit of $150 or 80 percent of wage. Beneficiaries on the roll are to be given an increase averaging about 70 percent by means of a special conversion table.

(5) Lump-sum death payment to be three times the monthly primary benefit and payable for all insured deaths.

(6) Present fully insured status requirements retained, but with new alternative requirement of 20 quarters of coverage out of the last 40 quarters added.

(7) Benefits for parents and first survivor child to be increased from 50 to 75 percent of the primary benefit.

(8) Work clause of $50 per month on an "all-or-none" basis for wages and on a "reduction" basis for self-employment income in excess of $600 per year. Work clause not applicable after age 75.

(9) Requirement for permanent and total disability benefits to be both currently insured status and 20 quarters of coverage out of the last 40 quarters and with a waiting period of 7 full calendar months before first monthly payment is made. No supplementary benefits payable to wife or dependent children.

(10) More liberal provisions for paying child survivor benefits in respect to women workers in that existence of both fully and currently insured status automatically presumes dependency.

(11) Wage credits of $160 for each month of military service given to World War II veterans (including those who died in service). Cost thereof to be met by appropriations from General Treasury.

(12) Extension of coverage as of January 1, 1950. First disability benefits to be payable January 1951. Liberalizations in benefits effective January 1950.

(13) Contribution rate on employer and employee increased to 1½ percent each in 1950, 2 percent in 1951–59, 2½ percent in 1960–64, 3 percent in 1965–69, and 3¼ percent thereafter. Contribution rate for self-employed is 1½ times employee rate.

The estimates given in this report have been worked out in considerable detail in contrast with those contained in pages 31–36 of House Report 1300, referred to previously. Those estimates of necessity had to be developed in a short time, but as will be seen from the discussion to follow were reasonably close to the more accurate estimates contained in this report.

Further, the estimates of this report will be presented on a range basis, since it is impossible to estimate at all closely the future experience in regard to the numerous cost factors involved. For comparability with the "single" estimates of House Report 1300 this report will also show intermediate estimates, arbitrarily derived as midway between the low and high estimates.

B. Basic Assumptions

The following estimates have been prepared on the basis of high-employment assumptions approximating those now prevailing. The estimates are based on level-wage assumptions (somewhat below the present level). This differs somewhat from the assumption of a continuation of present wage levels used in House Report No. 1300.

If in future the wage level should be considerably above that which now prevails, and if the benefits for those on the roll were at some time adjusted upward on this account, the increased outgo resulting will, in the same fashion, be far more than offset. The cost estimates, however, have not taken into account the possibility of a rise in wage levels, as has consistently occurred over the past history of this country. If such an assumption were used in the cost estimates, the cost relative to pay roll would naturally be lower.

As in the cost estimates for the plan proposed by the Advisory Council on Social Security of the Senate Finance Committee (S. Doc. 208, 80th Cong., 2d sess.), two separate cost illustrations have been developed in order to show possible ranges in benefit costs.

The low- and high-cost assumptions relate to the cost as a percent of pay roll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, etc.

In general, the cost estimates have been prepared according to the same assumptions and techniques as those contained in Actuarial Studies Nos. 23, 27, and 28 of the Social Security Administration, and also the same as in the estimates prepared for the Senate Finance Committee's Advisory Council. It may be mentioned here that in all those estimates—as well as the present ones—there are the following important elements:

(1) In later years many women will be eligible for both primary benefits and either wife's or widow's benefits. In such instances, these individuals have been assumed to receive full primary benefits and residual wife's or widow's benefits, if larger than the primary benefit. The numbers of such individuals receiving residual wife's or widow's benefits and the average sizes of such benefits are not shown, but the total amount of such benefits is included in the tables giving the amounts of benefits in dollars and as percentages of pay roll.

(2) The effect of the maximum-benefit provisions will have a considerable influence. It has been assumed that the number who would receive benefits in a particular case would include only those who would receive benefits at the full rate plus one individual who would receive partial benefits completing the maximum, and with all other potentially eligible beneficiaries being disregarded.

The assumptions as to the major elements, population, employment, and wages, may be summarized as follows:

POPULATION

The low-cost estimates assume United States 1939–41 mortality rates constant by age and sex throughout all years. The high-cost estimates are based on improving mortality similar to the National Resources Planning Board low mortality bases, with an assumed further improvement with time for ages over 65 to allow for possible gains due to geriatric medical research.

The low-cost estimates assume level birth rates similar to the United States 1940–45 experience, which was relatively high. The high-cost estimates assume a decreasing birth rate in the future similar to the National Resources Planning Board's medium estimate.

For both the low- and high-cost estimates no net immigration is assumed.

Table A summarizes these population projections. Although in the year 2000, the total population of 199 million under the low-cost assumptions is higher than the 173 million under the high-cost assumptions, the corresponding figures for the aged group (65 and over) are 19 million and 28½ million, respectively.

TABLE A.—*Estimated United States population in future years*

[In millions]

Calendar year	Aged 20–64			Aged 65 and over			All ages		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
	Census estimate for 1948								
1948	42	43	86	5.2	5.7	10.9	73	74	147
	Projection for low-cost assumptions								
1950	43	44	87	5.3	5.9	11.2	73	74	147
1955	43	44	87	6.0	6.7	12.7	76	77	153
1960	44	45	89	6.5	7.5	14.0	79	80	159
1970	47	48	95	7.1	8.8	15.9	83	85	168
1980	50	50	100	7.8	10.1	17.9	89	90	179
1990	52	52	104	8.4	11.1	19.5	94	95	189
2000	57	56	113	8.3	10.7	19.0	99	100	199
	Projection for high-cost assumptions								
1950	43	44	87	5.4	6.0	11.4	73	73	146
1955	44	45	89	6.2	6.9	13.1	75	76	151
1960	45	46	91	7.0	7.9	14.9	77	78	155
1970	49	49	98	8.5	10.0	18.5	81	82	163
1980	50	50	100	10.4	12.4	22.8	85	85	170
1990	51	50	101	12.4	14.7	27.1	86	86	172
2000	52	50	102	13.3	15.2	28.5	87	86	173

NOTE.—See text for description of bases of population projections.

EMPLOYMENT

Both the low-cost and high-cost estimates assume close to full employment although somewhat below the level prevailing at the end of 1948. The previous estimates were, in general, based on conditions in 1944–46. A change made in these estimates to allow partially for the higher employment since then has been to assume that all coverage figures (and thus resulting beneficiary figures) are about 5 percent higher. Civilian employment averaged about 53,000,000 in 1944–46, but in 1948 averaged 59,000,000, an increase of over 10 percent, while in the first half of 1949 the average was over 58,000,000.

WAGES

Both the low-cost and high-cost estimates are based on wage levels slightly below existing ones. Previously with a $3,000 maximum wage base, an average four-quarter wage of $2,400 was used for men and $1,440 for women. With the raising of the maximum taxable wage from $3,000 to $3,600, the assumed average four-quarter wage for men has been increased to $2,550. At the same time the assumed four-quarter wage for women has been increased to $1,625 (not because of the increase in the maximum taxable wage, which would have relatively little effect for women, but rather to maintain the 60-percent relationship between female and male wages, which has been experienced in the past when wages are considered with virtually no maximum).

The actual recorded wages for four-quarter workers may be compared with those used in the cost estimates (adjusted downward for

men to allow for the $3,000 maximum prevailing in the actual wage data) as follows:

	Men	Women
Used in cost estimates	$2,400	$1,625
Actual 1944	2,300	1,402
Actual 1945	2,293	1,384
Actual 1946	2,262	1,47?
Actual 1947	2,374	1,60?
Actual 1948	2,500	1,700

As to the bases for the disability estimates, the following assumptions are used:

(*a*) *Low-cost estimate.*—Incidence rates for men are about 45 percent of class 3 (experience of life-insurance companies under disability-income policies for the early 1920's, modified for a 6-month waiting period). Incidence rates for women are 50 percent higher. Termination rates are German social-insurance experience for 1924–27, which is the best available experience as to relatively low disability termination rates.

(*b*) *High-cost estimate.*—Incidence rates for men are 90 percent of the so-called "165 percent modification" of class 3 (which includes increasingly higher percentages for ages above 45); this modification corresponds roughly to insurance-company experience during the depression years of the early 1930's. Incidence rates for women are 100 percent higher. Termination rates are class 3. The incidence rates used for both estimates are 10 percent lower than those used in Actuarial Study No. 28 (which related to H. R. 2893) because in H. R. 6000, unlike H. R. 2893 and the insurance-company policies, disability is not presumed to be permanent and total after 6 month's duration but rather must be so proven then.

It will be noted that the low-cost estimate includes low incidence rates (which taken by themselves produce low costs) and also low termination rates (which taken by themselves produce higher costs, but which are felt to be necessary because with low incidence rates—meaning only severely disabled beneficiaries—there would tend to be low termination rates because there would be few recoveries). On the other hand, the high-cost estimate contains high incidence rates which are somewhat offset by high termination rates, which it seems reasonable to assume would result under such circumstances since the high incidence rates imply many cases where recovery and rehabilitation will occur.

It is conceivable that if there were not strict administrative practices, there could be low termination rates combined with high incidence rates, which would produce appreciably higher costs than shown here. Also in a period of severe depression if there were not adequate unemployment insurance and assistance or work projects, there would tend to be higher disability costs than shown here—especially if the scale of disability benefits were relatively high as compared with other available benefits or assistance. On the other hand, extremely low costs would develop if low incidence rates were combined with high termination rates, but this hardly seems a possible combination under any circumstances.

The table below compares the estimated proportion of the population age 65 and over who are fully insured under the present limited coverage and under the expanded coverage recommended:

Calendar year	Present coverage		Expanded coverage	
	Men	Women	Men	Women
	Percent	*Percent*	*Percent*	*Percent*
1950	33–37	4–5	35–39	4–5
1960	44–49	7–10	55–63	10–13
1970	54–62	10–14	65–74	13–19
1980	64–73	16–22	73–82	20–27
1990	72–81	27–34	78–87	30–37
2000	74–84	35–43	81–90	39–47

It will be noted that the above figures for women include only those insured by their own employment and not those eligible through their husband's earnings. If the latter group had also been included, the resulting figures would have been somewhat larger than those shown for men.

As in previous cost estimates, no account is taken of the special veterans benefits of section 210 of the Social Security Act, renumbered as section 217 by H. R. 6000 (the extra cost of which is paid from the General Treasury) or of the 1947 amendment to the Railroad Retirement Act which provides for coordination of old-age and survivors insurance and railroad wages in determining survivor benefits.

C. Results of Cost Estimates

As indicated previously, the extensive cost estimates presented in this section have been developed on a range basis. It may be noted that the preliminary cost estimates given in the committee report on H. R. 6000 were on an intermediate basis, although it was recognized that "it would be desirable to present the cost estimates as a range." In the next section the intermediate estimates developing from the low-cost and high-cost estimates of this report will be compared with the estimates in the committee report.

Table 1 gives the estimated taxable pay rolls for the coverage provided under the bill and in accordance with the assumptions made previously as to participation by State and local governmental employers and by nonprofit employers. As indicated in the previous section, the assumptions made as to wage rates are on the low side (in order to be conservative) so that the total pay rolls resulting here are also somewhat on the low side.

Since both the low-cost and the high-cost estimates assume a high future level of economic activity, the pay rolls are substantially the same under the two estimates in the early years. Accordingly, there is little difference in the contribution income in the two estimates. The assumptions which affect benefits, however, have widely different effects even in the early years of the program. The range of error in the estimates, nevertheless, may be fully as great for contributions as it is for benefits.

TABLE 1.—*Estimated taxable pay rolls under H. R. 6000*

[In billions of dollars]

Calendar year	Low-cost estimate [1]	High-cost estimate [1]
1950	106	104
1955	109	109
1960	113	114
1970	124	124
1980	132	129
1990	141	132
2000	150	132

[1] Based on high-employment assumptions.

Table 2 shows the estimated number of monthly beneficiaries in current payment status under the proposed plan. In regard to disability beneficiaries, the number ultimately ranges from almost 1 million in the low-cost estimate to 2¼ million in the high-cost estimate.

TABLE 2.—*Estimated numbers of monthly beneficiaries [1] under H. R. 6000*

[In thousands]

Calendar year	Old-age beneficiaries [2]			Survivor beneficiaries				Disability beneficiaries,[3] primary
	Primary	Wife's [4]	Child's	Widow's [4]	Parent's [4]	Mother's	Child's	
	Low-cost estimate [5]							
1950	1,388	413	41	278	17	183	625	----------
1955	1,881	564	49	610	28	252	923	190
1960	2,624	750	61	1,040	37	298	1,113	380
1970	4,056	1,055	88	1,968	42	347	1,309	624
1980	5,654	1,240	115	2,673	42	383	1,438	759
1990	7,733	1,257	134	3,010	39	415	1,568	817
2000	8,887	1,184	129	3,000	34	452	1,705	905
	High-cost estimate [5]							
1950	1,591	449	54	290	27	225	650	----------
1955	2,634	718	73	623	48	292	851	594
1960	4,265	1,133	99	1,057	69	313	883	1,188
1970	6,890	1,653	119	2,009	90	300	804	1,706
1980	10,292	2,149	130	2,751	97	279	715	2,001
1990	14,527	2,470	121	3,119	94	264	650	2,089
2000	17,428	2,595	86	3,076	90	254	600	2,226

[1] As of middle of year.
[2] I. e., for benefits paid in respect to retired workers.
[3] Does not include those who are eligible for old-age primary benefits by reason of having attained the minimum retirement age.
[4] Does not include beneficiaries who are also eligible for primary benefits.
[5] Based on high-employment assumptions.

Table 3 shows the estimated average benefits under the proposed plan. These are given only for the two calendar years, 1960 and 2000, since in general there is a smooth trend in the intervening period.

It will be noted that for both old-age and disability primary beneficiaries separate figures are given for men and women, since the results differ greatly and since a combination would obscure the trend. For men, the average old-age benefit will increase with time as a result of the increment. On the other hand, for women the average old-age benefit shows a decrease because of the effect of the continuation factor, since there will ultimately be a large number of women receiving primary benefits who did not engage in covered employment for their entire adult lifetime after 1949.

TABLE 3.—*Estimated average monthly benefit payments and average lump-sum death payments under H. R. 6000*

Category	1960	2000	Category	1960	2000
Old-age primary	$49-$51	$45-$47	Child's [3]	$34- $35	$33- $34
Male	50- 52	53- 56	Mother's	41- 42	41- 43
Female	46- 47	33- 35	Disability primary [4]	52- 56	46- 50
Wife's [1]	26- 26	27- 28	Male	56- 59	55- 58
Widow's [1]	38- 38	40- 43	Female	46- 49	35- 38
Parent's [2]	41- 43	39- 41	Lump sum death [5]	149- 154	139- 146

[1] Does not include those eligible for primary benefits.
[2] Does not include those eligible for primary or widow's benefits.
[3] Includes both child's benefits for old-age primary beneficiaries and child survivor beneficiaries.
[4] Does not include those who are eligible for old-age primary benefits by reason of having attained the minimum retirement age.
[5] Average amount per death.

NOTE: Lower figure of range shown is for high-cost estimate, while higher figure is for low-cost estimate.

Table 4 presents costs as a percentage of pay roll for each of the various types of benefits. The level-premium cost shown for the proposed plan is roughly 4¾ to 7¾ percent of pay roll or about the same as for the plan of the Advisory Council on Social Security of the Senate Finance Committee, including the limited disability provisions. These level-premium costs are somewhat higher than those for the original Social Security Act of 1935—namely, 5 to 7 percent—because of two factors not specified in the plans themselves: first, a lower interest rate is used here—namely, 2 percent as against 3 percent—and, second, the program proposed is nearer maturity since a portion of the benefit roll has been built up; in other words, some of the period of low cost has been passed through without at the same time building up the substantial funds which would have been accumulated if the original tax schedule or original level-premium rate had been in effect in the past.

TABLE 4.—*Estimated relative costs in percentage of pay roll for H. R. 6000, by type of benefit*

[Percent]

Calendar year	Old-age primary	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Disability	Lump-sum death	Total
	Low-cost estimate [3]								
1950	0.71	0.11	0.11	0.01	0.08	0.24	.....	0.06	1.32
1955	1.03	.16	.24	.01	.11	.37	0.12	.08	2.11
1960	1.42	.21	.42	.02	.13	.44	.22	.09	2.95
1970	2.05	.27	.77	.02	.14	.47	.32	.11	4.16
1980	2.66	.31	1.02	.02	.15	.49	.35	.13	5.12
1990	3.26	.31	1.14	.01	.15	.50	.35	.14	5.85
2000	3.32	.28	1.10	.01	.15	.50	.36	.14	5.86
Level premium [4]	2.62	.26	.88	.01	.14	.47	.31	.12	4.82
	High-cost estimate [3]								
1950	0.84	0.12	0.11	0.01	0.09	0.25	.....	0.06	1.49
1955	1.45	.20	.25	.02	.13	.34	0.34	.07	2.80
1960	2.23	.31	.43	.03	.14	.35	.66	.08	4.21
1970	3.30	.41	.78	.03	.12	.29	.82	.10	5.85
1980	4.68	.53	1.06	.03	.11	.25	.88	.11	7.66
1990	6.22	.62	1.23	.03	.10	.23	.88	.14	9.45
2000	7.09	.67	1.27	.03	.10	.20	.93	.15	10.45
Level premium [4]	4.99	.51	.96	.03	.11	.25	.79	.12	7.75

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits.
[2] Includes both child's benefits for old-age primary beneficiaries and child survivor beneficiaries.
[3] Based on high-employment assumptions.
[4] Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1949 and into perpetuity not taking into account the accumulated funds at the end of 1949 or administrative expenses.

Table 4 (a) likewise shows costs as a percentage of pay roll, but summarizes them for the three major categories, old-age, survivors, and disability benefits.

TABLE 4 (a).—*Summary of relative costs in percentage of pay roll for H. R. 6000, by type of benefit*

[Percent]

Calendar year	Old-age [1]	Survivors [2]	Disability	Total
	Low-cost estimate [3]			
1950	0.83	0.48	----------	1.32
1955	1.20	.80	0.12	2.11
1960	1.64	1.09	.22	2.95
1970	2.34	1.50	.32	4.16
1980	3.00	1.77	.35	5.12
1990	3.60	1.90	.35	5.85
2000	3.62	1.88	.36	5.86
Level premium [4]	2.90	1.60	.31	4.82
	High-cost estimate [3]			
1950	0.98	0.51	----------	1.49
1955	1.67	.79	0.34	2.80
1960	2.56	1.00	.66	4.21
1970	3.74	1.30	.82	5.85
1980	5.24	1.54	.88	7.66
1990	6.87	1.69	.88	9.45
2000	7.78	1.73	.93	10.45
Level premium [4]	5.53	1.44	.79	7.75

[1] Includes old-age primary benefits, wife's benefits, and child's benefits for old-age primary beneficiaries.
[2] Includes widow's benefits, parent's benefits, mother's benefits, survivor child's benefits, and lump-sum death payments.
[3] Based on high-employment assumptions.
[4] Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1949 and into perpetuity not taking into account the accumulated funds at the end of 1949 or administrative expenses.

Table 5 gives the dollar figures for various future years for each of the different types of benefits.

TABLE 5.—*Estimated absolute costs in dollars for H. R. 6000, by type of benefit*

[In millions of dollars]

Calendar year	Old-age primary	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Disability	Lump-sum death	Total
	Low-cost estimate [3]								
1950	755	114	111	9	83	257	----------	62	1,391
1955	1,122	170	263	15	125	402	127	87	2,311
1960	1,601	235	478	19	152	497	254	103	3,339
1970	2,543	336	961	21	180	587	401	139	5,168
1980	3,522	409	1,356	21	198	644	467	166	6,783
1990	4,586	431	1,598	19	214	701	490	194	8,233
2000	4,993	415	1,649	17	233	756	541	214	8,818
	High-cost estimate [3]								
1950	878	126	119	14	99	258	----------	62	1,556
1955	1,575	219	271	24	140	365	372	80	3,046
1960	2,529	349	490	34	154	396	744	90	4,786
1970	4,104	506	973	42	149	365	1,015	119	7,273
1980	6,049	680	1,374	45	139	328	1,140	145	9,900
1990	8,199	816	1,617	44	131	300	1,158	178	12,443
2000	9,391	887	1,686	42	126	268	1,233	203	13,836

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits.
[2] Includes both child's benefits for old-age primary beneficiaries and child survivor beneficiaries.
[3] Based on high-employment assumptions.

Table 6 presents the estimated operations of the trust fund under the expanded program. The trust fund at the end of 1949 is estimated to be $12,000,000,000 in all instances. The trust fund has been developed on the basis of a 2-percent interest rate; in the next section some consideration will be given as to the effect of a higher interest rate. Throughout, there is the assumption that no Government contribution to the system is made since H. R. 6000 strikes out the provision of the present law which would permit this.

TABLE 6.—*Estimated progress of trust fund for H. R. 6000*

[In millions of dollars]

Calendar year	Contributions [1]	Benefit payments	Administrative expense	Interest on fund [2]	Fund at end of year
	Low-cost estimate [3]				
1950	3,091	1,391	53	256	13,903
1955	4,262	2,311	68	508	26,853
1960	5,422	3,339	85	721	37,775
1970	7,820	5,168	117	1,324	68,789
1980	8,396	6,783	145	2,063	105,954
1990	8,923	8,233	170	2,728	139,389
2000	9,536	8,818	181	3,423	174,826
	High-cost estimate [3]				
1950	3,056	1,556	71	254	13,683
1955	4,241	3,046	100	453	23,668
1960	5,443	4,786	135	543	27,972
1970	7,830	7,273	185	726	37,228
1980	8,194	9,900	236	736	36,562
1990	8,349	12,443	285	211	8,565
2000	8,395	13,836	312	[4]	[4]

[1] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950, 4 percent for 1951–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay three-fourths of this rate.
[2] Interest is figured at 2 percent on average balance in fund during year but is payable at end of year.
[3] Based on high employment assumptions.
[4] Fund exhausted in 1992.

Under the low-cost estimate the trust fund builds up quite rapidly and even some 50 years hence it is growing at a rate of $4,000,000,000 per year and at that time is about $175,000,000,000 in magnitude. On the other hand, under the high-cost estimate the trust fund builds up to a maximum of about $40,000,000,000 in 1975, but decreases thereafter until it is exhausted shortly after 1990.

These results in cost estimates could be expected to develop since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice under the philosophy adopted in H. R. 6000 and as set forth in the committee report, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 7 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rate would probably be adjusted downward, or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised

above those now scheduled in H. R. 6000. At any rate, the high-cost estimate does indicate that under the tax schedule adopted there would be ample funds for several decades even under relatively unfavorable experience.

The effects of the new eligibility conditions and the new concept of computing the average monthly wage, when combined with the large number of new persons brought into coverage, are particularly difficult to estimate during the early years of operation. The number of persons who will qualify and retire to get benefits on the new basis is more uncertain when we are dealing only with older workers and the qualifying work period is relatively short. While an attempt has been made to allow for this very important factor of lag, the benefit estimates used for the early years in developing the trust-fund progression may be overstatements to some extent, and this might extend to the figures shown for 1960.

D. Intermediate Cost Estimates

As mentioned previously, the committee report presented intermediate-cost estimates. In this section there will be given corresponding figures developed from the low-cost and high-cost estimates of this report. These intermediate costs are based on an average of the low- and high-cost estimates (using the dollar estimates and developing therefrom the corresponding estimates relative to pay roll). It should be recognized that these intermediate-cost estimates do not represent the "most probable" estimates, since it is impossible to develop any such figures. Rather, they have been set down as a convenient and readily available single set of figures to use for comparative purposes.

Also, a single intermediate figure is necessary in the development of a tax schedule which will make the system self-supporting. The committee, in setting up a specific schedule, fully recognized that this would be slightly different from what will actually be required to obtain exact balance between contributions and benefits. However, this procedure does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, the committee recognized that exact self-support could not be obtained from a specific set of integral or rounded fractional rates, but rather that this principle of self-support should be aimed at as closely as possible.

Accordingly, the estimates in the committee report showed that the proposed system is not exactly self-supporting, but rather slightly deficient under the assumptions made. Thus, in regard to the ultimate 6½-percent employer-employee rate, the committee stated as follows:

> If a 7-percent ultimate employer-employee rate had been chosen, the cost estimates developed would have indicated that the system would be slightly overfinanced. Your committee believes that it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional overchange—especially when it is considered that it will be many, many years before any deficit or excess in the ultimate rate will be determined and even at that time it will probably be of only a small amount.

Table 7 presents costs of benefits under H. R. 6000 as a percentage of pay roll for each of the various types of benefits for the intermediate-

cost estimate, and is comparable with table 4 of the previous section. The figures in table 7 are also comparable with the preliminary costs presented in the committee report (table 9), and a comparison indicates fairly close agreement.

TABLE 7.—*Estimated relative costs in percentage of pay roll for H. R. 6000, by type of benefit—Intermediate-cost estimate* [1]

[Percent]

Calendar year	Old-age primary	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's [3]	Disability	Lump-sum death	Total
1950	0.78	0.11	0.11	0.01	0.09	0.25		0.06	1.40
1955	1.24	.18	.24	.02	.12	.35	0.23	.08	2.46
1960	1.82	.26	.43	.02	.14	.39	.44	.08	3.58
1970	2.67	.34	.78	.03	.13	.38	.57	.10	5.01
1980	3.66	.42	1.04	.03	.13	.37	.61	.12	6.37
1990	4.69	.46	1.18	.02	.13	.37	.60	.14	7.59
2000	5.08	.46	1.18	.02	.13	.36	.63	.15	8.01
Level premium: [4]									
At 2 percent	3.76	.38	.92	.02	.13	.36	.54	.12	6.24
At 2¼ percent									6.06
At 2½ percent									5.90

[1] Based on high-employment assumptions. These intermediate costs are based on an average of the high and low dollar costs.
[2] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits.
[3] Includes both child's benefits for old-age primary beneficiaries and child survivor beneficiaries.
[4] Level-premium contribution rate for benefit payments after 1949 and into perpetuity not taking into account the accumulated funds at the end of 1949 or administrative expenses.

Chart 1 compares the year-by-year cost of the proposed plan as a percentage of pay roll with the employer-employee contribution rate prescribed in the bill. It will be noted that the two curves do not cross until the year 1980. Of course, it will be recognized that since this is an intermediate-cost estimate, it is readily possible that the two curves in actual experience could cross much sooner, or even later.

The level-premium cost shown for the proposed plan is 6.24 percent of pay roll, based on 2-percent interest, which compares quite closely with the corresponding figure of 6.20 percent in table 7 of the committee report. For a 2¼-percent interest rate, the corresponding figures are 6.06 and 6.05 percent, while for a 2½-percent interest rate the cost according to the more comprehensive cost estimates of this report is 5.90 percent.

From table 1 it may be seen that the intermediate estimate of the total taxable pay roll would range from about $105,000,000,000 in 1950 to about $140,000,000,000 eventually. The corresponding figures in the committee report are $115,000,000,000 and $145,000,000,000, respectively, in table 8 thereof. These differences result from the slight variance in assumptions as to wage levels.

Table 8 gives the dollar figures for various future years for each of the different types of benefits for the intermediate-cost estimate and is comparable to table 5 of the previous section. Total benefit payments are shown to rise from almost 1.5 billion dollars in 1950 to 11.3 billion dollars some 50 years hence. The estimates in the committee report (table 8) showed corresponding figures of 1.3 and 11.7 billion dollars which are in close agreement.

CHART 1

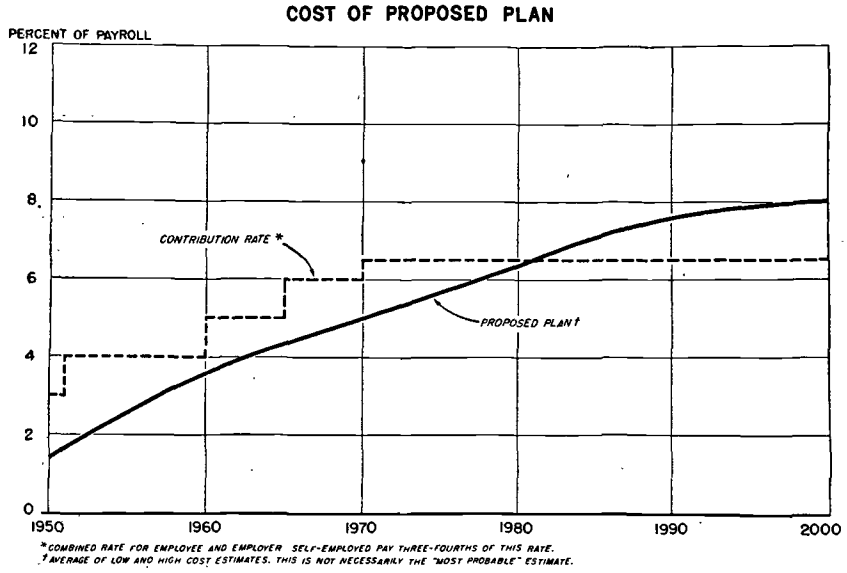


TABLE 8.—*Estimated absolute costs in dollars for H. R. 6000 by type of benefit—Intermediate-cost estimate* [1]

[In millions of dollars]

Calendar year	Old-age primary	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's [3]	Disability	Lump-sum death	Total
1950	816	120	115	12	91	258	----------	62	1,474
1955	1,348	194	267	20	132	384	250	84	2,679
1960	2,065	292	484	26	153	446	499	96	4,061
1970	3,324	421	967	32	164	476	708	129	6,221
1980	4,786	544	1,365	33	168	486	804	156	8,342
1990	6,392	624	1,608	32	172	500	824	186	10,338
2000	7,192	651	1,668	30	180	512	887	208	11,328

[1] Based on high-employment assumptions. These intermediate costs are an average of the high and low dollar costs.
[2] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits.
[3] Includes both child's benefits for old-age primary beneficiaries and child survivor beneficiaries.

Table 9 presents the estimated operation of the trust fund under H. R. 6000 according to the intermediate estimate (using a 2-percent interest rate), and is comparable to table 6 of the previous section. According to this estimate, the trust fund grows steadily, reaching a maximum of about $75,000,000,000 shortly before 1990 and then declines slowly thereafter. This indicates, as was also the case in the committee report, that the proposed tax schedule is not quite self-supporting but is sufficiently close for all practical purposes considering the uncertainties and variations possible in the cost estimates. As compared with the corresponding estimate in the committee report (table 8) the figures here are somewhat lower since the maximum

trust fund attained in the committee report was slightly over $90,000,000,000. However, as stated previously, the committee report estimates were based upon a somewhat higher wage level, and naturally the trust fund would build up to a larger figure.

TABLE 9.—*Estimated progress of trust fund for H. R. 6000—Intermediate-cost estimate* [1]

[In millions of dollars]

Calendar year	Contributions [2]	Benefit payments	Administrative expense	Interest on fund [3]	Fund at end of year
1950	3,073	1,474	62	255	13,792
1955	4,251	2,679	84	481	25,257
1960	5,433	4,061	110	632	32,875
1970	7,825	6,221	151	1,025	53,021
1980	8,295	8,342	190	1,400	71,285
1990	8,636	10,338	228	1,470	73,998
2000	8,966	11,328	246	1,275	63,740

[1] Based on high-employment assumptions. This intermediate-cost estimate is based on an average of the high and low dollar costs.
[2] Combined employer-employee contribution schedule is as follows: 3 percent for 1950, 4 percent for 1951–59, 5 percent for 1960–64, 6 percent for 1965–69, 6½ percent for 1970 and after. Self-employed rate is three-fourths of the combined rate.
[3] Interest is figured at 2 percent on average balance in fund during year but is payable at end of year.

Detailed calculations have also been made for the intermediate-cost estimate to show the effect of using a different interest rate than 2 percent, and the results are shown in the following table:

Calendar year	Fund at end of year (in billions of dollars)		
	2-percent interest	2¼-percent interest	2½-percent interest
1950	13.8	13.8	13.9
1960	32.9	33.6	34.3
1970	53.0	55.0	57.2
1980	71.3	75.5	80.1
1990	74.0	81.3	89.3
2000	63.7	74.8	87.3

If the interest rate is taken as 2½ percent (it is now very close to 2¼ percent), the trust fund would reach a peak of $90,000,000,000 some 40 years hence and would decline very slightly thereafter. In fact, the tax schedule in H. R. 6000 would, under the assumptions used in the intermediate-cost estimate, put the system on a virtually self-supporting basis if the interest rate on the trust fund were as high as 2½ percent.

Detailed computations have also been made as to the estimated progress of the trust fund if the tax schedule under H. R. 6000 provided for an increase in the combined employer-employee rate to 7 percent for 1970 and after instead of the 6½ percent rate contained in the bill. At a 2 percent interest rate the trust fund would build up to a peak of over $95,000,000,000 very shortly before the year 2000, and would decline very slightly thereafter, so that the system would be virtually self-supporting. If for this tax schedule an interest rate of 2¼ percent had been used, the system would have been overfinanced, or, in other words, more than self-supporting.

In summary, the analysis in this section has indicated that the preliminary cost estimates made in the committee report gave substantially the same results as those based on more detailed calculations. The level-premium cost of the benefits under H. R. 6000 is close to 6¼ percent if a 2 percent interest rate is used and close to 6 percent on the basis of a 2¼ percent interest rate. The various calculations of the progress of the trust fund indicate that the tax schedule provided in H. R. 6000 is not quite sufficient to make the system self-supporting, but considering that an unwieldy fractional ultimate rate is not desirable, the schedule in the bill produces to all intents and purposes a self-financed old-age, survivors, and disability insurance system. As the committee report stated, it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional overcharge, especially when it is considered that it will be many years before any deficit or excess will be determinable, and even at that time it will probably be of only a small amount.

E. Comparison With Costs for Other Plans

The proposed plan in H. R. 6000 may be compared with the present plan as set up by the 1939 amendments and also with the original system set up by the 1935 Social Security Act. In addition, comparison may be made with the cost of the plan suggested by the Advisory Council on Social Security of the Senate Finance Committee and with H. R. 2893, which was the administration bill introduced for purposes of hearings and consideration before the Committee on Ways and Means.

Chart 2 compares the year-by-year cost of the proposed plan with the latest cost estimates of the present act. It will be noted that in both instances a range in the cost illustrations is used. As would be anticipated, the proposed plan has a higher cost throughout than the present act since benefits are liberalized considerably.

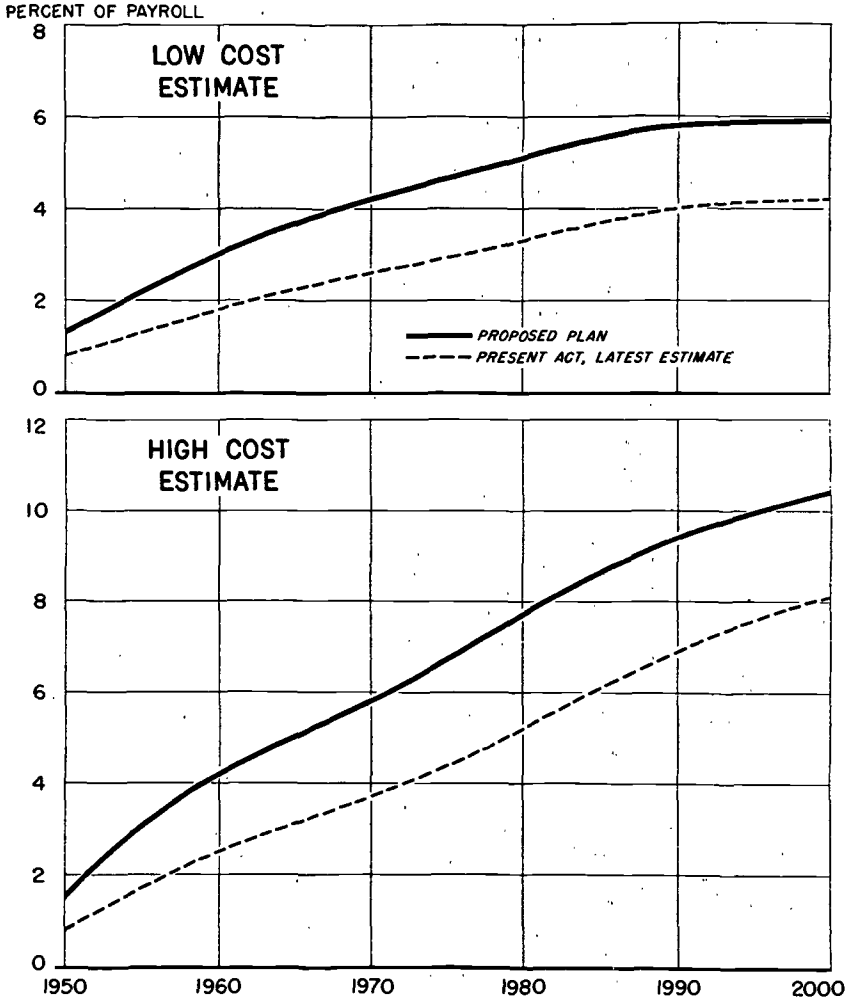
Chart 3 deals with the proposed plan in H. R. 6000 as compared with that in H. R. 2893 and with that of the Advisory Council. For both the low-cost and the high-cost estimates the proposed plan is significantly less costly than H. R. 2893; this is principally due to the reduction in the "increment" to one-half percent and to the elimination of dependents benefits for disability beneficiaries. As compared with the Advisory Council plan, H. R. 6000 is slightly lower in cost for the low-cost estimate, but somewhat higher for the high-cost estimate; this is largely the result of the more liberal permanent and total disability benefits in H. R. 6000 since this particular item has a relatively wide possible range of cost.

Chart 4 contrasts the cost of the proposed plan under H. R. 6000 with the original cost estimates for the 1935 act and the present act. Throughout, the proposed plan is lower in cost than either of the other two, which indicates that the amendments proposed in H. R. 6000 do not constitute a more costly plan (as a percent of pay roll) than was originally contemplated in 1935 and again in 1939. It should be emphasized that throughout there are compared the costs relative to pay roll, which is the significant comparison. The dollar amounts of benefits under H. R. 6000 are substantially increased, but so too are contributions, due to extension of coverage and the rise in wage levels in the past. Of course, if cost estimates were

made for the 1935 and 1939 plans with their lower dollar benefit levels but using present wage levels, the resulting costs would be far below those shown for H. R. 6000.

CHART 2

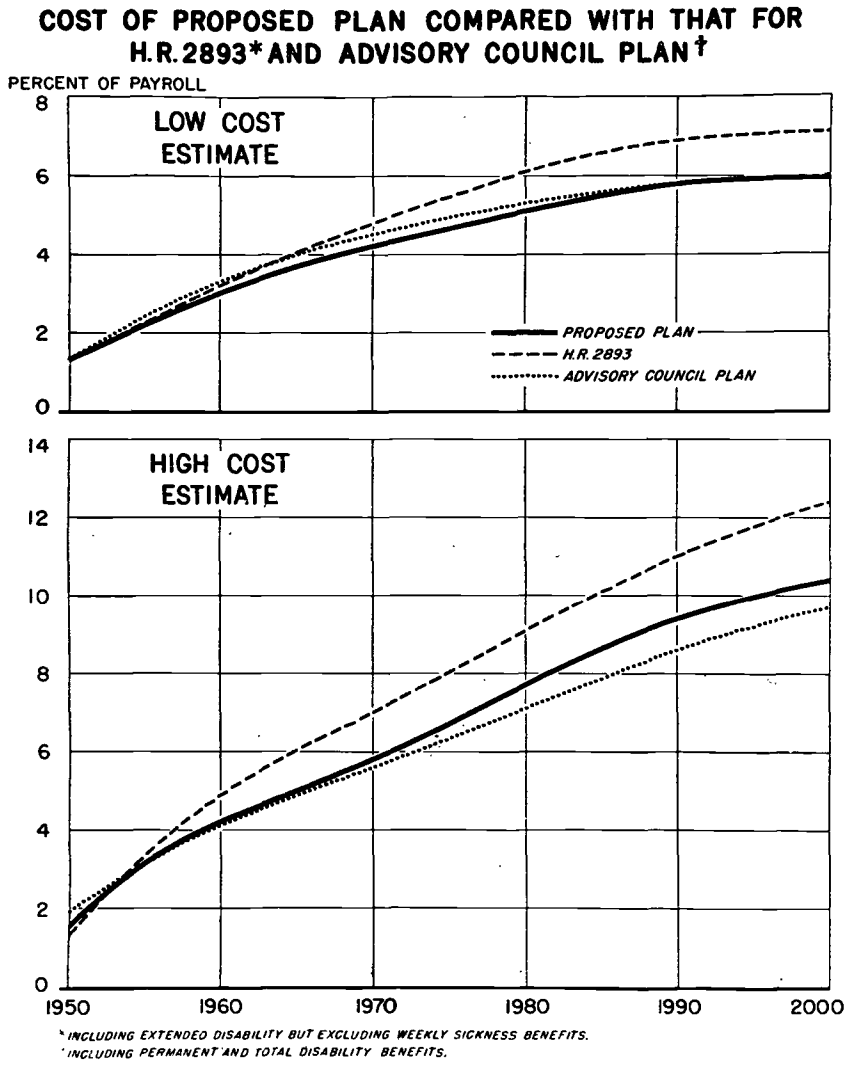
COST OF PROPOSED PLAN COMPARED WITH LATEST COST ESTIMATE FOR PRESENT ACT



A part of the explanation for the lower costs of the proposed plan relative to pay roll as compared with the costs of the 1935 act and the 1939 amendments that were estimated when these programs were enacted is because of retirement rate assumptions. The decade of experience to date has indicated that at least under relatively high

employment conditions persons beyond the minimum retirement age tend to remain in employment much longer than was originally anticipated and thus do not then draw retirement benefits. However, there

CHART 3

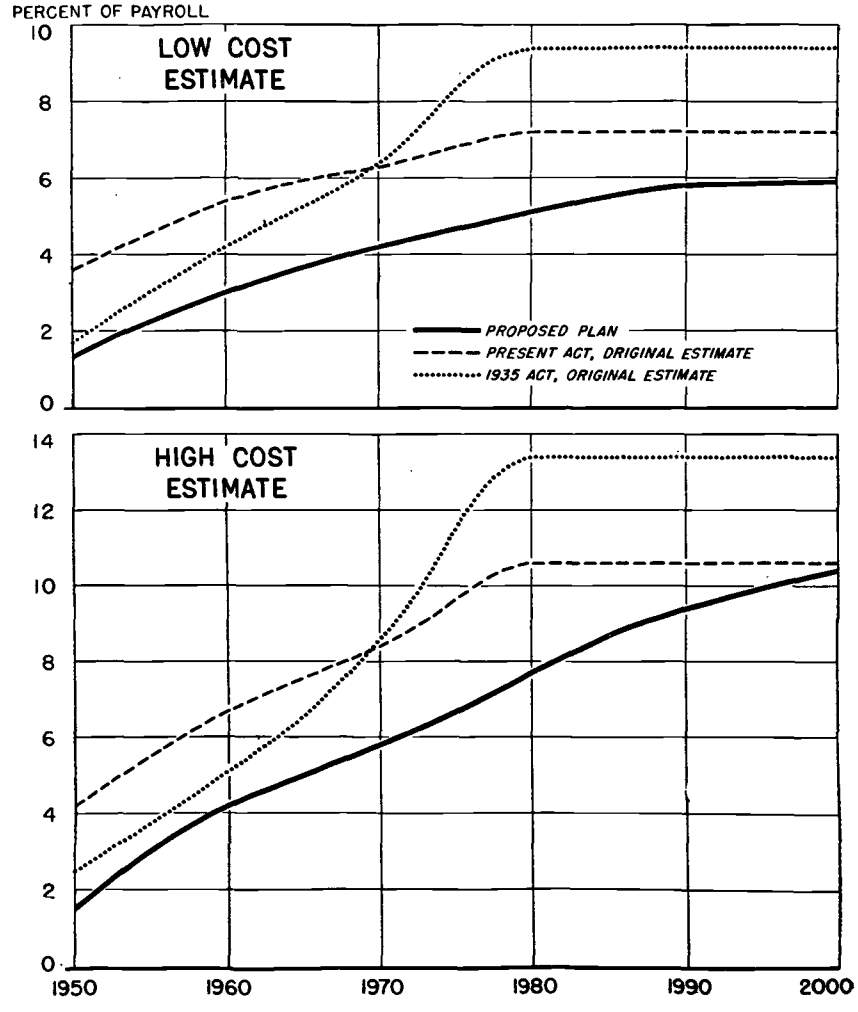


are elements of uncertainty as to the future course of retirement rates under the system. If past mortality trends continue, the life span of beneficiaries may increase, but this may be offset, more or less, by even longer postponement of retirement. Another factor of uncertainty as to retirement rates is the effect of private pension plans

(including those sponsored jointly by employers and unions). As a result of the greater apparent savings due to delayed retirement, the money available can be used to pay relatively liberal benefits to those

CHART 4

COST OF PROPOSED PLAN COMPARED WITH ORIGINAL COST ESTIMATES FOR 1935 ACT AND PRESENT ACT



who actually must retire without increasing the over-all cost beyond that originally contemplated. Also as indicated previously, extension of coverage results in lowering costs relative to pay roll, since the total pay-roll base increases more than total benefit outgo.

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EXTENSION OF SOCIAL SECURITY TO PUERTO RICO AND THE VIRGIN ISLANDS

REPORT

TO THE

COMMITTEE ON WAYS AND MEANS

FROM THE

SUBCOMMITTEE ON EXTENSION OF SOCIAL SECURITY TO PUERTO RICO AND THE VIRGIN ISLANDS

FEBRUARY 6, 1950

UNITED STATES
GOVERNMENT PRINTING OFFICE
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LETTER OF TRANSMITTAL

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., February 6, 1950.

Hon. ROBERT L. DOUGHTON,
Chairman, Committee on Ways and Means,
Washington, D. C.

DEAR MR. CHAIRMAN: Transmitted herewith is the report of the Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands.

Respectfully,

A. SIDNEY CAMP,
Chairman, Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands.

EXTENSION OF SOCIAL SECURITY TO PUERTO RICO AND THE VIRGIN ISLANDS

PART I. INTRODUCTION

The purpose of the visit of the Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands was to obtain first-hand information on the practical operation of the provisions of H. R. 6000, the Social Security Act amendments of 1949, which provide for the extension to these areas of the United States of both the contributory old-age, survivors, and disability insurance programs and the public-assistance programs of the social security system.

Although it was impossible for the subcommittee to make its investigation and study prior to the passage of H. R. 6000 by the House, it was considered wise, and indeed essential, to obtain this first-hand information for the following reasons:

1. To assure that in its application to Puerto Rico and the Virgin Islands this far-reaching legislation, as finally enacted, will be as sound and as effective in achieving its objectives as it is within the power of Congress to establish;
2. To make certain that there are no matters or elements peculiar to these areas which would cause unusual administrative problems; and
3. To provide factual material essential to the intelligent consideration of the effect of subsequent amendments on the operation of the system in Puerto Rico and the Virgin Islands.

The membership of your subcommittee consisted of the following: A. Sidney Camp (Democrat, Georgia), Walter A. Lynch (Democrat, New York), Herman P. Eberharter (Democrat, Pennsylvania), Stephen M. Young (Democrat, Ohio), Thomas E. Martin (Republican, Iowa), John W. Byrnes (Republican, Wisconsin), with Resident Commissioner A. Fernós-Isern as ex officio member during the hearings and the preparation of that part of the report on Puerto Rico.

Hearings were held in San Juan, P. R., on November 15, 16, and 17, during which 26 witnesses representing the various insular government departments, together with private welfare groups, business interests, and labor organizations, testified. These hearings have been printed and are now a matter of public record. In addition to the public hearings, your subcommittee held numerous conferences with Government officials and representatives of various industrial, labor, and agricultural groups, and inspected various industrial plants, government projects, and farming areas.

Hearings were also held in Charlotte Amalie, St. Thomas, Virgin Islands, on November 22. Accompanied by local government officials, your subcommittee made a visit on November 23 to the island of St. Croix, where conferences were held with the administrative officials and interested persons of that island.

PART II. SUMMARY OF RECOMMENDATIONS

As a result of the information furnished by the witnesses during the public hearings in Puerto Rico and the Virgin Islands, and as a result of our study and investigation, your subcommittee submits herewith the following specific recommendations relative to the extension of social security to these two areas:

(A detailed analysis of the reasons for these recommendations is contained hereinafter in this report.)

1. That the contributory insurance system of the Social Security Act (title II) and that the public assistance programs (titles I, IV, and X), together with the new title XIV added by H. R. 6000, be extended to Puerto Rico and the Virgin Islands as provided for in H. R. 6000 except as hereinafter indicated;

2. That title II of the Social Security Act and amendments thereto apply alike to Puerto Rico, the Virgin Islands, and continental United States;

3. That the requirement for a quarter of coverage under OASI (old-age and survivors insurance) for employees be maintained at $50, as under existing law, rather than increased to $100 as provided for in H. R. 6000;

4. That under OASI the $25 qualification requirement in H. R. 6000 (which marks the point at which taxes are imposed) for domestic service and other service not in the course of the employer's trade or business be raised to $50 per quarter;

5. That the minimum monthly primary benefit under OASI provided for in H. R. 6000 be reduced from $25 to $20, together with such technical adjustments necessary to result in equity and consistency in the benefit formula and the conversion table for existing beneficiaries;

6. That H. R. 6000 be amended to provide that Federal matching be made available to Puerto Rico and the Virgin Islands for payments to the mother or other relative with whom a dependent child receiving public assistance is living, as is provided for in H. R. 6000 for the continental United States;

7. That the public assistance matching basis for Puerto Rico and the Virgin Islands contained in H. R. 6000 be amended to provide Federal funds as follows:

(*a*) For old-age assistance, aid to the blind, and aid to the permanently and totally disabled, four-fifths of the first $15 of average monthly payment, plus one-half of the next $6, plus one-third of the next $9, with individual maximums of $30;

(*b*) For aid to dependent children, four-fifths of the first $10 of average monthly payment per recipient, plus one-half of the next $4, plus one-third of the next $3, with individual maximums of $17 for the mother (or other adult caretaker), $17 for the first child and $12 for each additional child in the family.

The effectiveness of a social-security system under which benefit payments are geared to length of employment and amount of wages hinges in large measure on the appropriateness of the provisions of the law to the economic environment in which it operates. Accordingly, the goal to be achieved through the establishment of a contributory social-insurance system can easily be defeated as the result of too high qualification requirements and other provisions which are not geared to existing economic conditions. In order, therefore, for

your subcommittee to make a constructive evaluation of the appropriateness of the provisions of H. R. 6000 to Puerto Rico and the Virgin Islands, it was necessary for us to examine at close range their economic pattern and structure. Our findings are discussed below.

PART III. PUERTO RICO

(*a*) *Economic structure.*—The economy of Puerto Rico is agricultural, and its lifeblood is sugar.

Of the total labor force of approximately 686,000, the sugar industry employs approximately 150,000 workers; of these, 138,000 are engaged in actual farming operations and 11,000 in the 36 sugar mills throughout the island. As a result of the growth of the sugar industry and sugar-based products, the economy of Puerto Rico has been able to move forward. Sugarcane acreage now constitutes about 35 percent of all land on which agricultural crops are harvested, and sugar, together with its byproducts, constituted 60 percent of the total value of exports of Puerto Rico in 1948. The total value of sugar-based exports was $115,000,000, while all the other nonsugar exports taken together amounted to $77,000,000.

Under the Jones-Costigan Act of 1934 and the Sugar Act of 1937, the processing and marketing of sugar from all regions supplying the United States were limited. Although the Sugar Act quotas were suspended in 1939, quotas were restored in 1940 but were suspended again in 1942 as the result of sugar shortages developed during the war.

The Sugar Act of 1948 reestablished quotas for the 5-year period from January 1, 1948, to December 31, 1952. Under this act, Puerto Rico's basic sugar quota is set at 910,000 tons, only 126,033 tons of which can enter the United States as refined sugar. That this quota limitation is having and will continue to have a restrictive impact on the Puerto Rican economy is illustrated by the fact that in 1931–32 the island produced 992,000 tons of sugar, and has produced as much as 1,148,000 tons in 1941–42, and 1,288,000 tons in 1949.

We learned that the sugar industry consists of more than 13,000 separate farm owners and that the cost of sugar production is very much higher in Puerto Rico than in any other cane-sugar area because of two reasons, one being the fact that the land having been in cultivation for centuries is depleted making it necessary for the farmers to use large quantities of commercial fertilizer, and the second reason being that these farmers refrain from installing labor-saving machinery in order to give as much employment as possible to the people of the island. The unemployment situation would be further aggravated by the installation of labor-saving devices.

The next most important agricultural products of the island expressed in terms of the amount of land cultivated and the gross income to the island from these products are tobacco, coffee, coconuts, pineapples, papayas, plantains, and bananas. At the present time approximately 111,000 persons are engaged in agricultural employment other than sugarcane. In all, therefore, agricultural employment accounts for 36.7 percent of the total labor force.

Only a small part of the island consists of high productivity soil. Approximately 72 percent of its total land area of 3,435 square miles is hilly and almost mountainous. It is estimated that Puerto Rico

has 22 persons for every 10 acres of tillable soil as compared with the continental United States which has three persons for every 10 tillable acres.

As sugar is the life of the agricultural economy, the hand-craft industries are the backbone of Puerto Rico's manufacturing industries. Of the 109,000 workers engaged in manufacturing enterprises, 54,000 are employed in the needlework industries. Increasing competition from the Philippines, and to a smaller extent Czechoslovakia, is already cutting into this industry, which depends primarily on an abundance of cheap labor.

In addition to the needlework and apparel industry and other textile manufactures, Puerto Rico has recently undertaken the manufacture of leather, clay, glass, plastics, and chemical products. These, together with the manufacture of rum from molasses, the processing operations of the agricultural products, and fruit canning and fruit packing constitute the primary manufacturing economy of the island. A table showing the distribution of the labor force by industry is contained in the appendix (table 1).

Almost all the manufacturing units have to import a substantial amount of their machinery and most of their raw materials. The only industries which do not import any of their raw materials are sugar, canning and preserving of fruits and vegetables, tobacco-stemming and redrying, and the glass, cement and pottery enterprises.

The bulk of Puerto Rico's export trade consists of sugar, tobacco, rum, and needlework, and the over-all economic welfare of the island depends in large measure on the available market for these products and the competitive conditions. In the calendar year 1948 exports from Puerto Rico totaled $190,000,000 (of which $184,000,000 were to other parts of the United States), while imports were $362,000,000 (of which $338,000,000 were from other parts of the United States). However, income from the increasing tourist trade tends to offset this unfavorable trade balance.

The cost of living at comparable standards is higher in Puerto Rico than in continental United States, and the large dependence of the island on imported goods coupled with the rise in prices of such goods has given Puerto Rico's postwar economy an inflationary character. The greater increase in prices in Puerto Rico compared with the rise on the mainland during the war was due to the fact that the shortage of goods was more acute on the island and that price controls were initiated later. The highest advances in prices were on such items as rice, salt pork, and lard, three of the most important items in the food bill of the Puerto Rican wage earner.

(*b*) *Employment and wages.*—The estimated population as of July 1, 1948, was 2,185,000. For an island with a total land area of approximately 3,435 square miles, this represents a density of more than 630 persons per square mile, or more than 12 times the present density of continental United States. During an average week of fiscal year 1948–49 the total labor force was 686,000 of whom 616,000 were employed and 70,000 unemployed. Agricultural employment accounted for 36.7 percent; manufacturing, 17.4 percent; commerce, 14.8 percent; and services, 11.9 percent. The average age of employed workers was 34.6 years; 33 percent were under 25 years old and 3.6 percent were 65 years and over. Table 2 in the appendix contains a break-down by age of the persons employed in 1948–49.

It is significant to note that according to the 1940 census, in Puerto Rico 41 percent of the population was under 15 years of age as compared with 25 percent in continental United States, and only 3 percent of the population in Puerto Rico was 65 or over compared to 7 percent in continental United States. The annual rate of growth based on the excess of births over deaths is approximately 60,000 per year, or 3 percent relatively, so that on this basis in a decade the increase in population will be about 34 percent. This annual rate of population growth is one of the highest in the world. Considering the already existing high population density and the fact that the death rate has been declining rapidly in recent years and now stands at less than 15 per thousand, or very little above the figure in continental United States, this presents one of the most serious and complex problems facing Puerto Rico.

The lowering of the death rate has been accomplished by the combined effects of better medical care, distribution of milk for children, school lunchrooms, and general improvement in living conditions.

As a result of the increase in recurrent revenues of the insular government from $25,400,000 in 1939–40 to $91,900,000 in 1948–49, public services have been considerably expanded. The proportion of children aged 6 to 17 in schools has increased from 52 percent in 1940 to 60–65 percent now, and every effort is being made to provide additional educational facilities for the remaining children of school age. In fact, such a program is essential for increased productivity.

In addition to the high rate of unemployment, which threatens to magnify unless the industrialization program of the island is able to move forward at a steady pace, the Puerto Rican labor force is also characterized by seasonal employment. A large percentage of the workers are unemployed part of the year, and many work on a part-time basis. The major cause for this seasonal employment is to be found in the sugar industry. Other seasonal trends are the result of the rapid increase of employment in tobacco and coffee during the late fall months, with a subsequent downward trend during the spring.

Wage rates are generally about 35 percent of those prevailing in continental United States. Table 3 in the appendix shows the current average number of production workers, gross hourly earnings, and weekly hours in manufacturing industries in Puerto Rico.

Wage rates have risen steadily since the middle 1930's. Puerto Rico has a minimum wage law and the insular government is making a vigorous effort to have all groups of workers covered by the minimum wage and to raise minimum wage standards. Over 260,000 workers in 15 industry groups are already covered by minimum wage orders. Table 4 in the appendix contains a break-down of the decrees issued.

(*c*) *Industrial program.*—In an effort to meet the basic problem of maintaining economic gains in the face of a rapidly growing population where already there exists a dense population and a land of limited natural resources, the insular government has adopted a progressive program for the industrialization of the island. This program is supervised by the Puerto Rico Industrial Development Company owned by the insular government. This company was organized in 1942 and has made a carefully planned study of those industries which appear to offer the greatest potentialities for development in the island. Local resources are currently being utilized by enterprises started by the Development Company.

The Development Company owns, through subsidiaries, a cement plant, a glassware plant, a jute paperboard mill, and a clay products plant. It also owns and operates a small artistic ceramic shop (now closed), a small fiber and textile shop and a yeast pilot plant in which we are attempting to develop an economic process for the production of food yeast for human consumption. It also owned a shoe plant which has been sold. The others have been offered to the most responsible operators in their respective lines. Although there have been active negotiations for the sale of the remaining plants, no definite agreements have yet been reached.

This policy is well explained by an excerpt from the annual report of the Puerto Rico Industrial Development Company for the year ending June 30, 1948:

> This partnership of government and private capital in the development of an industrially backward area fitted perfectly into the best American tradition. The history of the United States began with the activities of three government-chartered corporations: The London Company, the Plymouth Company, and the Dutch West India Company. As soon as private enterprise was able to go along by itself, once the risky task of ground-breaking was accomplished, the government-chartered corporations stepped out and let the entrepreneurs take over.

The Development Company program is designed to encourage the development of those industries which can best utilize the competitive advantage of the lower wage scales in Puerto Rico.

The obstacles to any extensive industrialization of the island are great, but the cooperation between the various insular government agencies and the realistic approach to the problem are factors that afford a hope for substantial progress. We believe that there are undoubtedly potentialities for the development of small industries in Puerto Rico which will develop and utilize local resources and will assist in supplying an outlet for Puerto Rico's expanding labor force. Adequately trained labor is becoming more abundant, and the policy of the Government is to encourage the investment of private funds into new enterprises.

(*d*) *Tax system.*—In 1897, a year prior to the ceding of Puerto Rico to the United States by the Treaty of Paris in 1898, Spain granted a considerable degree of self-government to the Puerto Ricans under a charter of autonomy. A result of this fact has been that Puerto Rico, unlike the Virgin Islands and other United States areas, has always had its own tax system. Table 5 in the appendix contains the basic provisions of the Puerto Rican income-tax laws. The primary source of revenue is the excise taxes collected on a variety of articles such as alcoholic beverages, cigarettes, gasoline, automobiles, and electrical equipment and accessories. In fiscal year 1948–49 revenues from these taxes amounted to 40.7 million dollars.

The second most important source of revenue is the Puerto Rican income tax on individuals and corporations. In fiscal year 1948–49, 26.4 million dollars was collected from this source. This figure is broken down as follows: 11.8 million dollars was collected from individuals (21,060 taxable returns) and approximately 13.2 million dollars from corporations (694 taxable returns) and partnerships (407 taxable returns). The remainder, or approximately 1.4 million dollars, came from withholding taxes.

The third most important source of income is the tax on real and personal property which provided 3.3 million dollars in revenue, and an additional $7,000,000 in property taxes was collected for the municipalities for the support of the local governments.

In addition to these taxes there was covered into the insular treasury approximately 9.6 million dollars from customs duties and taxes imposed upon products shipped to the mainland to offset the Federal taxes paid on such products when produced in continental United States. Of this amount 7.4 million dollars was paid by local producers of rum and tobacco on the products shipped to the mainland. Table 6 in the appendix contains a break-down of the Federal taxes covered into the insular treasury during the past 10 years.

For 14 years Puerto Rico has had a workmen's compensation insurance fund designed to protect workers against the hazard of accidents in the course of their employment. Premiums totaling 3.9 million dollars were assessed on total pay rolls amounting to $227,000,000 in 1947–48.

The provisions relative to the unemployment insurance law designed to protect sugarcane workers against seasonal unemployment became operative last year. The insular treasury, in cooperation with the sugarcane industry, evolved the necessary pay-roll and tax-return forms. The law and regulations provided for monthly tax payments on taxable pay rolls accompanied by the weekly pay rolls during that month. Between January 1 and October 31, 1949, the pay-roll tax collected amounted to 1.8 million dollars. There were 5,414 reporting employers during that period and over 22,000 returns were processed.

We call attention to these various tax programs in order to substantiate our position that existing insular tax programs have already laid a foundation for the collection of the Federal employment taxes. In our opinion the collection of these taxes will present no insurmountable administrative difficulties, and the experience of the insular treasury, together with familiarity with similar taxes by both employers and employees, will be of great assistance.

As part of its program to develop wider industrialization, the insular government has recently granted a tax holiday to newly established industries in Puerto Rico. The exemption runs until June 30, 1959, and covers income, property, and municipal taxes, as well as the excise tax on machinery and raw materials. Tax exemption for new industries is not a new policy in Puerto Rico. In fact, such a policy goes back as far as 1919 when new industries were exempted from the payment of insular taxes. Similar laws were enacted in 1925, 1930, and 1935. Inasmuch as Puerto Rico comes within the provisions of section 251 of the Internal Revenue Code, the effect of the exemption from Puerto Rican taxes is to offer definite incentives to engage in productive enterprises in the island. It is expected that this policy will aid in the expansion of the Puerto Rican economy.[1]

Assurance was given your subcommittee by responsible officials in Puerto Rico that great care would be exercised by them to avoid any action under this program that might be detrimental to industry on the mainland. The policy, as recently stated by the president of the Puerto Rico Industrial Development Company, in this regard is as follows:

Puerto Rico's so-called tax-exemption program was initiated in 1947 and provides a 12-year period of exemption from local income, property and

[1] Sec. 251 of the Internal Revenue Code provides in general that if during a period of time within the 3 years immediately preceding the close of the taxable year, a taxpayer derives income within a United States possession he may exclude such income received during the taxable year from his gross income provided (1) 80 percent or more of his total income for such period was derived from sources within a possession and (2) that 50 percent or more of his total income for such period was derived from the active conduct of a trade or business within the possession.

municipal taxes to certain qualified new "industries." It does not imply a blanket "freedom from taxes" in any sense of the word. *Neither does it apply * * * to any stateside industry or factory which "closes shop" on the mainland to take refuge in Puerto Rico.*

* * * While certificates of exemption have been granted to more than a hundred firms, another 50 or more have been denied or the applications have been withdrawn.

This policy has been formalized by resolution of the Executive Council of Puerto Rico as follows:

It is the intention of the Executive Council to administer the tax-exemption act in such a way as to encourage and promote industry which will benefit the Puerto Rican and United States economies. To this end, the Executive Council will use the powers granted to it in the "Industrial Tax Exemption Act of Puerto Rico" to encourage those industrial enterprises which represent an expansion of existing industries or the development of new fields of industry. The benefits of the tax-exemption program will not be used to encourage any industry to move to Puerto Rico at the expense of injuring United States industrial communities by closing plants or curtailing production in those areas.

In passing upon any petition for tax exemption presented by a petitioner which has closed down or which proposes to close down a plant in the continental United States and which proposes to establish a new plant in Puerto Rico, the Executive Council will give due weight to the following factors:

(a) Whether or not the decision to close the old plant was made prior to the time Puerto Rico was considered as a possible site for the new plant;

(b) Whether or not the decision to close the old plant was the result of local factors having no connection with the Puerto Rico Tax Exemption Program, such as the zoning out of the old plant, inadequate factory space, inaccessibility to market, excessive freight on raw materials, or other similar factors;

(c) Whether or not the nature of the business, the volume of production and the employment thereof is such as to affect materially the economy of the community in which it is located.

* * * * * * *

It is not the purpose of this Council in the exercise of its powers under the tax-exemption law to induce the transfer of regularly established industries or part thereof from any State of the Union to Puerto Rico, but to induce the investment of new expansion capital in the Puerto Rican part of the American economy, where it is so urgently needed to prevent permanent dependency on some kind of a dole system and to help the people of Puerto Rico to get on their feet economically on a par with the States.

(*e*) *The existing social-security provisions in Puerto Rico.*—For many years Puerto Rico has had a compulsory workmen's compensation insurance program, and, as mentioned previously, a seasonal unemployment insurance program for workers in the sugar industry has recently been enacted. Neither of these programs would, of course, be affected by the extension of our social security system to the island. In addition to these two programs there are in existence retirement plans for certain groups of government employees.

In the field of public assistance, Puerto Rico has had its own programs for many years. Beginning in 1943, the pub'ic assistance programs were altered in order to conform with the standards of the Social Security Act so that there would not be any legal impediments for Federal grants-in-aid, if these were made available. In addition to the present three categories of the Social Security Act (old-age assistance, aid to the blind, and aid to dependent children), Puerto Rico has a fourth category termed "general assistance" but which in reality is similar to the new fourth category established by H. R. 6000 for aid to the permanently and totally disabled, since only physically or mentally handicapped persons are receiving assistance under this category.

Puerto Rico, with considerable financial effort, has made available $3,000,000 annually for public-assistance grants. Currently, assist-

ance from this source alone is being given to about 33,000 families, representing about 58,000 recipients. Under the basis now established, each family on the roll receives a uniform amount of $7.50 per month. Eligibility for assistance is determined on a very strict basis. In each case budgetary requirements are set up, and if the individual (or family) has an actual income of more than 15 percent of these requirements, he is not eligible. In addition, even though this eligibility test is met, there is a large waiting list because of the limited funds available. Thus, currently, the waiting list comprises about 41,000 families composed of about 72,000 individuals, and it is likely that the vast majority of these would be found to be eligible if funds were available. Accordingly, it may be seen that the waiting list is about 25 percent larger than those on the assistance rolls. If all eligibles were placed on the roll by eliminating the waiting list, the rolls would be more than doubled.

The 58,000 recipients on the roll are subdivided into categories as follows:18,000 persons age 65 and over, roughly 20 percent of the total aged population of the island; 600 blind persons or about 12 percent of the total blind population; 30,000 children under age 18; and 9,000 physically or mentally handicapped persons over age 18 and under age 65.

The flat family grant of $7.50 per month represents an average payment of $2.90 per child receiving assistance, $6.28 for old-age assistance recipients, and about $7 for aid to the blind and general assistance.

PART IV. THE VIRGIN ISLANDS

(*a*) *The economic structure.*—The economic life of the Virgin Islands, consisting of the islands of St. Thomas, St. Croix, and St. John, is based on the cultivation of sugarcane, the manufacture of rum and bay rum, the servicing of ships, a few handcraft industries, and tourist trade. Sugarcane provides the basic raw material for the production of raw sugar and rum which are the two principal items of the export trade. For the calendar year 1948 exports amounted to 1.7 million dollars of which 1.1 million was to other parts of the United States, while total imports amounted to 9.5 million of which 7.7 million was from other parts of the United States. Most of the items of common use such as food, clothing, machinery, fuels, and construction materials are imported from continental United States.

St. Thomas, the capital island, is only 12 miles long and 3 miles wide, and although Charlotte Amalie is an excellent harbor, the island itself is both hilly and unproductive. At one time the harbor was the principal calling station for ships in the West Indies, but with oil-burning engines, electric refrigeration, and modern communications, ships no longer need the refueling and servicing facilities of this port, and accordingly the harbor activities have been greatly reduced.

In our opinion growth of the tourist trade offers the greatest potentialities for the island. It is being actively encouraged by the local government, and additional hotels and facilities are nearing completion. The Virgin Islands Corporation can also be utilized in promoting tourist trade.

There are also, we believe, possibilities for the establishment and successful operation of additional small industries, and for the use and consumption of local products and the development of local projects.

Sugar production has been abandoned in St. Thomas, but in St. Croix, which is less mountainous and more arable, the Virgin Islands Corporation, which was incorporated by the Eighty-first Congress and succeeds the Virgin Islands Company, is operating 500 acres of land and employs approximately 1,000 workers.

Unlike Puerto Rico, the Virgin Islands are seriously handicapped by inadequate rainfall. Droughts are frequent, there are no streams, and the drinking water is supplied from the rain gathered from roofs and catchments.

The purpose of Public Law 149, Eighty-first Congress, approved June 30, 1949, which incorporated the Virgin Islands Corporation, is stated to be "to promote the general welfare of the inhabitants of the Virgin Islands of the United States through the economic development of the Virgin Islands." Despite this statement of purpose, Public Law 149 prohibits the manufacture of rum or any other alcoholic beverages, which in the opinion of your subcommittee is utterly contradictory. The only 2 years in which profits were made by the predecessor Virgin Islands Company were during the war years when there was an excellent market for rum. The result of the prohibition is to deprive the Virgin Islands Corporation of a substantial source of revenue and to limit the potential utilization of byproducts of the sugar industry. We recommend that Congress give consideration to the repeal of the prohibition of manufacture of rum at the earliest practicable date.

The economy of the island of St. Croix is entirely dependent on the Virgin Islands Corporation and deficit contributions to the municipality of St. Croix by the Federal Government. In addition to its activities in developing and maintaining the economy of the Virgin Islands through agricultural pursuits, soil and water conservation, establishment of new industries and development of the tourist trade, the law creating the corporation provides for $5,000,000 being made available for loans where the money would not be available from private or other government sources. The Virgin Islands Corporation is the largest taxpayer on the island of St. Croix. It pays all the taxes that a private corporation would pay.

(*b*) *Employment and wages.*—The population of the three islands consists of about 30,000 persons of whom there are currently approximately 5,000 persons employed in industry, commerce, domestic service, and professional and other self-employment and 2,000 in agricultural employment. In addition there are some 1,120 persons employed by the municipal governments which means that one out of every eight employed persons works for either the municipal or Federal Government. The following table contains a break-down of the types of employment and number of persons employed in each category at the present time.

Occupation	Number employed	Weekly income	Annual income
Industrial	1,949	$10–$50	$480–$2,400
Commercial	2,106	6– 50	300– 2,400
Domestic	463	5– 10	240– 500
Nonprofessional and nonagricultural self-employed	838	20– 60	960– 3,000
Professional and self-employed	24	75–100	3,600– 5,000
Municipal government	1,120	----------	----------
Farmers	559	----------	----------
Farm workers	1,517	----------	----------
Total	8,576	----------	----------

As will be seen in the table, wage levels are substantially below those existing in continental United States. Turn-over in employment is slow as the result of the fact that the sources of employment are considerably limited.

Although the demographic characteristics of the Virgin Islands closely parallel those of Puerto Rico in regard to a high birth rate, a relatively low death rate, and a generally young age distribution of population, the aggregate problem is not so great because of the relatively small numbers involved. Density of population is not so great.

(*c*) *Tax system.*—The Federal income-tax laws are enforced in the Virgin Islands, and the proceeds of such taxes are payable into the treasury of the Virgin Islands. The machinery for collecting taxes is the department of finance. For the calendar year 1948, 1,885 income-tax returns were filed in the Virgin Islands yielding a total amount of $310,856. The total number of individual returns was 1,797 of which 311 represented returns of self-employed persons. The number of corporation returns was 66 and the number of partnership returns, 22. Individual tax yields amounted to $225,056 and corporations, to $85,800. In addition to our Federal income-tax laws, there are local property, excise, and trade taxes. The Federal estate and excise taxes do not apply in the islands.

Not only have the people of the Virgin Islands had experience with the Federal income-tax withholding system, but there is in operation in St. Thomas a retirement fund for municipal employees and a municipal insurance fund created under the Workmen's Compensation Act of 1941 which provides for employers' contributions of premiums based on types of employment. In the light of the existing tax structure in the islands, particularly the familiarity of the people with our Federal withholding, it is clear that the collection of the social-security taxes will present no difficulty.

As in the case of Puerto Rico, the Virgin Islands has recently enacted its own tax-holiday law designed to encourage the establishment of new industries in the islands.

Persons and corporations meeting the requirements of the law are exempted for an 8-year period from all real property taxes, excise taxes on building materials and equipment necessary for the construction and operation of new industries and all annual or specific license fees excepting those applying to liquor and automobiles.

(*d*) *The existing social security provisions in the Virgin Islands.*—Since 1943 the Virgin Islands has had a public-assistance program paralleling the three categories in the Federal matching program. In addition, payments are made in the Virgin Islands to the permanently and totally disabled, to the partially or temporarily disabled, and to children in foster-family homes. The first of these categories corresponds with the new fourth category of permanently and totally disabled established under H. R. 6000, but there would be no Federal matching for the other two categories.

At the present time the Virgin Islands has an active case load of 1,248 persons and a waiting list of 529 persons. These now on the rolls are divided approximately as follows: Old-age assistance, 575; aid to the blind, 65 (including almost 50 aged 65 and over); aid to dependent children, 375; and permanently and totally disabled, aged 18–64, 110.

The over-all average payment in public assistance in October 1949 was $5.90 per person, or 45 percent, or 19½ cents a day, higher than the 1948 average of $4.05.

Table 7 in the appendix contains a break-down of the existing public assistance program in the Virgin Islands. The total amount available for public assistance is $90,000 per year of which $4,000 comes from the community chest and public trust funds. Individual grants are figured on a budgetary basis with deductions for any income received.

PART V. DISCUSSION OF RECOMMENDATIONS

If in its application to Puerto Rico and the Virgin Islands our social-security system is to achieve maximum effectiveness, it is essential that the qualification requirements permit the greatest number of persons to be eligible for a scale of benefits which will afford a basic floor of protection and at the same time not serve as a substitute for initiative and thrift. Among our aims also should be the placing of the OASI program in the same dominant position in Puerto Rico and the Virgin Islands that has been our aim and objective in continental United States. It would be exceedingly unwise in our opinion to provide a social-security program to these islands which, because the qualifying conditions are not appropriately geared to their economy, literally forces the people under public assistance for their social security protection. We should, therefore, give particular attention to diminishing the future public assistance cases by inclusion of as many persons under the contributory program as is possible. These principles when realistically applied to the economic life of these islands move us to make the following recommendations which are summarized in the opening of this report and are now discussed in detail.

1. *That the contributory system of the Social Security Act (title II) and that the public assistance programs (titles I, IV, and X and the new title XIV) be extended to Puerto Rico and the Virgin Islands as provided for in H. R. 6000 (except as hereafter indicated).*—H. R. 6000 provides that the OASI system will be extended to Puerto Rico only when the people of Puerto Rico so express their desire by passage of a concurrent resolution by their legislature. From the testimony presented to your subcommittee, it was clearly established that the people of both Puerto Rico and the Virgin Islands do desire to be brought within the social-security system and that they are prepared, and indeed willing, to pay the same employment tax rate imposed in the mainland. In all, 43 witnesses appeared before your subcommittee, and every witness testified in favor of extension of the social-security program to these islands. In Puerto Rico the Governor and both the president of the senate and the speaker of the house vigorously sponsored the program and stated their belief that both houses would promptly pass the necessary resolution. In fact, the president of the senate and the speaker of the house sent a telegram of inquiry to their respective members, and the answers they received showed that the members of the legislature were practically unanimous in favor of this program.

As clear to us as is the desire of the people of Puerto Rico and the Virgin Islands to come within the system is the need for the extension of this system to these islands. In the first place the extension of our

social-security system, particularly in the case of Puerto Rico, will assist in the encouragement of the expansion of the industrial economy which is of the utmost importance to that island. In our opinion the extension of the program, particularly in the case of Puerto Rico, will do a great deal to strengthen the foundations of the economy and to meet the underlying economic problem. This system will provide a measure of economic security not now experienced by the great majority of Puerto Rican workers who are unable adequately to provide for their own security. Although wages have increased, the cost of living in Puerto Rico and the Virgin Islands is as high, if not higher, than in continental United States for comparable living standards, and adequate personal savings for retirements are well nigh impossible.

Inasmuch as social-security benefits are weighted in favor of the low-income groups, those who qualify in Puerto Rico and the Virgin Islands under the insurance program will have relatively higher benefits in proportion to the amount they have contributed, this fact will not have more than a minor effect on the actuarial basis of the system. This is so because of the relatively small size of coverage and shorter life expectancy in Puerto Rico and the Virgin Islands as compared with the continental United States. Our investigation shows that roughly 350,000 persons are engaged in covered employment in an average week in Puerto Rico and 5,000 in the Virgin Islands as compared with over 45,000,000 for the total system. From an actuarial standpoint the higher mortality of the islands results in somewhat of a lowering of costs since relatively fewer people reach retirement age. It should be borne in mind also that these islands which purchase almost all of their goods from continental United States are indirectly contributing to the social-security system because of the higher prices charged for articles as the result of inclusion of social-security taxes as a cost of production.

We believe also that the public assistance provisions of titles I, IV, and X and the new title XIV should be extended to Puerto Rico and the Virgin Islands as well. The Federal cost of the public assistance program for these islands, as we have recommended, will be approximately $11,000,000 a year, but as a result of it approximately 130,000 individuals in Puerto Rico and 1,900 in the Virgin Islands will receive some measure of relief which they so sorely need but which limited local funds do not now permit.

2. *That title II of the Social Security Act and amendments thereto apply alike to Puerto Rico, the Virgin Islands, and continental United States.*—All the witnesses before your subcommittee urged with great sincerity and earnestness that the provisions of the old-age and survivors insurance system of title II of the Social Security Act be the same for Puerto Rico and the Virgin Islands as for persons on the mainland. They stressed the point that no differentiation is made between high and low wage areas on the mainland. We believe, furthermore, that if the amendments we recommend are made, the system will be appropriately geared to the economy of the islands, and that our recommendations will increase the effectiveness of the system throughout continental United States as well.

3. *That the requirement for a quarter of coverage under OASI be maintained at $50, as under existing law, rather than increased to $100, as provided for in H. R. 6000.*—Under present law it is necessary for a

worker to earn at least $50 a quarter in order to receive social-security credits toward qualifying for benefits. Under H. R. 6000, however, the requirement is raised from $50 to $100, while for the newly covered group of the self-employed this figure is $200 (but no taxes are paid on less than $400 per year and no wage credits are given then). It is clear that as a result of this provision a substantial number of people in Puerto Rico and the Virgin Islands will not qualify for benefits. We have in mind, for example, domestic servants and the home workers in the needlecraft industry as well as many other groups which are affected by the seasonal employment inherent in the island economy. And yet these are the people who need the protection. It seems to us, therefore, that the sounder and more prudent course is to maintain the eligibility requirement of $50 per quarter for employees. If the contributory system is ever to dominate the assistance program, the qualifying conditions must be such as to permit most of our lowest wage earners to qualify. We are advised that this recommendation will have no appreciable effect on the actuarial soundness of the program.

4. *That under OASI the $25 qualification requirement in H. R. 6000 (which marks the point at which taxes are imposed) for domestic service and other service not in the course of the employer's trade or business be raised to $50 per quarter.*—The testimony before your subcommittee brought into sharp focus the fact that under the provisions of H. R. 6000, many persons, particularly domestic servants, will have to pay social-security taxes, but will be ineligible for benefits. This is so because the law requires $100 of wages (and $200 of self-employment income) in order to obtain a quarter of coverage, but taxes are payable if domestic employees earn $25 a quarter, and meet the additional requirements. In other words, under the provisions in H. R. 6000 there will be a number of persons liable for social security taxes but without sufficient earnings to qualify for benefits. Proportionately this group will be higher in Puerto Rico and the Virgin Islands than in the continental United States, but irrespective of this fact, the inequity should be remedied. This can be done by raising the $25 qualification requirement contained in H. R. 6000 to $50 per quarter, thereby coordinating the eligibility and taxability provisions for such persons.

5. *That the minimum primary benefit under old-age and survivors insurance provided for in H. R. 6000 be reduced from $25 to $20 a month together with such technical adjustments necessary to result in equity and consistency in the benefit formula and the conversion table for existing beneficiaries.*—The minimum benefit provided for in H. R. 6000 is $25 ($10 under existing law). With the lowering of the requirement for a quarter of coverage for eligibility for benefits recommended above, we believe it is desirable to reduce the minimum monthly benefit payable to a retired worker from the $25 in H. R. 6000 to $20. This is desirable so that there will not be any great excess of the benefits payable over the wage actually earned by the very low income workers. If this is not done, we will have the anomolous situation, which will be particularly true in Puerto Rico and the Virgin Islands, of persons receiving benefit payments substantially higher than the wages themselves. For instance, if we maintain the qualification requirement at $50 per quarter as under existing law in the relatively rare case of an

individual who was steadily employed at $17 per month or $204 annually, the minimum benefit would be payable. If this minimum benefit were $25, such amount would be 50 percent in excess of wages.

Our recommendation applies to continental United States as well, since the coverage contemplated under H. R. 6000 does not extend universally to all gainful workers. It is noted that the Advisory Council to the Senate Committee on Finance in its report in 1948 recommended a $20 minimum benefit which will in our opinion if other recommendations made herein are adopted, be more appropriate both in Puerto Rico and the Virgin Islands and for continental United States as well.

6. *That H. R. 6000 be amended to provide that Federal matching be made available to Puerto Rico and the Virgin Islands for payments to the mother or other relative with whom a dependent child receiving public assistance is living, as is provided for in H. R. 6000 for continental United States.*—During the testimony it was called to the attention of your subcommittee that the provisions in H. R. 6000 providing for Federal matching to payments made to the mother or caretaker of a dependent child did not extend to Puerto Rico and the Virgin Islands. This was due to the fact that extension to these islands was based on the provisions of the 1935 act which made no allowance for Federal matching to the caretaker of dependent children. We believe that H. R. 6000 should be amended so that this provision will apply to Puerto Rico and the Virgin Islands as well as in continental United States.

7. *That the public-assistance matching basis for Puerto Rico and the Virgin Islands contained in H. R. 6000 be amended to provide as follows: (a) For old age assistance, aid to the blind, and aid to the permanently and totally disabled, four-fifths of the first $15 of average monthly payment plus one-half of the next $6, plus one-third of the next $9 with individual maximums of $30; (b) for aid to dependent children, four-fifths of the first $10 of average monthly payment per recipient, plus one-half of the next $4, plus one-third of the next $3, with individual maximums of $17 for the mother (or other adult caretaker), $17 for the first child and $12 for each additional child in the family.*

Although the Federal Government has for a number of years made grants to both Puerto Rico and the Virgin Islands for public health and child welfare, and to Puerto Rico for vocational rehabilitation, it has never provided funds for old-age assistance, aid to dependent children, and aid to the blind. H. R. 6000 extends these titles of the Social Security Act as well as the new category of aid to the permanently and totally disabled to these Islands for the first time. Recognizing, however, that the economy of the Islands is at a lower level than that on the mainland, the bases for Federal share of the costs under H. R. 6000 are similar to the maximums established in the original Social Security Act of 1935 and are similar to the original matching ratio except in the case of aid to dependent children which is more liberal under H. R. 6000 than under the original act. Specifically, the bill provides that for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, the maximum limiting Federal participation in an individual monthly payment be $30, and for aid to dependent children, $18 for the first child in a

family and $12 for each child beyond the first. The Federal share of assistance costs within the maximums would be one-half for all types of assistance and for administration.

It seems to us that a more realistic approach to the problem is a formula midway between the 50–50 matching basis contained in H. R. 6000 and the basis in H. R. 6000 applicable to the States. We recommend, therefore, that for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, the basis for the Federal matching be: four-fifths of the first $15 of average monthly payment, plus one-half of the next $6, plus one-third of the next $9, within individual maximums of $30. It will be noted that the dollar limits and ranges are 60 percent of those applicable to the States. Likewise, for aid to dependent children the basis for Federal matching should be four-fifths of the first $10 of average monthly payment per recipient, plus one-half of the next $4, plus one-third of the next $3, with individual maximums of $17 for the mother (or other adult caretaker), $17 for the first child and $12 for each additional child in the family. The dollar limits and ranges here are 66⅔ percent (rather than 60 percent, so as to yield rounded figures) of those applicable to the States.

As applied to Puerto Rico, the formula in H. R. 6000 together with the requirement that assistance shall be furnished to all eligible people would mean an actual reduction of the amount paid for public assistance to individual recipients in Puerto Rico. This is so because in Puerto Rico the waiting list comprises about 41,000 families composed of approximately 72,000 individuals, and is larger than the actual roll of recipients, and it appears that the vast majority of these people would be found eligible if funds were available. There would in other words be additional persons receiving assistance, but the average amount of assistance payments would be lower. As applied to the Virgin Islands the matching formula contained in H. R. 6000 would increase the payments by only $1.80 a month. This is so because, after providing for the categories not covered in H. R. 6000 (general assistance and foster homes), approximately $6,200 per month of local money would be available for matching. With the Federal contribution of $6,200 a month, a total of $13,700 a month would be available for a case load of 1,777 persons in the islands. The over-all average would be increased from $5.90 to $7.70 per person.

Under the formula that we recommend, however, the average payments per person would be approximately $10 in Puerto Rico and $12 in the Virgin Islands. The formula we propose was endorsed by witnesses in both Puerto Rico and the Virgin Islands, and the liberalization of our formula would increase the cost to the Federal Government by approximately $8,000,000 per year above the estimated $3,100,000 cost under the provisions of H. R. 6000.

ACKNOWLEDGMENT

The subcommittee desires to express its appreciation for the assistance of Hon. A. Fernós-Isern, Resident Commissioner of Puerto Rico, both in the preparation for and conduct of the hearings in Puerto Rico and in the preparation of that part of the report dealing with Puerto Rico.

APPENDIX

TABLE 1.—*Estimated total employment in Puerto Rico and number who would be in covered employment under H. R. 6000*

Major industry group and industry	Total employment July 1949	Approximate number in covered employment under proposed OASI plan
	Thousands	*Thousands*
All industries	645	[1] 342
Agriculture, forestry, and fishing	252	
Sugarcane	138	
Tobacco	[2]	
Coffee	14	
Other farms	97	
Forestry	1	
Fishing	2	
Mining	1	1
Construction	34	34
Manufacturing	109	109
Sugar	11	11
Liquor	2	2
Other food and kindred products	7	7
Tobacco	6	6
Needlework at home	54	54
Apparel and other textile products	11	11
Other manufacturing industries	18	18
Wholesale and retail trade	93	93
Wholesale trade	8	8
Retail trade	85	85
Finance, insurance, and real estate	2	2
Finance	1	1
Insurance and real estate	1	1
Transportation, communication, and public utilities	30	30
Railroads	1	1
Highway passenger transportation	10	10
Trucking	7	7
Water transportation	5	5
Air transportation	[2]	[2]
Other transportation	[2]	[2]
Communication	1	1
Public utilities	5	5
Services	79	74
Domestic service	32	32
Other personal service	25	25
Repair services	9	9
Amusement, recreation, and related services	3	3
Professional and related services	8	3
Educational private service	1	1
Nonprofit organizations	1	1
Government	45	

[1] This figure includes: (1) About 10,000 unpaid family workers in classifications other than agriculture, forestry, and fishery who might not be covered; (2) workers paid from government funds but engaged in government-owned utilities or industries; (3) domestic and personal service workers on farms who are not covered, a very small number of workers in Puerto Rico; (4) all domestic and personal service workers have been included since figures indicate that domestic workers in San Juan get an average of about $22 per month and in the rest of the island generally between $7 and $12 per month, putting them in the classification of receiving more than $25 in cash per quarter. This figure does not include: (1) Any workers in agriculture, forestry, and fishery. Most of the agricultural processing workers are already included in manufacturing and trade. (2) 45,000 government employees who could be covered by voluntary compacts.

[2] Less than 500.

TABLE 2.—*Persons employed in Puerto Rico, by age, fiscal years 1946–47, 1947–48 and 1948–49*

[In thousands]

Age	1946–47	1947–48	1948–49	Age	1946–47	1947–48	1948–49
Total 14 years and over	606	612	616	25 to 34	155	155	154
				35 to 44	118	119	119
				45 to 54	78	78	80
14 to 19	83	81	79	55 to 64	35	38	38
20 to 24	117	120	124	65 and over	20	22	22

TABLE 3.—*Average number of production workers, gross hourly earnings, and weekly hours in manufacturing industries in Puerto Rico, by major groups and industries, in 1948–49*

Major group or industry	Average number of production workers	Average gross hourly earnings [1]	Average weekly hours
		Cents	
All industries	34,430	43.8	35.0
Foods and kindred products	15,759	50.1	35.7
Bakery products	1,898	42.8	37.1
Sugar	9,277	58.9	35.0
Beverages, including alcoholic	2,032	44.2	35.2
Tobacco products	4,783	29.7	32.7
Cigars	578	30.1	33.8
Tobacco stemming and redrying	4,110	29.4	32.2
Textile products	561	44.3	31.3
Carpets, rugs, and allied products	189	43.6	34.8
Needlework	6,139	30.5	32.7
Men's, youths', and boys' underwear, work clothing, and allied garments	1,338	32.0	34.2
Women's, misses', children's, and infants' underwear	1,233	29.9	32.8
Miscellaneous apparel and accessories	1,776	29.2	30.7
Lumber and wood products (except furniture)	247	43.0	39.8
Prefabricated structural wood products	192	45.7	40.2
Furniture and fixtures	1,301	36.8	37.3
Paper and allied products	267	48.9	42.2
Printing and allied industries	801	54.3	39.2
Commercial printing	446	43.3	42.7
Chemicals and allied products	827	51.1	29.0
Fertilizers (mixing)	439	63.6	25.1
Miscellaneous chemicals	181	40.4	26.0
Leather and leather goods	468	36.2	32.8
Footwear (except rubber)	320	37.8	33.0
Stone, clay, and glass products	1,320	58.7	41.6
Cement	463	65.8	47.4
Lime, concrete, and plaster products	519	51.1	34.9
Metal products (except machinery)	178	43.0	34.8
Fabricated structural metal products	67	44.4	42.8
Machine shops	663	56.5	43.4
Transportation equipment	53	39.0	38.5
Miscellaneous manufacturing industries	1,063	45.9	32.7
Lapidary work	374	55.7	30.9
Costumes, novelties, buttons, and miscellaneous notions (except precious metals)	612	40.3	20.8

[1] Including premium pay for overtime.

TABLE 4.—*Decrees issued by the minimum wage board up to November 1949, number of workers covered, and probable increase in the annual pay roll of the industry and in the workers' yearly income*

Wage order		Industry, service, or business	Number of workers covered by the decree	Probable increase caused by the decree—	
No.	Effective date			In the annual pay roll of the industry	In the worker yearly income
1	Mar. 26, 1943	Leaf tobacco	15,000	$770,000	$50
3	Apr. 28, 1943	Cane sugar	144,000	3,608,000	25
		Industrial phase	19,000	446,000	24
		Agricultural phase	125,000	3,162,000	25
4	Jan. 16, 1944	Hospitals, clinics, and sanatoriums	3,000	300,000	100
5	Mar. 12, 1944	Beer and soft drinks	700	90,000	128
6	June 14, 1944	Eating and drinking places	6,000	700,000	117
7	Apr. 4, 1945	Theaters and movies	800	40,000	50
8	June 4, 1945	Retail trade	10,000	1,500,000	150
9	July 5, 1945	Bakeries and allied industries	1,500	200,000	133
10		Dairying	7,000	600,000	85
11	July 1, 1946	Construction	50,000	8,000,000	160
12	Feb. 1, 1948	Transportation	13,000	2,755,000	212
13	July 1, 1947	Laundries	2,000	130,000	65
14	Sept. 15, 1948	Furniture and woodworking	1,800	224,000	124
15	Nov. 21, 1948	Quarrying	1,500	300,000	200
16	Oct. 1, 1949	Wholesale trade	5,000	1,100,000	220
		Total	261,300	20,317,000	78

TABLE 5.—BASIC PROVISIONS OF INCOME TAX LAW OF PUERTO RICO IN EFFECT TAX YEAR 1949 (ACT 74, APPROVED AUGUST 16, 1925, RETROACTIVE TO JANUARY 1, 1924, AS AMENDED THROUGH MAY 15, 1949)

I. WHO MUST FILE A RETURN

A. Individuals

1. With net income of $800 if unmarried or married and not living with spouse.
2. With net income of $2,000 if married and living with spouse or if joint net income of husband and wife is over $2,000.
3. With gross income of $5,000 regardless of net income or if joint gross income of husband and wife is over $2,000.
4. Regardless of amount of gross income from sources in Puerto Rico if individual is a nonresident, not citizen of Puerto Rico.

(Net income before personal exemption and credits for dependents.)

B. All corporations

C. All partnerships

D. Fiduciaries

1. Acting for an individual if the individual would have had to file a return under the above provisions.
2. Acting for an estate or trust if net income is $800 or gross income is $5,000.
3. Acting for an estate or trust any beneficiary of which is a nonresident, noncitizen of Puerto Rico.

II. PERSONAL EXEMPTION, DEPENDENT CREDITS, EXCLUSIONS AND DEDUCTIONS FROM GROSS OR NET INCOME

A. Individuals

1. Personal exemption (from net income): $800 for unmarried; $2,000 for married or head of family; not allowed nonresident noncitizen of Puerto Rico.
2. Dependent credit: $400 for each dependent other than husband or wife; not allowed nonresident noncitizen of Puerto Rico; dependent must be under 18, or physically or mentally defective or at university and under 25; except that if a taxpayer is a "head of family" only because he has dependents, one of such dependents shall not be allowed.

3. Exclusions from gross income: Life insurance proceeds from death of beneficiary or for educational policies up to $10,000, return of life, endowment, or annuity insurance premiums up to amount paid; annuities except for 3 percent of total premiums paid in; gifts and inheritances; interest on obligations of the United States or other tax exempt interest; accident or health insurance payments or damages received; other minor exclusions.

4. Deductions from gross income: Ordinary expenses in connection with agriculture, business, profession or compensation; loss on sale of property or capital assets; interest paid on indebtedness except on debt incurred to buy tax-exempt securities; certain deductible taxes such as property tax; uninsured losses under certain conditions; depreciation on income-producing properties; major repairs to income-producing properties; contribution to religious or charitable, etc., institutions up to 15 percent of net income; professional medical services up to 50 percent of payments; $500 deduction for veterans of First and Second World Wars; in the case of a nonresident of Puerto Rico a credit of $5 per day for each day in Puerto Rico.

B and C. Corporations and partnerships

1. Credits: 5 percent of net income; interest on obligations of the people of Puerto Rico or its instrumentalities if issued for crop loans; the amount of the normal tax in calculating the surtax; total income-tax exemption for organizations established for nonprofit purposes such as labor, agricultural, or horticultural organizations; mutual savings banks without shares; fraternal societies; domestic building and loan associations; cooperative banks, cemetery companies, community chests, etc., chambers of commerce, etc., civic leagues, etc., private clubs, agricultural marketing associations, Federal land banks, etc.; all of the foregoing depending on their nonprofit status or nonsharing of earnings with any private shareholders; income-tax exemptions for "new industries" as defined by Act 184 of 1948 as amended by Act 352 of 1949.

2. Deductions: Ordinary and necessary expenses of business, interest, or indebtedness; certain taxes, uninsured losses; bad debts; reasonable depreciation and depletion; certain special deductions for insurance companies; donations to charitable institutions, etc., dividends from domestic corporations or from foreign corporations if 50 percent of latter's gross income is derived from sources in Puerto Rico.

III. TAX RATES

A. Individuals

Normal tax—7 percent of net taxable income, plus a surtax rate ranging from 5 to 72 percent of net taxable income with the 5-percent rate applying to the first $2,000 and increasing by an additional 2, 3, or 4 percent for each additional $2,000 up to $22,000; then increasing by an additional 2, 3, 4, or 6 percent for each additional $6,000 (one step of $4,000) up to $50,000; then increasing by an additional 1, 2, or 3 percent for each additional $10,000 up to $100,000; then increasing an additional 1 or 2 percent for each additional $50,000 up to $200,000; with a static surtax rate of 72 percent for incomes of $200,000 or over. Except that in the case of nonresidents of Puerto Rico the normal rate of 7 percent and the above surtax rates apply on net income derived from wages, salaries, professional fees, or other compensation for personal services performed in Puerto Rico and a 29-percent normal tax and the above surtax rates for income received for other reasons.

B and C. Corporations and partnerships

Normal tax 20 percent of net taxable income if authorized to do business in Puerto Rico and engaged in an industry or business in Puerto Rico and 29 percent otherwise plus a surtax rate ranging from 5 to 20 percent with the first $25,000 of net income exempt from surtax; the 5-percent rate applying to the net income between $25,000 and $50,000 and increasing in rate by 5 percent for each additional $25,000 until the surtax is 20 percent for net income in excess of $100,000.

INDIVIDUALS—SURTAX RATES

Net income	Amount	Rate	Tax	Aggregate
		Percent		
Not over $2,000	$2,000	5	$100	$100
$2,000 to $4,000	2,000	8	160	260
$4,000 to $6,000	2,000	12	240	500
$6,000 to $8,000	2,000	15	300	800
$8,000 to $10,000	2,000	19	380	1,180
$10,000 to $12,000	2,000	23	460	1,640
$12,000 to $14,000	2,000	26	520	2,160
$14,000 to $16,000	2,000	29	580	2,740
$16,000 to $18,000	2,000	32	640	3,380
$18,000 to $20,000	2,000	34	680	4,060
$20,000 to $22,000	2,000	37	740	4,800
$22,000 to $26,000	4,000	40	1,600	6,400
$26,000 to $32,000	6,000	44	2,640	9,040
$32,000 to $38,000	6,000	48	2,880	11,920
$38,000 to $44,000	6,000	54	3,240	16,160
$44,000 to $50,000	6,000	56	3,360	18,520
$50,000 to $60,000	10,000	58	5,800	24,320
$60,000 to $70,000	10,000	60	6,000	30,320
$70,000 to $80,000	10,000	63	6,300	36,620
$80,000 to $90,000	10,000	66	6,600	43,220
$90,000 to $100,000	10,000	67	6,700	49,920
$100,000 to $150,000	50,000	68	34,000	83,920
$150,000 to $200,000	50,000	70	35,000	118,920
$200,000 and over		72		

PARTNERSHIPS AND CORPORATIONS—SURTAX RATES

(1) There shall be no surtax on a net income up to $25,000.

(2) On a net income in excess of $25,000, but not in excess of $50,000, 5 percent of said excess.

(3) $1,250 on a net income up to $50,000; and on a net income in excess of $50,000, but not in excess of $75,000, an additional 10 percent on said excess.

(4) $3,750 on a net income up to $75,000; and on a net income in excess of $75,000, but not in excess of $100,000, an additional 15 percent on said excess.

(5) $7,500 on a net income up to $100,000; and on a net income in excess of $100,000, an additional 20 percent on said excess.

TABLE 6.—*Recurrent revenues for insular government purposes, Puerto Rico, 1939–40 to 1948–49*

[In millions]

Fiscal year (July 1 to June 30)	Federal taxes reimbursed to the insular treasury		Total recurrent revenues
	Federal internal revenues	Customs	
1939–40	$2.7	$1.0	$25.4
1940–41	4.4	.8	29.2
1941–42	13.9	2.0	49.7
1942–43	13.5	2.4	56.5
1943–44	65.7	1.9	117.5
1944–45	37.7	2.1	91.7
1945–46	34.7	3.4	99.7
1946–47	19.6	2.5	92.7
1947–48	2.9	2.5	89.3
1948–49	7.4	2.1	91.9
Total	202.5	20.7	743.6

TABLE 7.—*Existing public assistance program, Virgin Islands of United States, October 1949*

Proposed social-security categories	Number of persons	Average grant	Total grants
The blind:			
65 years and over	47	$6.73	$316.50
18 to 64 years	18	6.36	114.50
Total blind	65	6.63	431.00
The aged: 65 years and over, exclusive of the blind listed above	570	6.77	3,860.25
The permanently and totally disabled: 18 to 64 years of age	112	6.42	718.75
Dependent children:			
Children in own family homes	370	3.63	1,342.50
Relatives caring for children	11	6.14	67.50
Total in proposed social-security categories	1,128	5.68	6,420.00
Categories not covered in H. R. 6000:			
Partially or temporarily disabled, 18 to 64 years of age	77	6.50	500.75
Children in foster-family homes	43	10.35	445.00
Total in categories not in H. R. 6000	120	7.88	945.75
Grand total	1,248	5.90	7,365.75

NOTE.—Average monthly expenditures are $7,500. Municipal appropriations for 1950 total $86,500 or average of $7,208 per month. Difference of approximately $350 per month is contributed by community chest ($200 a month) and public trust funds ($150 a month).

NOTE.—This covers regular monthly grants only and does not include medical assistance and emergency aid for food, clothing, rental, etc.

○

SOCIAL SECURITY ACT AMENDMENTS OF 1949

Mr. SABATH. Mr. Speaker, I call up House Resolution 372 and ask for its immediate consideration.

CALL OF THE HOUSE

Mr. MARTIN of Massachusetts. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. PRIEST. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 213]

Abbitt	Gregory	Norblad
Bailey	Hall,	Norton
Barden	Edwin Arthur	O'Hara, Minn.
Baring	Hall,	O'Neill
Bland	Leonard W.	Patman
Blatnik	Hardy	Pfeifer,
Bolton, Md.	Harrison	Joseph L.
Bolton, Ohio	Harvey	Pfeiffer,
Bonner	Hays, Ohio	William L.
Bosone	Hébert	Phillips, Calif.
Bramblett	Heffernan	Poage
Brehm	Hinshaw	Powell
Buckley, N. Y.	Huber	Reed, Ill.
Bulwinkle	Irving	Reed, N. Y.
Burnside	Jackson, Calif	Rhodes
Byrne, N. Y.	Javits	Ribicoff
Carlyle	Jennings	Richards
Chatham	Jonas	Riehlman
Chudoff	Jones, N. C.	Roosevelt
Cole, N. Y.	Keating	Scott,
Cooley	Keogh	Hugh D., Jr.
Coudert	Kilburn	Smathers
Crosser	Klein	Smith, Ohio
Davies, N. Y.	Kunkel	Staggers
Deane	Larcade	Stanley
Dingell	Lovre	Stockman
Donohue	McConnell	Tauriello
Douglas	McMillan, S. C.	Taylor
Elston	McMillen, Ill.	Thomas, N. J.
Engle, Calif.	McSweeney	Towe
Feighan	Mack, Ill.	Underwood
Fellows	Mansfield	Wadsworth
Fernandez	Merrow	Walter
Furcolo	Miller, Calif.	Whitaker
Garmatz	Miller, Md.	Whitten
Gary	Morrison	Willis
Gilmer	Morton	Withrow
Gorski, N. Y.	Multer	Woodhouse
Granahan	Murphy	Worley
Green	Nelson	

The SPEAKER. On this roll call 311 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

SOCIAL SECURITY ACT AMENDMENTS OF 1949

The SPEAKER. The Clerk will report the resolution offered by the gentleman from Illinois [Mr. SABATH].

The Clerk read as follows:

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 the consideration of the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed 4 days, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by the direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill 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.

The SPEAKER. The gentleman from Illinois [Mr. SABATH] is recognized for 1 hour.

Mr MARCANTONIO. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. SABATH. This rule makes in order H. R. 6000, the social security bill amendments, which both parties have endorsed. It is a closed rule providing for not to exceed 4 days general debate and waives all points of order. Only the Committee on Ways and Means has the right under this rule to offer amendments.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. MICHENER. This is a short rule. All it does is to permit the House to talk for 4 days and then do nothing about it. Is that right?

Mr. SABATH. Oh, no. I differ with the gentleman. The House will have plenty of opportunity to do something about it, as I shall point out later. I concede it is a closed rule, and I presume some of the gentlemen on the other side will say, "You have been opposed to closed rules." I admit that I opposed closed rules, but this was before I became well informed as to the activities and procedures of the House. However, since I have acquired greater knowledge on legislation in the interest of the people and the country as the years went by, I concluded that sometimes it is necessary on important legislation such as this and on tariff and revenue measures to bring in a closed rule. Yes; I shall oppose closed rules again whenever they do not provide for legislation in the best interest of the people and the country, as you Republicans usually bring in. As I shall point out, if I may proceed without interruption, without a closed rule the orderly procedure of the House would be jeopardized.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I am indeed sorry but I do not have the time.

Mr. BROWN of Ohio. The gentleman will yield to me, will he not?

Mr. SABATH. Yes, I yield.

Mr. BROWN of Ohio. What the gentleman is trying to tell the House is that for the first 40 years of his service he opposed gag rules, and the last 2 years he has been in favor of them.

Mr. SABATH. The gentleman is again wrong as it is very easy for him to be wrong——

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I wish I could yield to everybody but I do not have the time.

Mr. Speaker, lest I forget, I wish to state that I am indeed proud of my Democratic colleagues, Chairman DOUGHTON of the Ways and Means Committee, Mr. COOPER, Judge MILLS, and Mr. CAMP, because never before have I witnessed such an able presentation by a committee on behalf of a rule. Nearly every provision in the bill was thoroughly and intelligently explained. Every query propounded to these gentlemen was answered most satisfactorily—and there were many, especially on the part of the gentleman from Ohio [Mr. BROWN], and others.

The bill will extend and improve the Federal Old-Age and Survivors Insurance System and amend the public assistance and child welfare provisions of the Social Security Act. It consists of 201 complicated pages. The Ways and Means Committee devoted nearly 6 months of tireless effort, toil, study, and consideration to this bill, hearing over 250 witnesses both for and against. The bill was reported by the Ways and Means Committee by a vote of 22 to 3. I as well as the majority of the Committee on Rules believed that such effort, study, and consideration, placed the Ways and Means Committee in the best position to determine the type of rule that would be required. The able chairman of the Ways and Means Committee, the gentleman from North Carolina [Mr. DOUGHTON], was instructed by his committee to request a closed rule which the Committee on Rules finally reported. For years tariff and other complicated revenue bills emanating from the Ways and Means Committee always were considered by the House under a closed rule. During the hearings before my committee it was contended that some Members have amendments that they would like to offer and under a closed rule they would be precluded. As a matter of fact, my colleague from Illinois [Mr. MASON] said he would personally like to offer some 40 or 50 amendments to this bill. Now then if only one-tenth of the Members offered one-tenth of the amendments that the gentleman from Illinois [Mr. MASON] would like to offer, we would have over 220 amendments, and if on the average, each amendment offered had two Members making 5-minute speeches for and against—that being 20 minutes on each amendment—almost 4,400 minutes or months of time would be consumed thereon. Is any nonmember of the Ways and Means Committee so conceited and vain to believe that he would be in a better position, without having the advantage of 6 months of hearings and deliberations, to improve the bill? Surely, I doubt whether this is possible.

Certainly this is not a perfect bill; it is rather a compromise bill, as is all legislation. Personally, I would like to see the bill broadened so as to include some of the exclusions made by the Ways and Means Committee. All things being equal, however, the Ways and Means Committee, under the very able leadership of Chairman DOUGHTON, did a splendid job on their difficult and arduous task and deserve the praise and gratitude of the House and the country.

Mr. Speaker, my Republican friends and particularly the gentleman from Michigan [Mr. MICHENER], contend that they will have no opportunity to register their views under this rule. On the contrary they will have four chances to vote, namely: First, on the previous question; second, on the rule, and those who are desirous of seeing the bill killed can vote against the rule; third, again, those opposed to social security can vote to recommit and if they fail, and I hope they will; fourth, they can vote against the bill.

Answering the gentleman from Ohio [Mr. BROWN], who complained about a closed rule, the chairman of the Committee on Ways and Means, the gentleman from North Carolina [Mr. DOUGHTON], made a statement before the Rules Committee on October 1, pointing out the record of the two parties on this legislation.

Mr. DOUGHTON stressed his deep interest in this legislation since 1935, and pointed out that nothing was done in amending the Social Security Act from 1939 to 1946 because the Congress was dealing with far more important problems, namely, the war. When the Republicans took over control of Congress in January 1947, it was not until June 1948, the second session of the Eightieth Congress, that they gave any consideration to social security and this was 18 days before final adjournment when they reported a bill upon which no hearings were held because it was not considered important enough to hold hearings. In the Eighty-first Congress, however, under Democratic control, we introduced two bills as the basis for study during the second month of this session.

I wish to point out further that on the very day the bill was reported by the Republican Eightieth Congress in June 1948, Mr. REED went before the Committee on Rules of which I was ranking minority member, requesting a closed rule—a closer rule than in the present instance.

Here is the rule Mr. REED requested at that time:

Resolved, That 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 the consideration of the bill H. R. 6777, to extend the coverage of the old-age and survivors insurance system, to increase certain benefits payable under such system, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill, and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill 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.

No one can justly deny the facts presented by the gentleman from North Carolina, Chairman DOUGHTON. All this proves that the action of the majority surely is more liberal and democratic than the action taken when the Republicans were in control, unfortunately, in the Seventy-first Congress and in the years before.

Consequently, I feel that the attack and opposition to this rule and the bill which will be forthcoming on the part of the Republicans, is purely for political purposes so as to mislead the people of our country. Notwithstanding that they claim they are for the bill, their acts belie the facts. The opposition will tell you that more time should have been given to consideration of this bill and its subject matter on the part of the

Members and their constituents. Personally, I feel that if all the Members of the House, who are not instructed for political reasons to oppose this legislation, had an opportunity to observe the sincerity and hear the testimony of Chairman DOUGHTON, Mr. COOPER, Judge MILLS, and Mr. CAMP, they would be thoroughly satisfied that this bill and every provision contained therein has been carefully considered and sufficient justification for every provision was made before the committee reported out the bill.

Mr. Speaker, as I said before, this rule should and will be adopted in order to insure orderly procedure and it will, at the same time, give the country and the Senate sufficient additional time to familiarize themselves more thoroughly with the bill and resultant approval when the Senate meets next session.

As a matter of fact, the bill, H. R. 6000, was reported on August 22, 1949, and the report was available on August 23, 1949. Copies have been available to each and every Member of the House. The gentleman from North Carolina, Chairman DOUGHTON, issued a press release on August 15, 1949, setting forth in detail all the provisions of the bill, and which press release was embodied in the CONGRESSIONAL RECORD for the information of the Members and the country. Therefore, Mr. Speaker, none can claim or justly maintain that they had insufficient time to familiarize themselves with the bill and its provisions.

I fully appreciate the fact that the life-insurance companies have been busy with their propaganda and lobby efforts in an attempt to defeat this bill. They are not satisfied with over $55,000,000,000 worth of assets and the fact that they have outstanding over 193,100,000 policies with a face value of $207,000,000,000. Notwithstanding this, they still oppose this worth-while legislation which the people demand. The average life expectancy has increased considerably, yet the premiums have not decreased proportionately. It took the American life insurance companies almost 50 years to adopt a new experience of mortality in revising rates.

Mr. Speaker, the record is very clear that private insurance companies have not accepted their responsibilities in providing the benefits outlined in this bill. It becomes clearly the responsibility of the Government so to do.

Mr. Speaker, on March 28, 1912, I was privileged to introduce a resolution in the Sixty-second Congress, House Joint Resolution 283, which was for the purpose of creating a committee to investigate the various systems of old-age pensions and annuities in the hope that favorable action would be obtained in the then very near future. I take the liberty of inserting at this point:

[H. J. Res. 283, 62d Cong., 2d sess.]

Joint resolution for the appointment of a committee to investigate the various systems of old-age pensions and annuities

Resolved, etc., That a joint committee be, and it is hereby created, consisting of three Members of the Senate to be appointed by the President of the Senate and three Members of the House of Representatives to be elected by the House, for the purpose of making a thorough investigation of the subject of old-age pensions and annuities, said committee to submit a report to the Congress of the United States not later than December first, nineteen hundred and thirteen.

SEC. 2. That to carry out the purpose of this resolution the committee hereby created is authorized to employ persons who are familiar with the subject and to take such other steps as are necessary to make a thorough examination into the matter.

SEC. 3. That all expenses of said committee, for all time in which said committee shall be actually engaged in this investigation shall be paid, out of any funds in the Treasury of the United States not otherwise appropriated, on a certificate of the chairman of said committee, who shall be selected from the membership of the committee named under this resolution, and the sum necessary for carrying out the provisions of this resolution is hereby appropriated: *Provided*, That the total expenses authorized by this resolution shall not exceed the sum of $15,000.

SEC. 4. That any vacancy occurring on said committee shall be filled in the same manner as the original appointments were made.

SEC. 5. That to carry out and give effect to the provisions of this resolution the committee hereby created shall have power to issue subpenas, administer oaths, summon witnesses, require the production of books and papers, and receive testimony taken before any proper officer in any State or Territory of the United States.

This subject is very close to my heart, and I naturally am interested in the bill before us which broadens the Social Security Act passed by us in 1935 and amended in 1939. I hope that in the next session and in future Congresses we can still further broaden the benefits and scope of the Social Security Act so as to include everyone.

I am confident that the rule will be adopted and the bill will be passed.

Mr. BROWN of Ohio. Mr. Speaker, I yield myself 5 minutes.

(Mr. BROWN of Ohio asked and was given permission to revise and extend his remarks.)

Mr. BROWN of Ohio. Mr. Speaker, I am amazed and deeply grieved to see the dean of the House, the chairman of the important Committee on Rules [Mr. SABATH], known for more than four decades as a great liberal, come into the House and sponsor one of the most reactionary pieces of legislation which has ever been presented to this body—a closed rule or a gag rule on an important piece of legislation in which will be fixed public policy in perpetuity, or for as long as this Government stands. I am amazed, chagrined, and grieved that a man of his reputation as a liberal, and others who are supporting him, would come to this House and say to you Members "We cannot trust you; we cannot accept your judgment on this important legislation; we cannot permit you to pass upon the public policies of this country; instead, we must insist that you accept a gag which will require you to vote for or against this legislation in its entirety; that you must either be branded as opposed to all social security or you must accept many of the provisions of this bill which are, indeed, questionable."

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I am sorry; I cannot yield.

You say that 15 men, a bare majority of the Committee on Ways and Means, must do the thinking for this great House of Representatives, that we must pass this legislation quickly and hurriedly; and then if any errors are found after it goes over to the Senate, where they tell frankly that it will not be considered until January, February, March, April, May, June, or July—only the Lord knows when—that if any mistakes are found, the Senate can correct them.

I believe the Members of this House want the right kind of social-security legislation, and I also believe that the membership of this House has the judgment and the wisdom to pass a good social-security bill. I believe there is a recognition among all of us that if we make a mistake on this bill the result may easily be the wreckage of the whole Social Security System, or bankruptcy for our National Treasury. So we want to be sure as to what we do here.

Some talk about the use of gag rules before. Mr. Speaker, the original Social Security Act which was passed in 1935 was considered under an open rule. Oh, that was a great legislative body back in 1935; you could trust the Members of the House of that day to use good judgment in passing upon an important bill. And then in 1939 when the legislation was amended it was considered under an open rule. The House of that day was also a great legislative body, with men of responsibility and judgment. You could trust them to legislate. Then in 1946 again the Social Security Act was amended under an open rule—by another great legislature. The men and women of the House in 1946 could be trusted to work their will, for they were men and women of sound judgment, sufficient to pass upon policies of the Government at that time. But not in this Congress.

In the Eightieth Congress there was a piece of legislation providing certain amendments to the Social Security Act which had been reported, if you please, by the unanimous vote of the Committee on Ways and Means. There was no opposition at all to that bill. It was taken up under suspension of the rules, and there was no real opposition to it. Everyone supported the bill. There was no question of public policy involved, and there were no basic fundamental concepts of the Government's responsibilities to the people involved in that legislation.

The SPEAKER pro tempore. The time of the gentleman from Ohio has expired.

Mr. BROWN of Ohio. Mr. Speaker, I yield myself two additional minutes.

Mr. Speaker, in this case, however, we are being told, despite the fact the great Committee on Ways and Means of this House worked for 6 months in considering this legislation, 4 months of which were in executive session where the rest of us did not know what was going on, that we cannot be given time to read or study the bill or discuss it with our constituents, and that the American people

generally should not be given time to consider it. We are told that we must accept this bill as is under a gag rule, and, as in the days of the German Reichstag, we sit here and just vote "ja."

Mr. Speaker, it will be a sad day for the United States of America and for representative government in this country and elsewhere when you bind and gag this House, the most deliberative body in the world, under a rule like this which will not permit us to even pass upon the questions of policy involved in a bill of the utmost importance to the people and to the economy of this Nation.

The SPEAKER pro tempore. The time of the gentleman from Ohio has again expired.

Mr. SABATH. Mr. Speaker, I yield 4 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Speaker, it is rather interesting and amusing to watch the outward indignation of my good friend from Ohio [Mr. BROWN]. Last year as a member of the Committee on Rules the gentleman from Ohio voted for the same kind of a rule. Now he protests against the same kind of a rule when a Democratic controlled Rules Committee reports its out.

Mr. BROWN of Ohio. Mr. Speaker, will the gentleman yield for a question?

Mr. McCORMACK. The gentleman would not yield to me.

Mr. BROWN of Ohio. I mean for a correction.

Mr. McCORMACK. I yield to the gentleman.

Mr. BROWN of Ohio. I would like to correct the gentleman and say that I was not in Washington and did not participate in the meeting of the Rules Committee and did not vote for that rule. I happened to be up in Philadelphia trying to save the country by endeavoring to get the right kind of a candidate for President.

Mr. McCORMACK. If the gentleman had been here would he have voted in the Rules Committee for that rule?

Mr. BROWN of Ohio. I would have probably done the same thing the gentleman did; I would have supported the legislation under suspension of the rules.

Mr. McCORMACK. And would have voted for the gag rule. So the argument of the gentleman from Ohio falls to the ground because he is completely inconsistent.

Last year both the Democrats and Republicans of the Committee on Ways and Means asked for the closed rule. It was unanimous last year. There was no partisan fight made last year. We did not fight the closed rule, because we recogized that in legislation of this kind there is a practical situation that confronts the House and this type of legislation is an exception to the general rule of bringing legislation up under the regular rules of the House. But after the rule was reported out, not content with bringing it up under a closed rule, with both parties in agreement, and preserving to the Democratic Party its inherent right to a motion to recommit, the purpose of which is to enable the minority party to establish its record for the country, the Republican leadership brought that bill up under suspension of the rules in 1948.

When my friend from Ohio talks about putting anybody behind the eight ball, certainly that was putting this House behind the eight ball: an agreement was made for a closed rule in the committee, a rule was reported out, it reserved the right to recommit, and then the Republicans took it away from us Democrats under suspension of the rules. That is one thing the Democratic Party has never done, and it is one thing that the Democratic Party would never sink to a political low to do. What about the housing bill last year? The Republicans reported that out. Did they give us even a closed rule, reserving to the Democrats the right to recommittal, which we are doing in this rule? No. They brought it up under suspension of the rules because they knew if they brought it up even under a closed rule, with a motion to recommit, we would have put public and low-cost housing in there, and they knew that they could not have controlled their own membership, and a motion to recommit would have carried.

So, the talk of the gentleman from Ohio is just outward. Inwardly he knows that he is talking inconsistent with his own expressions.

The SPEAKER pro tempore. The time of the gentleman from Massachusetts has expired.

Mr. BROWN of Ohio. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Speaker, now that we have gotten through with a lot of oratory, I hope we will get down to the serious aspects of this situation, because it is serious. We are considering one of the most important pieces of legislation that any Congress has ever been called upon to consider. It involves more than 50,000,000 of our people and their families.

Let us just for a minute trace the origin and the genesis of this proposed legislation. This proposed legislation came up to the House of Representatives in two bills. They were not prepared by any member of the Committee on Ways and Means. Who prepared them? I cannot tell you who prepared it, but I think it is safe to say that Mr. Altmeyer prepared it. He no doubt prepared it and sent up two bills. They were H. R. 2892 and H. R. 2893. He expected them to be considered by the committee as two bills. There is no doubt about that. And that is the way that they were considered. One of them was a bill that took care of public assistance, such as old-age pensions, and the blind, and the dependent children, but this other one took care of what we call old-age and survivors' insurance. Now, the committee sat for 6 months considering these two bills. They considered them separately, but when the time came to present them to the House the Democrat members of the committee combined them for no other reason than to take the old-age pension and the blind pension and add those to the other bill to make it more palatable, so that the Members of this House would have to take the bad features of the bill in order to get the good features.

It has been said on this floor today that this bill is in the same category as the Reed bill of last year. This is not accurate. There is no comparison with it. As to the Reed bill of last year, the Committee on Ways and Means, both Democrats and Republicans, as far as I know, unanimously agreed that we would recanvass this whole proposition and bring in some necessary amendments. The old-age people needed to be taken care of, as well as the blind people, and many other problems had arisen, and a subcommittee containing some of the best men on the Committee on Ways and Means was appointed. The subcommittee consisted of some of the finest men on both sides. What did they do? They did not indulge in any partisan politics of any kind. They brought forth a bill that everybody could agree with. Every Democrat and every Republican on the committee supported it. And, they went before the Committee on Rules near the end of the session. The session was about to close, and no doubt they wanted to bring up that bill and do something about it. Within a few days the session did close. We went before the Rules Committee to get a rule, and everybody agreed, and there was not a Democrat there to dispute it that I know of, except one who objected, I think, because he wanted a more liberal bill than the Reed bill. After the rule was voted out by the Rules Committee it was never called up for consideration by the House.

It was not necessary. We decided that the Reed bill was so popular that it would carry through on a suspension of the rules on a two-thirds vote. Who was there to object on a two-thirds vote? Who stood up on the Democratic side and opposed the Reed bill, on a two-thirds vote? Nobody did. They were, no doubt, present and agreed to this procedure. The bill passed, as I remember, by a vote of more than 200 to 2. There were only two opposed to it.

Heretofore it has been the custom, and a lot of you Members have never liked it, for the Committee on Ways and Means to ask for a closed rule because they were purely tax bills. Some of you voted against all these gag rules. Some of you did not vote against them, but you felt in your heart that you should, because it really was not the American way to legislate. The Committee on Ways and Means has never, so far as I know, asked for a closed rule unless it was practically a unanimous matter or unless it was a tax matter or a tariff matter. This is not a tax matter, this is not basically a tax matter, it is a social-security matter. You take the provisions relating to the blind and the provision relating to old-age pensions and you throw them all in this one bill to make it popular enough so that you can pass something that Altmeyer wants to put over on you. That program is not a great deal short of the great welfare state we hear talked about so much. This gag rule is an intrusion on the rights of every Member of

this House. The laboring men have always stood up in their union meetings and advocated local autonomy. They want self-autonomy; they want the right to speak. Now you give them and all the other Members of this House 4 days to talk in general debate, but you do not give them the right to amend any portion of this bill. This is not right. In all my service I have never seen such brazen usurpation of the rights of Members of Congress. In effect, you say to every Member that unless you are a member of the Ways and Means Committee you do not count.

Mr. Speaker, every Member in this House represents a congressional district and no Member represents more than one district.

Mr. SABATH. Mr. Speaker, I yield 5 minutes to the gentleman from Georgia [Mr. COX.]

Mr. COX. Mr. Speaker, in spite of my very great misgivings about this social-security bill, I can find no reason why I should oppose the request of the Committee on Ways and Means for a closed rule for its consideration. There is nothing extraordinary about the request of that committee and nothing unusual in the action of the Rules Committee. Most measures of a highly technical nature that come from the Ways and Means Committee are considered under a closed rule, and this is a technical and complicated bill.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. COX. I yield to the gentleman from Indiana.

Mr. HALLECK. Is it any more technical than exactly the same sort of bill that comes from the Committee on Interstate and Foreign Commerce covering railroad workers?

Mr. COX. I do not know that it is, but my faith in the soundness of the judgment of the Committee on Ways and Means was the basis of my going along and favoring a closed rule.

The law of the majority is the law that governs all human activity. The majority of the Committee on Ways and Means asked for this closed rule, and the Committee on Rules, in keeping with its record on similar matters, acceded to that request.

I have been a member of the Committee on Rules for a long time and I do not recall a single instance where the Committee on Ways and Means requested a rule of a particular type that the Committee on Rules did not accede to that request and accommodate the desire of the Ways and Means Committee.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. COX. I yield to the gentleman from Nebraska.

Mr. CURTIS. Does the gentleman believe we should extend social security, including total and permanent disability insurance, to the Virgin Islands and Puerto Rico, without the House of Representatives voting on that particular issue?

Mr. COX. Let me say in response to the gentleman that if I had been writing the bill or had participated in the preparation of the bill, I would have favored a measure of a different type in some particulars. But the Committee on Ways and Means requested this kind of rule in order to protect the integrity of the measure—a measure which the committee insists is a good bill.

Mr. Speaker, I have been a reasonably close follower of important debates in the House of Representatives and I want to say that in my long experience as a Member of this body I have never seen Members exhibit so fine an understanding of the questions at issue as was evidenced by the members of the Committee on Ways and Means who came before the Committee on Rules on the application for this rule.

The membership of this House will be richly compensated for the time they devote to sitting here and listening to the debate that will follow because, if the members of the Committee on Ways and Means measure up in any degree to the high standard set in their appearances before the Committee on Rules, it will be the finest debate that has been held in either House of Congress in many years.

The leadership in its judgment thought it well that this measure be considered under a closed rule. They are convinced that the Committee on Ways and Means in the 6 months of devoted study that it has given to the whole question has come up with a sound, conservative, and workable bill and for that reason thought it well that it be considered as an entity, and I think it well that it be considered at this time because, as was observed by the chairman of the Committee on Rules, it will give the country an opportunity to inform itself on all of its particular provisions and afford the Senate the benefit of public reaction by the time that consideration is had in that body.

The SPEAKER pro tempore. The time of the gentleman from Georgia has expired.

Mr. BROWN of Ohio. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Speaker, I have long been an advocate of broadening our old-age and survivors' insurance law and sharply increasing the benefits thereof. I introduced three bills for this purpose. I voted to report the bill H. R. 6000 to the House. I expect to vote for the bill on final passage.

However, there are many grave defects in the bill which ought to be corrected. Most of these are outlined in the views of the minority on page 157 of the committee report. Our recommendations are not unimportant. Our suggestion No. 2 will save the taxpayers of this country $800,000,000 annually. Our suggestion No. 9 will save the taxpayers over $1,000,000,000 annually. There are grave questions of policy which should be decided by the Congress itself. Certainly we should not have a gag rule and deny the Members of the House an opportunity to improve this bill.

Mr. Speaker, I yield back the balance of my time.

Mr. HOLMES. Mr. Speaker, I listened with a great deal of interest to the remarks of the distinguished chairman of the Rules Committee when he was presenting the resolution. If I remember correctly, he made the statement that the Republicans had nothing to offer in relation to this legislation. I would like to call the attention of the membership of the House to H. R. 6297, introduced by the gentleman from New Jersey [Mr. KEAN] as a basis of legislation which I think should be considered by the membership of the House. Hence I am against the gag rule, which permits no amendments. In the content of H. R. 6297 you will find some important suggestions and changes over and above the administration bill. This statement I make as an advocate of the broadening of social-security coverage and of increasing social-security benefits. I think it would be only right and just to have the will of the majority work itself in relation to this piece of legislation, as well as other amendments that may be offered, as well as the legislation contained in H. R. 6000. Being a member of the committee that worked some 28 weeks upon H. R. 6000, I hope that the membership of the House will pay close attention during the general debate on the bill to the suggestions made in the Kean bill, H. R. 6297.

The SPEAKER pro tempore. The time of the gentleman from Washington [Mr. HOLMES] has expired.

Mr. BROWN of Ohio. Mr. Speaker, I yield such time as he may desire to the gentleman from Ohio [Mr. MCGREGOR].

Mr. McGREGOR. Mr. Speaker, I am opposed to the resolution which is now before us for consideration, known as House Resolution 372, which certainly can be categoried as a gag rule. This resolution prevents any amendments being offered to the social-security bill, known as H. R. 6000.

I am of the opinion if we continue to follow the procedure of adopting gag rules, we will soon have dictatorship. We have 435 Members of this House of Representatives. Each of us has been elected by our respective districts to come to the Congress so that the people will have an opportunity to express their views through us as their Representatives. House Resolution 372 definitely hinders that orderly procedure. As it is drawn, we are not given the opportunity to submit, in the form of amendments, any suggestions or opinions that we might have. In other words, we have to accept H. R. 6000 as it is written and recommended by the Ways and Means Committee without the crossing of a "t" or the dotting of an "i". In my opinion, we are yielding our rights and prerogatives to the Ways and Means Committee of 25 members and by our actions state that their views are absolutely correct and should not be changed in any manner.

Mr. Speaker, this kind of action certainly is not a symbol of the freedoms for which many of us have fought. I have just finished conferences in my district and over 600 people came to the courthouses to express their views and many of them on the subject of social

security, and may I say, Mr. Speaker, many of their suggestions merit the consideration of this Congress. Yet, under this rule I am not allowed in the form of amendments to submit their views as well as my own for the consideration of this body.

I am going to vote against House Resolution 372 because I firmly believe it is the right of all of us, as Members of this Congress, to express on the floor of this House the suggestions, recommendations, and opinions of the people which it is our honor to represent.

Mr. SABATH. Mr. Speaker, I yield 5 minutes to the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, I realize that what I may say here will not be too well received by many of my friends and colleagues on my right.

As a member of the Rules Committee I did not oppose bringing out this rule to which, in my heart, I was opposed, because I thought, out of deference to those who requested it, that the House should have an opportunity to pass upon that question.

I realize further that what I may say will have no effect upon the ultimate issue to be decided today. I am in favor of most of the provisions of this bill. I want to go further in some respects than the committee went, but regardless of what effect or what reaction may come from what I have to say, I do realize that I have to live with myself, and somewhere down the line a man has got to be a man and express his own honest convictions regardless of party affiliations and expediency.

It is said that this is the only way that you can consider this type of bill. I do not agree with that at all. Let me remind you that when the original social-security bill was brought out on the floor of the House in 1935 by a Democratic Party, it was brought out under an open rule. Again, when the Democratic Party was in power amendments to that bill were considered under an open rule. It is also said that the Republicans brought out an even worse gag rule in the Eightieth Congress. I do not deny that; I am inclined to affirm it. I think they were wrong, yet we are asked today to do another wrong to retaliate.

I do not want to see remain in this bill the provision about domestic servants. Every one of you is going to hear about this when you get home.

Mr. SABATH. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I am sorry. I will yield if the gentleman will yield me a little further time.

Mr. SABATH. I have not got it.

Mr. COLMER. Then, I am sorry but I cannot yield. I do not like that provision of the bill; I want an opportunity to strike it out. I do not like that provision of the bill which provides for the inclusion of Puerto Rico and the Virgin Islands into this system, a people who have possibly the lowest type of economy in the world, and yet, we would further burden our people by including them.

More than that, Mr. Speaker, we are legislating for the next 50 years or more, and yet we are not given an opportunity to dot an "i" or cross a "t." Mr. Speaker, I mentioned my objection to the provision for domestic servants and the inclusion of the peoples of the Virgin Islands and Puerto Rico. Under the provisions of our social-security system, these are some of the provisions of the bill that I, as a Member of Congress representing a section of these United States, would like to have an opportunity to strike from the bill, but which, if this rule is adopted, I will not have.

I am sure that this House could be trusted to write a fair bill expressing the judgment of a majority of its Members. As I pointed out a moment ago, this body was trusted on two previous occasions to write this type of legislation and did a pretty fair job. But we are told in effect that the majority of Members of the House cannot be trusted, that we must rely on the judgment of the members of the Ways and Means Committee and take it or leave it. The only other consolation offered us is that the other body will consider the bill next year and that over there, the Members of that body will have every opportunity to express themselves under the rules of unlimited debate that prevail there and that maybe they will improve the bill.

In other words, a Member of the Senate will have an opportunity to strike these objectionable features from the bill on the floor of that body or to offer an amendment that any Senator may see fit to offer. But the Members of the House, although sharing equal responsibility with the Members of the Senate, must gag themselves and take the bill as reported by the Ways and Means Committee or leave it. This just does not make good sense.

Therefore, Mr. Speaker, realizing as I do that my course of action is not the popular one to pursue here, I shall nevertheless, on my own responsibility as a representative of more than 350,000 people, vote against this rule. I cannot, feeling as keenly as I do about this matter, yield to expediency. I make no appeal to any of my colleagues to vote as I do. You will be guided by your own conscience as I shall. I prefer your confidence and respect to your approbation.

The SPEAKER pro tempore. The time of the gentleman from Mississippi has expired.

Mr. BROWN of Ohio. Mr. Speaker, I yield 3 minutes to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Speaker, I have confidence in the House of Representatives. Down through the years the great pieces of legislation that have stood out have been those measures that have been debated here on this floor where the great minds of this House have clashed and submitted the issue to you, the Representatives of the people. In the last Congress it was the Taft-Hartley Act, before that, the original Social-Security Act and Current Payment Tax Act—I am not going to take my time to enumerate them all now. Do not deceive yourselves, this is not a technical tax bill; you do not need to be a tax expert to decide whether or not social security, including disability insurance, should be extended to the Virgin Islands and Puerto Rico. It is not right to gag this House on issues that come here from the committee with a vote of 13 to 12.

Mr. DOUGHTON. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. If the gentleman will give me some more time.

Mr. DOUGHTON. Cannot the Virgin Islands proposition be taken care of in a motion to recommit?

Mr. CURTIS. Not adequately.

Mr. DOUGHTON. Can you not debate that for 4 days?

Mr. CURTIS. Too many Members of this House consider a motion to recommit as a vote against the legislation.

If I wanted to take a political position I would vote for this closed rule. But we are voting for all time to come; the social-security law will go on, and on, and on, or it will bankrupt this Government. I know from where the dissatisfaction is going to come. The people of the country are not satisfied with what has been done about domestic servants and the coverage of many other groups. You Members who support a closed rule here are going to hear from them. I have a telegram from an osteopath living in a little town of less than a thousand people. He is not satisfied. He wants an amendment presented. The citizens do not like gag rules.

Mr. Speaker, every small-business man in the country is in jeopardy under this bill. Let some little business spring up, started by GI's, for instance, which sells its product to people all over the country, who in turn sell the product to the public; years later the Social Security Administrator and the Treasury may come along and say that all of those salesmen were employees of this business and must pay a tax. They may have to go back and pay a tax for many years, even though it may break that business. Such language ought to be corrected by amendment, but with this gag rule no corrections can be made.

You Members who support a closed rule are subjecting yourselves to the criticism of every little-business man in the country because of the definition of an employee carried in this bill.

The SPEAKER pro tempore. The time of the gentleman from Nebraska has expired.

Mr. BROWN of Ohio. Mr. Speaker, I yield the gentleman two additional minutes.

Mr. CURTIS. Mr. Speaker, I do not worry about the big employers. They can take care of themselves. It is the little fellow you are kicking around here. I disagree with the gentleman from Georgia when he says that this House should not pass on the question of extending social security to the Virgin Islands and Puerto Rico, where the benefits may exceed the annual income of many of their people. The House should be allowed to vote on that issue.

Mr. Speaker, we are voting a program for all time to come. It is not right that

we have a gag rule in the consideration of such far-reaching legislation.

What are you going to say when you go back home as to why you put the grocer under the Social Security Act and left the editor of the local paper out?

That is not a complicated tax question. All this talk about this being such a complicated matter that you cannot trust the Members of the House, is not justified. Is there anyone who doubts that when you insure the health of the people of this country through permanent and total disability insurance you are making a definite new step in social security? Yet the gentlemen of the Rules Committee have recommended a gag rule which makes it impossible for the House to vote on that step.

Mr. Speaker, the injustices in our old-age-assistance program are not cured by this bill. Many of us want to vote for amendments that will help our old people, but we cannot under a gag rule. The criticism of this gag rule will not fall upon the Republicans. If you Democrats are interested in a sound social-security system, if you believe in this bill, open up your rule and defend it. You do not need to worry about the great chairman of this committee or the gentleman from Tennessee being able to defend anything that is sound and worthy of passage. You gentlemen on the Democratic side have the votes. Why not vote down the previous question and defeat the gag rule.

Mr. SABATH. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana [Mr. MADDEN].

Mr. MADDEN. Mr. Speaker, the chairman and the members of the Ways and Means Committee are deserving of the highest commendation for the outstanding service they have rendered the Congress and the country in bringing to the floor of the House H. R. 6000. The members of the committee have devoted the major part of their time since Congress convened last January, holding open hearings and closed executive sessions to perfect this social-security bill consisting of 200 printed pages.

The provisions of this bill as it pertains to various phases of the highly involved social-security legislation, are the result of long days of study and deliberation by the members of the committee covering a period of over 6 months.

H. R. 6000 was voted favorably out of the Ways and Means Committee by 22 out of 25 of its members. On last Thursday, Friday, and Saturday, various members of this committee appeared before the Committee on Rules and gave comprehensive testimony regarding the numerous and intricate provisions set out in this bill. Chairman DOUGHTON, Congressmen COOPER, MILLS, CAMP, FORAND, and other members of this great committee presented lengthy and exhaustive opinions and revealing statements in explaining the contents of this bill. Members of Congress who have not had the opportunity of attending the committee hearings on social-security legislation this session, should not fail to hear these committee members when they explain H. R. 6000 on the floor of the House during the 4-day debate which this rule calls for.

Every one of the above-mentioned Members specifically emphasized the necessity for the Rules Committee to report out a closed rule for the consideration of this legislation. It has been the policy of the House in years past, on all complicated legislation pertaining to tax matters and legislation involving complex provisions and restrictions, to consider the same under a closed rule.

In the long committee hearings held on this legislation, numerous organizations and individuals testified in open hearings as to their recommendations and opinions on practical social-security legislation. Old-age and survivors' insurance, public-assistance, and child-welfare provisions, and all phases concerning future economic insecurity and dependency were considered by the committee. Our Government has had 10 valuable years' experience in the administration of social security and this practical knowledge is embodied in the various phases of the legislation set out in the present bill. The enactment of this legislation expanding the present social-security law is a certain and natural step in the progress of our economy.

During the debate on this bill, arguments will be presented alleging that we are following a socialistic trend—the same arguments that were heard 10 years ago when the original social-security bill was enacted.

Today the opponents of a social-security program are so far in the minority that their opinions are not given serious consideration. Of course, there are honest differences of opinion in regard to the practical application and methods to be used in the installation of social-security regulations.

When I was home during the recent temporary recess, one of the questions that was uppermost in the minds of numerous citizens was why the Eighty-first Congress had not acted on a social-security program. The consideration of this bill today is the answer to their question. H. R. 6000 should be considered by this Congress in a thoroughly unpolitical manner. Partisan politics should not enter into the consideration of social-security expansion. Both great political parties last fall set out in their platform the endorsement and need for social-security expansion. President Truman and Governor Dewey in their campaign speeches on numerous occasions advocated and insisted that the country must take this progressive step to provide additional security and protection for the aged, disabled, and unemployed.

Had an expanded and practical social-security system been in operation during the 1920's, the deplorable depression of the early thirties would by no means have been as devastating as it was.

The enactment of this legislation will be the greatest step toward public contentment, future security for the home, and elimination of the fear of old-age want.

This legislation will be a great step toward curbing the spread of communism and the arguments used by radical communistic agitators.

By enacting H. R. 6000, this Congress is merely carrying out a promise made to the people last fall and also a compliance with the wishes of a vast majority of American millions who wish to be insured for the future protection of themselves and families.

Mr. BROWN of Ohio. Mr. Speaker, I yield such time as he may desire to the gentleman from Michigan [Mr. MICHENER].

Mr. MICHENER. Mr. Speaker, there has been much time spent in debating this unusual rule. It is said that we may talk about the rule for 4 days but can do nothing about it. That is true if the rule is adopted without change. The time will arrive within 10 minutes when we can do something about it, and what is that something? Vote down the previous question and then amend the rule so that the House may work its will in writing this bill.

It must be admitted that closed or gag rules have at times been sponsored by the party in power, regardless of whether it was Republican or Democrat. Be that as it may, the practice is not a wholesome one. I served on the Rules Committee for many years and have at times voted for closed rules. These rules were granted at the unanimous request of the Ways and Means Committee, regardless of the political affiliations of the members. In those cases the rule was used as it was intended to be used; that is, in the best interests of good legislation and of all the pepole.

I still believe that a comprehensive tax bill cannot be written on the floor of the House; must be written in committee; and that a closed rule is an instrument of efficiency when agreed upon unanimously by the committee and voted by the House. In contrast, the bill which this bill makes in order is most controversial. The committee report on the bill is 207 pages long and one seldom finds more divergent, individual committee views. In these circumstances, the House should have an opportunity to pass upon these questions of policy. If theoretical figures, taxes, or mathematics were involved, it might be different.

Now, assuming that closed rules have wrongfully been passed in the past, such wrongful action then does not justify a repetition of those same mistakes now. No one in this debate has attempted to justify gag rules; in fact, every speaker has condemned them. It is certainly inconsistent to criticize the Republican Party for its action in bygone days and then follow the very procedure which the speaker so loudly condemns. This is especially true with the distinguished chairman of the Rules Committee, the gentleman from Illinois [Mr. SABATH], with whom I served so many years.

Mr. Speaker, within the next few minutes an opportunity will be given to the House to say to the world whether or not it wants to do its own thinking and its own legislating or meekly and sub-

missively respond to the crack of the party leadership whip, and jump through the hoop and pass this gag rule. For one, I believe in the extension of social-security benefits and shall vote accordingly; however, I shall insist upon and vote for the right to be permitted to offer amendments to correct apparent injustices and inconsistencies in the pending bill. What is wrong about that?

Mr. BROWN of Ohio. Mr. Speaker, I yield 3 minutes to the gentleman from Massachusetts [Mr. HERTER].

Mr. HERTER. Mr. Speaker, there is only one issue involved here and that is whether or not we are going to give a closed rule or an open rule on this bill, not what we have done in the past and not what we are going to do in the future.

This bill provides a compact between the Government of the United States and 50,000,000 people in the United States. They are going to be asked to pay their money for specified returns which are promised them, a contract and a compact which could not be abrogated unless the Nation goes bankrupt.

Mr. Speaker, it seems to me it is the height of arrogance to assume that 15 men in this House have the answer in perpetuity to that compact. Let me just give some figures that were given before the Rules Committee in regard to the vote taken in the Ways and Means Committee. Many votes were taken. Thirty-five of them were within 5 votes, more than 30 were within 4 votes or less, 25 were within 3 votes or less, 20 were by 2 votes or less, and 10 important votes by 1 vote or less within the committee. Yet with that division of opinion in the committee itself even the minority of that committee are prohibited from bringing up a single amendment on the floor of the House so that the Members can judge for themselves whether or not they want to enter into this abiding contract.

As I said before, it seems to me that it is the height of arrogance to assume that all the wisdom of the House reposes in those 15 men, and that the 10 men who have sat through all the hearings, who are strongly in favor of increasing the benefits and the coverage of social security, cannot be allowed to offer the amendments they think would make this a better bill.

Even in the Committee on Rules, I offered such an amendment and it was turned down, and turned down on the ground that the leadership was against allowing any amendment to be offered of any kind whatever. If that is the case, the leadership has to take the responsibility before the American people for everything that stands in this bill, without changing one line. When they say to us and say to us frankly, "We will send this bill over to the other body and sometime next year they will correct all the mistakes," in my opinion that is an absolute insult to the Members of this House.

Mr. BROWN of Ohio. Mr. Speaker, before yielding time to the concluding speaker on this side, I wish to announce I shall ask for a roll call on ordering the previous question. I hope the House of Representatives will vote down the previous question so the rule may be amended and an opportunity given to the Members of the House to properly consider this measure, to offer amendments thereto, and to vote upon them in their own best wisdom.

Mr. Speaker, I yield the remainder of the time on this side to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Speaker, I am for the consideration of the social security measure, but I am opposed to this closed rule. I shall attempt to explain why I think the previous question should be voted down and the rule amended.

Some reference has been made to the action in the House here in the last Congress in considering a bill alleged to be similar under a suspension of the rules. First of all, there is a wide difference in the bills. Let me point out to you that in the debate on that bill in the last Congress the ranking Democrat on the Committee on Ways and Means, now the chairman of that committee, said this:

> This bill reflects the mature judgment of both the Committee on Ways and Means and the Subcommittee on Social Security headed by the distinguished gentleman from New York.

The provisions of that bill were overwhelmingly approved, but there is very substantial opposition to many provisions of this bill.

On a division vote, the vote was 237 to 2. May I also emphasize that it came under a suspension of the rules, a procedure by which a vote of one-third of the Members present and voting could have and would have defeated the measure.

To my mind, there is a marked difference between calling up a bill about which there is general agreement, under suspension of the rules, and calling up such a comprehensive bill as this, about which there is substantial difference of opinion, under a closed rule. There is a vast difference between calling up a bill under a procedure that requires a two-thirds majority to pass and under a procedure that requires only a simple majority to pass, and no one can change a single word in it. The procedure followed in the last Congress is not a precedent for what is here proposed.

I served on the Committee on Rules quite a while. I recall that as various tax bills were presented it was said that they needed a closed rule because of their technical nature and the interrelationship of the various provisions. As a Republican in a Democratic Congress, I supported many of those rules. I recognized that tax legislation presented many technical legal provisions not characteristic of the average bill. Well, I have witnessed some strange conversions since those days. In the Eightieth Congress we had a tax bill—the Revenue Act of 1948. As had been customary, it was called up under a closed rule, which had been the practice of the Democratic majorities in previous Congresses. But the Democratic leadership suddenly abandoned its own practice. It protested a closed rule even on a tax bill. It was violently contended on the floor by the then minority whip, now the Democratic majority leader, and the ranking Democrat on the Committee on Rules, now the chairman of that committee, that on a tax bill—mind you, not a social-security bill, but a tax bill, from which came this very practice that they previously advocated—that the closed rule under which we then proposed to act was wrong.

Here is what the gentleman from Illinois [Mr. SABATH] said in speaking on the gag rule:

> To my mind, this is the most drastic and unjustifiable gag rule that could possibly be brought in. In the first place, the rule waives points of order against the bill. It then provides that the bill shall be considered as having been read for amendment, precluding it being read, after the debate, but no amendment shall be in order to the bill except amendments offered by the committee, and even the amendments offered by the committee are not subject to amendment.

That is exactly the kind of a rule you have here today and against which the gentleman from Illinois [Mr. SABATH] at that time fought. May I point out again that was not a social-security bill, but on a tax bill, a revenue bill, which did not include anything else. Why the sudden flip-flop of the gentleman from Illinois.

Then what did the gentleman from Massachusetts [Mr. MCCORMACK] say about the closed rule in the last Congress? And I remind you again that the bill in question was a tax bill. This is what he said:

> The gentleman from Illinois [Mr. ALLEN] admits that he takes away from the minority every right under the rules; that under the rules they could not take away from us the right of a motion to recommit. So that in this rule they have ruthlessly taken away from the minority every legislative right that the general rules provide for, and when the gentleman refers to a motion to recommit, he knows that the Rules Committee, under the rules of the House, could not take that right away from the minority. So they have taken away everything they could from the minority party in the consideration of this bill, under the general parliamentary procedure.

Is that not clear evidence that there has been some strange sort of a conversion even in respect to tax bills, because that was the position they took in connection with consideration of the Revenue Act of 1948.

To my good friends sitting on the right side of the aisle: Rise to the challenge of that day; rise to the admonition of a former day by the gentlemen who have here spoken today for this rule. If you really follow their advice you will vote against the previous question.

Beyond that, my friends—and let me speak to all of you—I am not going into the details of this bill except to say this: I favored the original Social Security Act. I spoke on the floor for old-age assistance and social security. Let no one say that there were great numbers of people who were opposed to such back

in 1935. There was only a handful opposed to it. I, too, have believed in certain increases in amount and increases in payments and coverage. But here is the thing that is difficult if this rule is adopted as it applies to this particular bill. As has been pointed out there are good provisions in this bill and then there are a great many provisions which, in my opinion, are completely wrong and dangerous. There are some very substantial questions of policy involved in many of the provisions. There are provisions which, if they were subject to amendment on the floor of the House, would be stricken out by decisive majorities of the Members here present and voting. This is a comprehensive measure. It does not involve the intricacies found in a technical tax bill. Tax legislation embodies a great body of court decisions. Tax law is a specialty in itself.

Under those circumstances, why not proceed under an open rule? I, too, on occasion have chafed at the insistence of the Committee on Ways and Means that its measures, its tax measures, come in under closed rules. Like many others, as I have pointed out, I thought that tax measures necessarily had to have that sort of consideration. But here the tax matter is completely incidental. Oh, it is a very important part, to be sure, but you figure out what you are going to do in the way of coverage, and what you are going to do in the way of benefits, and then it simply becomes a matter of arithmetic as to what the tax shall be. It involves no technical complications and exacting language as found in income taxes or estate taxes. Hence, does it not follow that this bill ought to come up for consideration just like a bill from the Committee on Interstate and Foreign Commerce? You remember the so-called Crosser bill. This is no more complex nor any more technical. I say give us a chance to work out a good bill. Do not put us in the position of having either to vote for a lot of bad things, or vote against things that are good.

The SPEAKER. The time of the gentleman from Indiana has expired.

Mr. SABATH. Mr. Speaker, I yield to the gentleman from Massachusetts [Mr. LANE].

Mr. LANE. Mr. Speaker, social security means pensions, to provide some protection against the economic hazards of disability, old age, and the death of a bread winner in a family.

It is insurance against destitution.

It also provides for unemployment compensation.

In the legislation under discussion, however, we are concerned with an expansion of coverage and benefits to the disabled, the aged, to the aged wife and young children of a living beneficiary, to the widow, children, and, in some cases, the dependent parents of an insured worker who dies.

The Social Security Act was passed by Congress in 1935. It was intended under the Constitution, to enable people to do for themselves as a group, what they could not do for themselves as individuals. It is based, like all insurance, upon the pooling of certain resources and risks.

The economic collapse of 1929 brought forcibly to our attention the fact that a person's ability to earn a living and, at the same time, provide against the unexpected is not completely within his own control. It also taught us, through tragic experience, how we need one another. The depression became world-wide because so many could not buy what others produced. The issue of "have's versus have-not's" exploded in war. By this same line of reasoning, the victors are now engaged in the job of restoring the vanquished. Business cannot prosper in a vacuum. It needs markets, and markets depend upon purchasing power in the hands of individuals. Our objective, through social-security legislation, is both humane and practical. Long before this century, our Government gave aid to business in times of stress. More recently, the Congress has embarked upon a large-scale program to sustain the income—and purchasing power—of agricultural producers. But business and agriculture also need the sustained purchasing power of consumers, not some consumers but all consumers. A dynamic economy will fall flat on its face if it tries to limp along on one leg.

Other nations had made a beginning on social security, but the need for it struck us overnight and under the pressure of a Nation-wide paralysis. A vast program could not be legislated at once. We had to feel our way.

Fourteen years have passed, and we have learned much in the meantime. With the experience gained, we must get on with the building of a more comprehensive program. It is manifestly unfair to protect some workers and exclude others.

The face value of old-age and survivors insurance benefits—separated from the old-age assistance program—is about $80,000,000,000. These contributions are made up from a percentage levied on wages received. In turn, benefits are paid on the basis of past wages earned, and thus compensate for some of the wage loss sustained when the worker retires or dies.

At this point, I think we should compliment the Social-Security Agency for its administration of a difficult and responsible job. The cost of administration is 3 percent of contributions collected and less than 10 percent of benefit payments. Contributions for the year 1949 are being collected at the rate of $1,800,000,000 a year and disbursements will reach the vicinity of $700,000,000. Of course, benefits will increase, and administration costs will decrease, as we go into the future.

In 1935, faced with this new and compelling need, there were those who opposed the program, fearful of how it would work out. That opposition has practically disappeared. Those very same voices now rate social security, in a very businesslike manner, as one of the cushions which will prevent a depression. The only issue is: How far and how fast should we go in extending the program?

With certain exceptions, the present program covers employers of one or more employees.

Account cards have been issued to some 90,000,000 persons, of whom 80,000,000 have some wage credits in their accounts, because of work in insured employment. Breaking down these figures, we find that many people alternate between insured and uninsured employment, so that, in 1948, only 35,000,000 were engaged in insured employment at any one time. Of the grand total, 13,000,000 have reached the stage where they are permanently insured. The fate of the remainder who have acquired some wage credits depends upon their continuance in covered employment, their return to it, or by inclusion of their present, uncovered employment within the benefit system by congressional action.

It is encouraging to note that the House Ways and Means Committee by a 22 to 3 margin, has approved a bill whose major provisions include:

First. Blanketing of 11,000,000 more workers into the old-age and survivors insurance program.

Second. Boosting by 70 percent the present benefits of 2,500,000 persons already retired, or their survivors if they have died, and increasing by an average of 80 percent the insurance benefits of persons yet to retire, or their survivors.

Third. An increase of $160,000,000 a year in Federal participation with the States in public assistance or home relief for needy persons. The Government already contributes $1,100,000,000 annually for this program from general revenues. It is important to clearly distinguish the old-age and survivors insurance program under which the workers and their employers pay for the benefits which the worker gets later on and—public assistance. The public-assistance program is direct relief to the needy who have not qualified because they have no resources and have not worked long enough in covered employment. As coverage is extended, the costs of public assistance will decrease. This will be helpful for the agricultural States where public-assistance costs are heavy because so little of the outright burden of dependency is borne by the contributory social-insurance plan. Due to medical progress and other factors, the number of aged is increasing. Public-assistance costs will therefore rise until such time as all people—during their working years—are covered by deductions, shared by worker and employer, for the eventual retirement of the worker.

Fourth. Increase the pay-roll taxes supporting the insurance program, currently 1 percent of employee's pay and employer's pay roll, to 1½ percent on each, next January 1, to 2 percent on January 1, 1951, to 2½ percent in 1960, to 3 percent in 1964, and to 3½ percent on each in 1970.

Fifth. Create a new category of aid to totally and permanently disabled persons under both the insurance and public assistance approaches to the problem.

Extended coverage proposed would embrace the self-employed, with the ex-

ception of doctors, lawyers, dentists, and certain other professional categories; domestic workers with earnings exceeding $26 in a 3-month period; employees of nonprofit institutions, State and local government employees where there is a Federal-State agreement, and several smaller groups.

In the House of Representatives, we will work for passage of this bill before Congress adjourns. Due to the backlog of work facing the Senate, it is unlikely that this legislative body will have an opportunity to approve of this much-needed legislation until next year. Personally, I favor more security for more people, and it is my opinion that the Congress as a whole, in line with the President's recommendation and request, will provide for this need before another year has passed.

Apart from all considerations of humanity, or of economics, it is apparent that the people want extended coverage to provide a minimum of security for all against the major uncertainties of life.

A poll among farmers reveals that 60 percent favor extension of social-security benefits to them. Small-business men, professional workers, and others who comprise the nonfarm self-employed are asking that they themselves also be included. Farm operators number about 6,000,000. Urban self-employed stand at about 7,700,000.

Originally, the self-employed were left out of the Social Security Act because there seemed to be no feasible way of taxing their income for contributory purposes. However, experience has since demonstrated that there are no administrative problems which will preclude their coverage. It is suggested that reports would be required only from self-employed persons with gross cash incomes from all sources of $500 or more in a year, and with net incomes from self-employment of $200 or more. Income due to self-employment would have to be separated from return on investment. However, net income from self-employment could be gaged on the basis of two figures already included in the income-tax return, namely, income from business or profession—schedule C—and income from partnerships—schedule E.

Altogether, some 4,700,000 persons are excluded from the present coverage as agricultural labor. About 3,000,000 domestic workers in private homes are also frozen out of benefits.

These two low-income groups are more in need of protection than regular industrial workers and, due to the greater degree of economic uncertainty surrounding their employment, they should have been among the first groups to be covered. This ironic oversight has heretofore been excused on the basis of administrative difficulties concerning them. Most of the small employers of such help do not keep books, and there seemed to be no way of keeping records on such employees. To overcome this lack, a set-up is suggested whereby such an employee would receive a stamp book in which stamps would be placed by his employer as evidence of contributions made by the employer and the worker. These stamps could be purchased at post offices or from rural mail carriers. This plan could also be used in small industrial and commercial establishments. Either the stamp-book system, or the simplified pay roll report system developed by the Treasury Department and the Social Security Administration could be used for the coverage of agricultural workers and employees in domestic service. Either offers a practical solution to the original objection which was based on administrative difficulties and extra cost.

It is also advisable that employees of the Federal, State, and local governments—adjusting their special retirement systems where they exist, to the basic social-insurance system—members of the armed forces, and employees of religious, educational, charitable, and similiar nonprofit organizations, should also be included. Also, those independents, such as salesmen, taxicab operators, insurance agents, and homeworkers.

In order to bring newly covered workers up to an even status with those previously covered, the existing law should be changed to permit such workers to be deemed insured if they had covered wages in one out of each of the four quarters elapsing since 1936, or since the age of 21. Anyone who already has 40 quarters (or 10 years of covered employment) would continue to be fully insured.

Since the present level of benefits is inadequate, even in the light of the lower economic level of 1939 when these provisions were enacted, and since the higher cost of today's living will not recede to that level, benefits should be increased.

Furthermore, the qualifying age for women should be reduced from 65 years to 60. Women are generally younger than their husbands and, on the average, live longer. If women are allowed to draw benefits at 60, about three-fifths of the married men would have wives immediately eligible for wife's benefits when the men reach the age of 65. This would also help widows. Women workers themselves should, as a matter of consistency, be eligible for benefits at the same age that other women qualify for dependent's benefits.

The most serious lack in our social-security program is that it fails to provide adequate safeguards against the distress and poverty which follow disability.

Over 2,000,000 Americans are disabled for 6 months or longer each year. In June 1948, 83,000 persons were receiving aid to the blind; 90,000 families were receiving aid to dependent children. Disability insurance is part of the social-insurance system of practically all countries except the United States.

Loss of income delivers the same cruel blow to the wage earner and to the wife and children dependent upon him whether it is caused by unemployment beyond his control, or by illness or injury. We are providing insurance against the one but we have neglected the other.

This dangerous gap must be filled in by providing disability insurance through a contributory system.

The cost?

Actuarial estimates of an expanded old-age, survivors, and extended disability insurance program, based on present employment and wage levels, hits an intermediate figure of 7.4 percent of pay rolls.

This is the financial cost, which would not cripple any earnings.

But what about the cost in terms of destitution and despair which the financial cost would eliminate? Would not this represent a real gain in human dignity, freedom from unnecessary worry, and as a prop to the economy upon which we all rely?

Basic security for all is the foundation for the next advance of civilization. For no man can live unto himself alone whether it concerns his material needs or the opportunity for developing his immortal spirit.

Mr. SABATH. Mr. Speaker, I yield the balance of the time to the gentleman from Tennessee [Mr. COOPER].

The SPEAKER. The gentleman from Tennessee is recognized for 6½ minutes.

(Mr. COOPER asked and was given permission to extend and revise the remarks he expected to make in Committee of the Whole and include certain excerpts and quotations.)

Mr. COOPER. Mr. Speaker, for those of us who have been here a while, it has been interesting to hear this debate and hear the remarks made by our distinguished colleagues and good friends on the left of the Chamber.

I was initiated in the House of Representatives on a demand to vote for a closed rule, offered by the Republican Party, for the consideration of the Smoot-Hawley tariff bill. Fifteen Republican members of the Ways and Means Committee, behind closed doors, with all the Democrats locked out, 15 Republican members of the Ways and Means Committee wrote the Smoot-Hawley tariff bill, and then brought in a closed rule for its consideration. Hon. John Tilson, of Connecticut, then Republican leader of the House, publicly stated:

> We do not propose to allow every Tom, Dick, and Harry to offer amendments to this bill.

That is the history of your own actions, and yet we see these crocodile tears shed here today about this type of rule.

As I say, I was initiated in the House of Representatives, the first session, my first term, by that situation that you presented. Any man who was here then knows that is true.

As has been stated, the Ways and Means Committee has worked for 6 months on the pending bill, and it is reported to the House today by a vote of 22 to 3. Only three minority members of the Ways and Means Committee voted against favorably reporting this bill. All 15 of the Democratic members voted for it, and 7 of the 10 Republican members voted for it. I say to you that this is a good bill. It is a far better bill than I ever thought we would be able to present to you because of the many difficult problems involved in it. It is a bill of such nature that the best

interests of the House of Representatives and the best interests of the country will be served by considering it under this type of rule. There are certain provisions in this bill that extend all through the measure, and if a change is made here and not made in some other related provisions of the bill, the whole thing will be thrown out of joint. It is far more important, in my humble judgment, to consider this bill under this type of rule than it is a tax bill. Everybody of experience in this House knows that we have found that a tax bill must be considered under this type of rule.

Last year, when our Republican friends were in control and brought in a very limited revision of social security—extremely limited—they went before the Rules Committee and requested and received exactly this same type of rule for the consideration of that bill. They provided for only 2 hours general debate; this rule provides not for 2 hours, but for not to exceed 4 days. Then, after the Committee on Rules had granted the rule their leadership decided to bring the bill up under a suspension of the rules where there was only 20 minutes debate on the side and no chance for any amendment and not even a motion to recommit was in order. That is the history of this situation.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield very briefly.

Mr. MICHENER. Assuming that that is the history, does not the gentleman believe that it was wrong and that we cannot win tomorrow if we spend today quarreling with yesterday?

Mr. COOPER. I merely cite the history. The gentleman has been here most all this time; he knows that what I have said is true. I did not oppose that type of rule last year. The chairman of the Committee on Ways and Means now, who was then the ranking minority member, went with the gentleman from New York [Mr. REED] and other Republican members before the Committee on Rules and requested that type of rule because in all honesty he knew it was the best way to consider the legislation. This time, with a far more difficult bill, much more far-reaching than the measure last year we are simply asking the same thing, that the House consider this bill under the type of rule that the members of the Committee on Ways and Means honestly believe will be in the interest of best legislation and orderly procedure.

This bill is before you, as I say, after 6 months' diligent effort. It broadens the coverage of the Social Security Act, extending coverage to about 11,000,000 people not now covered. It extends and increases the benefits under the present program. It is a well-balanced and carefully prepared bill; and I say to you frankly as my best judgment, having served on the original subcommittee, having worked all through the years since the very inception of social-security legislation, that this bill before you today does meet the problem better than it could be met after weeks and weeks of consideration here in the House winding up possibly with a bill that would have to be recommitted. So I submit it to you for your consideration.

Mr. SABATH. Mr. Speaker, I move the previous question.

The SPEAKER. The question is on the motion.

Mr. BROWN of Ohio. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 175, nays 154, answered "present" 2, not voting 101, as follows:

[Roll No. 214]

YEAS—175

Addonizio	Gore	O'Brien, Ill.
Albert	Gorski, Ill.	O'Brien, Mich.
Allen, La.	Gorski, N. Y.	O'Hara, Ill.
Aspinall	Gossett	O'Konski
Barrett, Pa.	Granger	O'Sullivan
Bates, Ky.	Hardy	O'Toole
Beckworth	Hare	Pace
Bennett, Fla.	Harris	Passman
Bentsen	Harrison	Patten
Blemiller	Hart	Perkins
Boggs, La.	Havenner	Peterson
Bolling	Hays, Ark.	Philbin
Bosone	Hedrick	Polk
Boykin	Heller	Powell
Breen	Herlong	Preston
Brooks	Holifield	Price
Brown, Ga.	Howell	Priest
Bryson	Hull	Quinn
Buchanan	Jackson, Wash.	Rabaut
Buckley, Ill.	Jacobs	Rains
Burke	Jones, Ala.	Ramsay
Burleson	Jones, Mo.	Redden
Burton	Karst	Regan
Camp	Karsten	Rodino
Cannon	Kee	Rooney
Carnahan	Kelley	Sabath
Carroll	Kerr	Sadowski
Cavalcante	Kilday	Sasscer
Celler	King	Secrest
Chelf	Kirwan	Sheppard
Chesney	Kruse	Sims
Christopher	Lane	Spence
Clemente	Lanham	Staggers
Combs	Lesinski	Steed
Cooper	Lind	Stigler
Crook	Linehan	Sullivan
Davenport	Lucas	Sutton
Davis, Tenn.	Lyle	Tackett
Dawson	Lynch	Teague
DeGraffenried	McCarthy	Thomas, Tex.
Delaney	McCormack	Thompson
Denton	McGrath	Thornberry
Doilinger	McGuire	Trimble
Doughton	McKinnon	Vinson
Doyle	Madden	Wagner
Durham	Magee	Walsh
Eberharter	Mahon	Welch
Elliott	Marcantonio	Wheeler
Evins	Marsalis	White, Calif.
Fallon	Marshall	Whittington
Fernandez	Miles	Wickersham
Fisher	Mills	Wier
Fogarty	Mitchell	Wilson, Okla.
Forand	Monroney	Wood
Frazier	Morgan	Yates
Fugate	Morris	Young
Furcolo	Moulder	Zablocki
Gathings	Murdock	
Gordon	Noland	

NAYS—154

Abernethy	Boggs, Del.	Davis, Ga.
Allen, Calif.	Brown, Ohio	Davis, Wis.
Allen, Ill.	Burdick	D'Ewart
Andersen, H. Carl	Byrnes, Wis.	Dolliver
Anderson, Calif.	Canfield	Dondero
Andresen, August H.	Case, N. J.	Eaton
Andrews	Case, S. Dak.	Ellsworth
Angell	Chiperfield	Engel, Mich.
Arends	Church	Fenton
Auchincloss	Clevenger	Ford
Barrett, Wyo.	Cole, Kans.	Fulton
Battle	Colmer	Gamble
Beall	Corbett	Gavin
Bennett, Mich.	Cotton	Gillette
Bishop	Crawford	Golden
Blackney	Cunningham	Goodwin
	Curtis	Graham
	Dague	Grant
Gross	Lichtenwalter	Sanborn
Gwinn	Lodge	Saylor
Hagen	McConnell	Scott, Hardie
Hale	McCulloch	Scrivner
Hall, Leonard W.	McDonough	Scudder
	McGregor	Shafer
Halleck	Mack, Wash.	Short
Hand	Macy	Sikes
Harden	Martin, Iowa	Simpson, Ill.
Herter	Martin, Mass.	Simpson, Pa.
Heselton	Mason	Smathers
Hill	Meyer	Smith, Kans.
Hinshaw	Michener	Smith, Va.
Hobbs	Miller, Nebr.	Smith, Wis.
Hoeven	Murray, Tenn.	Stefan
Hoffman, Ill.	Murray, Wis.	Stockman
Hoffman, Mich.	Nelson	Taber
Holmes	Nicholson	Talle
Hope	Nixon	Tollefson
Horan	Norrell	Van Zandt
James	O'Hara, Minn.	Velde
Jenison	Patterson	Vorys
Jenkins	Phillips, Tenn.	Vursell
Jennings	Pickett	Weichel
Jensen	Plumley	Werdel
Johnson	Potter	White, Idaho
Judd	Poulson	Wigglesworth
Kean	Rankin	Williams
Kearney	Rees	Wilson, Ind.
Kearns	Rich	Wilson, Tex.
Keefe	Rivers	Winstead
Latham	Rogers, Fla.	Withrow
LeCompte	Rogers, Mass.	Woodruff
LeFevre	Sadlak	
Lemke	St. George	

ANSWERED "PRESENT"—2

Cox Wolcott

NOT VOTING—101

Abbitt	Gilmer	Murphy
Bailey	Granahan	Norblad
Barden	Green	Norton
Baring	Gregory	O'Neill
Bates, Mass.	Hall, Edwin Arthur	Patman
Bland	Harvey	Pfeifer, Joseph L.
Blatnik	Hays, Ohio	Pfeiffer, William L.
Bolton, Md.	Hébert	Phillips, Calif.
Bolton, Ohio	Heffernan	Poage
Bonner	Huber	Reed, Ill.
Bramblett	Irving	Reed, N. Y.
Brehm	Jackson, Calif.	Rhodes
Buckley, N. Y.	Javits	Ribicoff
Bulwinkle	Jonas	Richards
Burnside	Jones, N. C.	Riehlman
Byrne, N. Y.	Keating	Roosevelt
Carlyle	Kennedy	Scott, Hugh D., Jr.
Chatham	Keogh	Smith, Ohio
Chudoff	Kilburn	Stanley
Cole, N. Y.	Klein	Tauriello
Cooley	Kunkel	Taylor
Coudert	Larcade	Thomas, N. J.
Crosser	Lovre	Towe
Davies, N. Y.	McMillan, S. C.	Underwood
Deane	McMillen, Ill.	Wadsworth
Dingell	McSweeney	Walter
Donohue	Mack, Ill.	Whitaker
Douglas	Mansfield	Whitten
Elston	Merrow	Willis
Engle, Calif.	Miller, Calif.	Wolverton
Feighan	Miller, Md.	Woodhouse
Fellows	Morrison	Worley
Flood	Morton	
Garmatz	Multer	
Gary		

So the previous question was ordered.

The Clerk announced the following pairs:

On this vote:

Mrs. Douglas for, with Mr. Towe against.

Mr. Keogh for, with Mr. Keating against.

Mr. Huber for, with Mr. Smith of Ohio against.

Mr. Ribicoff for, with Mr. Brehm against.

Mr. Byrne of New York for, with Mr. Elston against.

Mr. Garmatz for, with Mr. Riehlman against.

Mr. Patman for, with Mr. Wolcott against.

Mrs. Norton for, with Mr. Coudert against.

Mr. Morrison for, with Mr. Hugh D Scott, Jr., against.

Mr. Bailey for, with Mr. Kunkel against.

Mr. Bonner for, with Mrs. Bolton of Ohio against.

Mr. Mansfield for, with Mr. Reed of New York against.
Mr. Joseph L. Pfeifer for, with Mr. Reed of Illinois against.
Mr. Cox for, with Mr. Wadsworth against.
Mr. Gilmer for, with Mr. Kilburn against.
Mr. Tauriello for, with Mr. Cole of New York against.
Mr. Granahan for, with Mr. Fellows against.
Mr. Green for, with Mr. Harvey against.
Mr. Chudoff for, with Mr. Jackson of California against.
Mr. Multer for, with Mr. Jonas against.
Mr. Murphy for, with Mr. Taylor against.
Mr. Walter for, with Mr. William L. Pfeiffer against.
Mr. Klein for, with Mr. Merrow against.
Mr. Roosevelt for, with Mr. McMillen of Illinois against.
Mr. Hays of Ohio for, with Mr. Lovre against.
Mr. O'Neill for, with Mr. Brambiett against.
Mr. Heffernan for, with Mr. Morton against.

General pairs until further notice:

Mr. Whitten with Mr. Wolverton.
Mr. Whitaker with Mr. Norblad.
Mr. Feighan with Mr. Miller of Maryland.
Mr. Engle of California with Mr. Bates of Massachusetts.
Mr. Hébert with Mr Edwin Arthur Hall.
Mr. Richards with Mr Phillips of California.

Mr. COX. Mr. Speaker, I have a pair with the gentleman from New York, Mr. WADSWORTH. I voted "aye." If present, he would have voted "nay." I, therefore, withdraw my vote and vote "present."

Mr. WOLCOTT. Mr. Speaker, I voted "no." I have a pair with the gentleman from Texas, Mr. PATMAN, who, if present, would have voted "aye." I, therefore, withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER. The question is on agreeing to the resolution.

Mr. BROWN of Ohio. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 189, nays 135, answered "present" 2, not voting 106, as follows:

[Roll No. 215]

YEAS—189

Abernethy	Camp	Fernandez
Addonizio	Cannon	Fisher
Albert	Carnahan	Fogarty
Allen, La.	Carroll	Forand
Andrews	Cavalcante	Frazier
Aspinall	Celler	Fugate
Barrett, Pa.	Chelf	Furcolo
Bates, Ky.	Chesney	Gathings
Battle	Christopher	Gordon
Beall	Clemente	Gore
Beckworth	Combs	Gorski, Ill.
Bennett, Fla.	Cooper	Gorski, N. Y.
Bennett, Mich.	Crook	Gossett
Bentsen	Davenport	Granger
Biemiller	Davis, Tenn.	Grant
Boggs, La.	Dawson	Hardy
Bolling	DeGraffenried	Hare
Bosone	Delaney	Harris
Boykin	Denton	Harrison
Breen	Dollinger	Hart
Brooks	Doughton	Havenner
Brown, Ga.	Doyle	Hays, Ark.
Bryson	Durham	Hedrick
Buchanan	Eberharter	Heller
Buckley, Ill.	Elliott	Herlong
Burke	Engel, Mich.	Holifield
Burleson	Evins	Howell
Burton	Fallon	Hull
Jackson, Wash.	Marsalis	Rooney
Jacobs	Miles	Sabath
Jones, Ala.	Miller, Nebr.	Sadowski
Jones, Mo.	Mills	Sasscer
Judd	Mitchell	Secrest
Karst	Monroney	Sheppard
Karsten	Morgan	Sikes
Kee	Morris	Sims
Keefe	Murdock	Smathers
Kelley	Noland	Spence
Kennedy	O'Brien, Ill.	Staggers
Kerr	O'Brien, Mich.	Steed
Kilday	O'Hara, Ill.	Stigler
King	O'Sullivan	Sullivan
Kirwan	O'Toole	Sutton
Kruse	Pace	Tackett
Lane	Passman	Thomas, Tex.
Lanham	Patten	Thompson
Lesinski	Perkins	Thornberry
Lind	Peterson	Tollefson
Linehan	Philbin	Trimble
Lucas	Polk	Vinson
Lyle	Potter	Wagner
Lynch	Powell	Walsh
McCarthy	Preston	Welch
McCormack	Price	Wheeler
McDonough	Priest	White, Calif.
McGrath	Quinn	Wickersham
McGuire	Rabaut	Wier
McKinnon	Rains	Wilson, Okla.
Mack, Wash.	Ramsay	Withrow
Madden	Redden	Wood
Magee	Regan	Yates
Mahon	Rodino	Young
Marcantonio	Rogers, Fla.	Zablocki

NAYS—135

Allen, Calif.	Gross	Nelson
Allen, Ill.	Gwinn	Nicholson
Andersen, H. Carl	Hagen	Nixon
	Hale	Norrell
Anderson, Calif.	Hall,	O'Hara, Minn.
Andresen, August H.	Leonard W.	Patterson
	Halleck	Phillips, Tenn.
Angell	Hand	Pickett
Arends	Harden	Plumley
Auchincloss	Herter	Poulson
Barrett, Wyo.	Heselton	Rankin
Bates, Mass.	Hill	Rees
Bishop	Hinshaw	Rich
Blackney	Hobbs	Rivers
Boggs, Del.	Hoeven	Rogers, Mass.
Brown, Ohio	Hoffman, Ill.	Sadlak
Burdick	Hoffman, Mich.	St. George
Byrnes, Wis.	Holmes	Sanborn
Canfield	Hope	Saylor
Case, S. Dak.	Horan	Scott, Hardie
Church	James	Scrivner
Clevenger	Jenison	Scudder
Cole, Kans.	Jenkins	Shafer
Colmer	Jennings	Short
Corbett	Jensen	Simpson, Ill.
Cotton	Johnson	Simpson, Pa.
Crawford	Kean	Smith, Kans.
Cunningham	Kearney	Smith, Va.
Curtis	Kearns	Smith, Wis.
Dague	Latham	Stefan
Davis, Ga.	LeCompte	Stockman
Davis, Wis.	LeFevre	Taber
D'Ewart	Lemke	Talle
Dolliver	Lichtenwalter	Van Zandt
Dondero	Lodge	Velde
Eaton	McConnell	Vorys
Ellsworth	McCulloch	Vursell
Fenton	McGregor	Weichel
Ford	Macy	Werdel
Fulton	Martin, Iowa	White, Idaho
Gamble	Martin, Mass.	Wigglesworth
Gavin	Mason	Williams
Gillette	Meyer	Wilson, Ind.
Golden	Michener	Wilson, Tex.
Goodwin	Murray, Tenn.	Winstead
Graham	Murray, Wis.	Woodruff

ANSWERED "PRESENT"—2

Cox Wolcott

NOT VOTING—106

Abbitt	Burnside	Dingell
Bailey	Byrne, N. Y.	Donohue
Barden	Carlyle	Douglas
Baring	Case, N. J.	Elston
Bland	Chatham	Engle, Calif.
Blatnik	Chiperfield	Feighan
Bolton, Md.	Chudoff	Fellows
Bolton, Ohio	Cole, N. Y.	Flood
Bonner	Cooley	Garmatz
Bramblett	Coudert	Gary
Brehm	Crosser	Gilmer
Buckley, N. Y.	Davies, N. Y.	Granahan
Bulwinkle	Deane	Green
Gregory	Mansfield	Ribicoff
Hall, Edwin Arthur	Marshall	Richards
	Merrow	Riehlman
Harvey	Miller, Calif.	Roosevelt
Hays, Ohio	Miller, Md.	Scott, Hugh D., Jr.
Hébert	Morrison	
Heffernan	Morton	Smith, Ohio
Huber	Moulder	Stanley
Irving	Multer	Tauriello
Jackson, Calif.	Murphy	Taylor
Javits	Norblad	Teague
Jonas	Norton	Thomas, N. J.
Jones, N. C.	O'Konski	Towe
Keating	O'Neill	Underwood
Keogh	Patman	Wadsworth
Kilburn	Pfeifer, Joseph L.	Walter
Klein		Whitaker
Kunkel	Pfeiffer William L.	Whitten
Larcade		Whittington
Lovre	Phillips, Calif.	Willis
McMillan, S. C.	Poage	Wolverton
McMillen, Ill.	Reed, Ill.	Woodhouse
McSweeney	Reed, N. Y.	Worley
Mack, Ill.	Rhodes	

So the resolution was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Cox for, with Mr. Wadsworth against.
Mr. Keogh for, with Mr. Towe against.
Mr. Huber for, with Mr. Keating against.
Mr. Ribicoff for, with Mr. Smith of Ohio against.
Mr. Byrne of New York for, with Mr. Brehm against.
Mr. Garmatz for, with Mr. Elston against.
Mrs. Norton for, with Mr. Riehlman against.
Mr. Patman for, with Mr. Wolcott against.
Mr. Morrison for, with Mr. Coudert against.
Mr. Bailey for, with Mr. Hugh D. Scott, Jr., against.
Mr. Bonner for, with Mr. Kunkel, against.
Mrs. Douglas for, with Mrs. Bolton of Ohio, against.
Mr. Mansfield for, with Mr. Fellows against.
Mr. Multer for, with Mr. Harvey against.
Mr. Murphy for, with Mr. Jonas against.
Mr. Klein for, with Mr. Kilburn against.
Mr. Roosevelt for, with Mr. Lovre against.
Mr. Hays of Ohio for, with Mr. McMillen of Illinois, against.
Mr. Heffernan for, with Mr. Merrow against.
Mr. Donohue for, with Mr. William L. Pfeiffer against.
Mr. Engle of California for, with Mr. Taylor against.
Mr. Feighan for, with Mr. Cole of New York against.
Mr. Teague for, with Mr. Reed of Illinois against.
Mr. Davies of New York for, with Mr. Reed of New York against.

Additional general pairs:

Mr. Gilmer with Mr. Miller of Maryland.
Mr. Miller of California with Mr. Wolverton.
Mr. Bolton of Maryland with Mr. Case of New Jersey.
Mr. Tauriello with Mr. Chiperfield.
Mr. Granahan with Mr. Bramblett.
Mr. Whittington with Mr. Edwin Arthur Hall.
Mr. Chudoff with Mr. Jackson of California.
Mr. O'Neill with Mr. Norblad.
Mr. Deane with Mr. Morton.
Mr. Dingell with Mr. Phillips of California.

Mr. WOLCOTT. Mr. Speaker, I have a live pair with the gentleman from Texas, Mr. PATMAN. If he were present, he would vote "yea." I voted "nay." I withdraw my vote and answer "present."

The result of the vote was announced as above recorded.

(Mr. DOUGHTON asked and was given permission to extend his remarks in the

RECORD and include certain tables in connection with the bill H. R. 6000.)

(Mr. JENKINS asked and was given permission to extend his remarks in the RECORD and include extraneous matter.)

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 consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from North Carolina.

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. 6000, with Mr. KILDAY in the chair.

The Clerk read the title of the bill.

By unanimous consent the first reading of the bill was dispensed with.

Mr. DOUGHTON. Mr. Chairman, it was my privilege to introduce the original social-security bill in 1935; also, the only two social-security-revision bills to become law since then—the social-security amendments of 1939 and the social-security amendments of 1946. The social-security bill of last year was introduced by the able and distinguished gentleman from New York, a member of our committee [Mr. REED], but that bill did not pass the House until the closing days of the Eightieth Congress, and there was no time for its consideration by the Senate.

There were no hearings conducted on that bill, and that bill, unlike ours which was introduced and taken up early in the first session of the Eight-first Congress, was not introduced until the last days of the Eightieth Congress. The Congress adjourned, as I recall, on June 20. That bill, without any hearings, mind you, was introduced on June 2 and reported on June 2. The report on that bill was filed in two installments. One was on June 2 and the other was on June 4. Remember, the Congress adjourned on June 20, less than 3 weeks later.

As has been stated, application was made to the Rules Committee for a closed rule, and a rule was granted. It was similar to the rule granted today, except that it provided for only 2 hours' general debate. That was not tight enough to suit the majority at that time, so they brought the bill up under suspension of the rules on June 14, just 6 days before the Congress adjourned. So it was too late for the bill to be given consideration in the other body. You can judge from this record the degree of sincerity on the part of the party then in power with respect to the social-security program. They knew, and everyone knew, that there was not time even for the other body to consider that bill because, as I say, it was considered under suspension of the rules on June 14, and the Congress adjourned on June 20. That is the record of the then majority, now the minority party, with respect to their interest in social security.

Both parties are committed in their 1948 platforms to certain amendments or revisions of the present Social Security Act. The Democratic Party platform in 1948 made this declaration:

> We favor the extension of the social-security program established under Democratic leadership, to provide additional protection against the hazards of old age, disability, disease, or death.

That was our platform.

The Republican platform promised:

> Extension of the Federal old-age and survivors insurance program and increase of the benefits to a more realistic level.

What these words "more realistic level" mean I do not know, but social-security benefits certainly did not have a very realistic level in the Eightieth Congress in 1948. The record of the Eightieth Congress was not a very realistic approach to the matter, but that is the last action of the Republicans up to now on social-security legislation.

NECESSITY FOR THE BILL

In the debate on the original bill in 1935 I stressed that "we do not claim that 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."

Experience since 1939, the date of the last comprehensive revision of the Social Security Act, has developed practical plans for extending the coverage of the old-age and survivors insurance program. It is clear that the benefit scale established in 1939 does not now provide an adequate floor of protection against economic insecurity from old age or premature death of the family breadwinner. There is now no protection against the hazard of permanent and total disability. The purpose of the pending legislation is to widen the scope and increase the protection afforded by both the old-age and survivors insurance and the public assistance programs; yet, as stated in the committee report, it is designed "to speed the day when most of the aged and the Nation's dependent families will look to the insurance program for protection and when the role of public assistance can be drastically curtailed."

Yet in expanding coverage and increasing benefits, your committee has ever kept in mind the warning of President Roosevelt on January 17, 1935, about the importance of avoiding "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."

For reasons stated on pages 2 and 3 of the committee report on H. R. 6000, "The Congress is faced with a vital decision which cannot long be postponed." This decision is whether the insurance program of the social-security system can be strengthened and reenforced against the assaults of proponents of general old-age pensions out of the Federal Treasury, and against the challenge of the private retirement plans financed solely by the employer. Since both the Democratic and Republican 1948 national platforms pledged extension of the Federal old-age and survivors insurance program and increase of benefits to a more realistic level, it is possible to approach this decision with a minimum of, if not free from, partisanship.

BACKGROUND OF THE BILL, H. R. 6000

The Committee on Ways and Means has thoroughly considered all phases of the social-security system except unemployment insurance. On February 21, 1949, at the request of the President, I introduced H. R. 2892, relating to public assistance, and H. R. 2893, dealing with old-age, survivors, and disability insurance These bills provided the basis for consideration and discussion during the 2 months of hearings that followed in which 2500 pages of testimony were received from more than 250 witnesses. In addition to the views of the Social Security Administration, the committee has had the advantage of competent testimony from witnesses representing all schools of thought on this very important subject of social security, including employers, employees, and the self-employed, from agriculture, industry, and the professions, as well as State and local officials. The committee has also had the benefit of a very thorough study prepared by its special staff of experts in 1945, headed by Mr. Leonard Calhoun, as well as the extensive and exhaustive report of the Social Security Advisory Council of the Senate Committee on Finance, which investigated this subject last year. We have had the benefit of all shades of thought on the subject.

After nearly 4 months of study and discussion of all available information and opinion, the committee, with the assistance of an able technical staff, proceeded to draft its own bill, H. R. 6000, combining its best-considered judgment on both the public-assistance and old-age and survivors insurance programs. Every provision in this bill of 200 pages was agreed upon, if not unanimously, by a majority vote of the committee, and I am pleased to report that the decisions were as free of politics as any legislation I have ever known. Although H. R. 6000 does not go so far in certain respects as some members of the committee desired, other members felt that some parts of the bill go too far. In my opinion, the

lengthy deliberations and discussions have resulted in a bill that is free from extremes either way. And that is the legislative road I have always considered it wisest to follow.

The report on the bill contains over 200 pages and is a full and detailed explanation of the bill. Much of the bill is quite technical, and therefore somewhat complicated and difficult to understand. I am certain that all Members of the House are familiar with the complexities and intricacies of a life-insurance contract, and a program of social insurance involves many of the same basic policy questions.

Therefore, I would suggest to those who are anxious to know what the bill contains that they read very carefully the report of the committee, a copy of which was delivered last week to the office of every Member of the House. A general knowledge of the bill can be acquired by reading pages 5 to 8 of the report, and a detailed explanation of every provision is available elsewhere in the report. I am certain that any Member who may be in doubt as to the contents of the bill will very easily be able to satisfy himself on almost any point by consulting this report.

I shall now try to summarize very briefly some of the principal features of the bill.

A. OLD-AGE AND SURVIVORS INSURANCE

First. Extension of coverage: Old-age and survivors insurance coverage would be extended to add approximately 11,000,000 new persons to the 35,000,000 persons now covered during an average week. The groups added to the system under the bill are as follows:

(a) Self-employed: About 4,500,000 nonfarm self-employed persons other than physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, Christian Science practitioners, and aeronautical, chemical, civil, electrical, mechanical, or mining engineers. Self-employed persons whose net earnings from self-employment are less than $400 per year would be excluded. The contribution rate for the self-employed would be 1½ times the rate for employees.

In extending coverage to the self-employed two considerations were kept in mind:

First. The desire of members of a particular business group or profession; and second, the probability of retirement in old age and therefore, need in old age for social-security benefits. Moreover, the inclusion of large groups of people who do not desire social-security coverage would make most difficult the administration of the system.

The proposed revision is not the last word in social-security legislation, and further study can, and should, be given to the problems of coverage of other groups whenever this may be desirable and practicable.

(b) State and local employees: About 3,800,000 employees of State and local governments, if the State enters into a voluntary compact with the Federal Security Agency, provided that such employees who are under an existing retirement system shall be covered only if such employees and adult beneficiaries of the retirement system shall so elect by a two-thirds majority.

(c) Household workers: About 950,000 domestic servants in private homes, not on farms operated for profit, who work at least an average of 2 days a week for, and earn at least $25 cash per quarter from, any one employer.

(d) Nonprofit institutions: About 600,000 employees of nonprofit institutions other than ministers and members of religious orders, but if the employer does not elect voluntarily to pay the employer's tax, the employee would receive credit with respect to only one-half his wages for the employee's tax which is compulsorily imposed upon him.

(e) Miscellaneous: Smaller groups, including processing workers off the farm, Federal employees not under civil service, Americans employed by American firms outside the United States, residents of Puerto Rico and the Virgin Islands, and salesmen and others who technically are not employees at common law, totaling one and one-fourth to one and one-half millions.

Second. Liberalization of benefits: (a) About 2,600,000 persons currently receiving old-age and survivors insurance benefits would have their monthly benefit increased on the average by about 70 percent. Increases would range from 50 percent for highest benefit groups to as much as 150 percent for lowest benefit groups. The present average primary benefit of approximately $26 per month for a retired insured worker would be increased to nearly $45.

(b) Persons who retire in the future would have their benefits computed under a new formula, with resulting benefits approximately double the average benefits payable today. The minimum primary benefit under existing law of $10 per month would be increased to $25. The maximum family benefit under existing law of $85 per month would be increased to $150, but not more than 80 percent of the average monthly wage of the insured person. Lump-sum death payments would be made upon the death of all insured persons. Under present law, lump-sum death benefits are payable only if the deceased insured person does not leave a survivor who could become immediately entitled to benefits.

The following tables taken from the committee report give a comparison of the individual benefit payments under existing law and under the provisions of the pending bill.

Table 1 sets forth the amounts of old-age insurance benefits payable to regularly employed workers at various levels of average monthly wage and for various numbers of years of coverage, under the present law and under the bill, without showing supplementary benefits for dependents.

TABLE 1.—*Illustrative monthly primary amounts*

[All figures rounded to nearest dollar]

Monthly wage while working	10 possible years of coverage		20 possible years of coverage		40 possible years of coverage	
	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000
	Covered in all possible years					
$50	$22	$26	$24	$28	$28	$30
$100	28	52	30	55	35	60
$150	33	58	36	60	42	66
$200	38	63	42	66	49	72
$250	44	68	48	72	56	78
$300	(1)	74	(1)	77	(1)	84
	Covered in *half of* possible years					
$50	$10	$25	$11	$25	$12	$25
$100	21	26	22	28	24	30
$150	24	29	25	30	27	33
$200	26	32	28	33	30	36
$250	29	34	30	36	33	39
$300	(1)	37	(1)	38	(1)	42

[1] Present law includes wages only up to $250 per month.

Table 2 shows illustrative monthly benefits for a retired worker with an eligible wife, while table 3 gives corresponding figures for various survivor categories.

TABLE 2.—*Illustrative monthly benefits for retired workers*

[All figures rounded to nearest dollar]

Average monthly wage	Present law		H. R. 6000	
	Single	Married [1]	Single	Married [1]
	Insured worker covered for 5 years			
$50	$21	$32	$26	$38
$100	26	39	51	77
$150	32	47	56	85
$200	37	55	62	92
$250	42	63	67	100
$300	(2)	(2)	72	108
	Insured worker covered for 10 years			
$50	$22	$33	$26	$39
$100	28	41	52	79
$150	33	50	58	87
$200	38	58	63	94
$250	44	66	68	102
$300	(2)	(2)	74	110
	Insured worker covered for 20 years			
$50	$24	$36	$28	$40
$100	30	45	55	80
$150	36	54	60	91
$200	42	63	66	99
$250	48	72	72	107
$300	(2)	(2)	77	116
	Insured worker covered for 40 years			
$50	$28	$40	$30	$40
$100	35	52	60	80
$150	42	63	66	99
$200	49	74	72	108
$250	56	84	78	117
$300	(2)	(2)	84	126

[1] With wife 65 or over.
[2] Present law includes wages only up to $250 per month.

NOTE.—These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1949 (or after 1936 as the case may be).

TABLE 3.—*Illustrative monthly benefits for survivors of insured workers*

[All figures rounded to nearest dollar]

Average monthly wage	Aged widow [1]		Aged parent [1] or 1 child alone		Widow and 1 child		Widow and 2 children		Widow and 3 children	
	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000
Insured worker covered for 5 years										
$50	$16	$19	$10	$19	$26	$38	$37	$40	$40	$40
$100	20	38	13	38	33	77	46	80	52	80
$150	24	42	16	42	39	85	55	113	63	120
$200	28	46	18	46	46	92	64	123	74	150
$250	32	50	21	50	52	100	74	133	84	150
$300	[2]	54	[2]	54	[2]	108	[2]	144	[2]	150
Insured worker covered for 10 years										
$50	$16	$20	$11	$20	$28	$39	$38	$40	$40	$40
$100	21	39	14	39	34	79	48	80	55	80
$150	25	43	16	43	41	87	58	116	66	120
$200	29	47	19	47	48	94	67	126	77	150
$250	33	51	22	51	55	102	77	137	85	150
$300	[2]	55	[2]	55	[2]	110	[2]	147	[2]	150
Insured worker covered for 20 years										
$50	$18	$21	$12	$21	$30	$40	$40	$40	$40	$40
$100	22	41	15	41	38	80	52	80	60	80
$150	27	45	18	45	45	91	63	120	72	120
$200	32	50	21	50	52	99	74	132	84	150
$250	36	54	24	54	60	107	84	143	85	150
$300	[2]	58	[2]	58	[2]	116	[2]	150	[2]	150
Insured worker covered for 40 years										
$50	$21	$22	$14	$22	$35	$40	$40	$40	$40	$40
$100	26	45	18	45	44	80	61	80	70	80
$150	32	50	21	50	52	99	74	120	84	120
$200	37	54	24	54	61	108	85	144	85	150
$250	42	58	28	58	70	117	85	150	85	150
$300	[2]	63	[2]	63	[2]	126	[2]	150	[2]	150

[1] Age 65 or over.
[2] Present law includes wages only up to $250 per month.

NOTE.—These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1949 (or after 1936 as the case may be).

The increase in benefit amounts for persons now on the rolls will be accomplished by the use of a table included in the bill. A summary of this table is presented in table 4.

TABLE 4.—*Summary of conversion table for computing new benefits for those now on the roll*

[All figures rounded to nearest dollar]

Present primary insurance benefit	New primary insurance amount	Maximum family benefits payable
$10	$25	$40
15	31	50
20	36	58
25	44	78
30	51	113
35	55	145
40	60	150
45	64	150

EXAMPLES

1. Retired worker now receiving $25 per month will receive $44 after effective date. Supplementary benefits for his eligible benefits or survivors cannot exceed $78.

2. Widow age 65 or over now receiving $30 per month (based on three-fourths of deceased husband's primary benefit of $40) will receive $45 after effective date (three-fourths of $60.)

Third. Limitation on earnings of beneficiaries: The amount a beneficiary may earn after retirement in covered employment without loss of benefits would be increased from $14.99 to $50 per month. After age 75, benefits are payable regardless of amount of earnings from employment.

B. PERMANENT AND TOTAL DISABILITY INSURANCE

First. Coverage: All persons covered by the old-age and survivors insurance program would be protected against the hazard of enforced retirement and loss of earnings caused by permanent and total disability.

Second. Benefits: Permanently and totally disabled workers would have their benefits and average wage computed on the same basis as for old-age benefits, but no payments would be available for dependents of disabled workers.

Third. Eligibility for benefits: An individual would be insured for disability benefits if he had both (a) 6 quarters of coverage out of the 13-quarter period ending when his disability occurred, and (b) 20 quarters of coverage out of the 40-quarter period ending when his disability occurred.

C. VETERANS

World War II veterans would be given wage credits under the old-age, survivors, and disability insurance program of $160 per month for the time spent in military service between September 16, 1940, and July 24, 1947.

D. FINANCING OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Last but not least, I should like to deal with taxes for the old-age and survivors insurance system since it is an essential feature of social insurance that there should not only be benefit rights but also contribution obligations. The insurance tax has been frozen at 1 percent on both employee and employer for 13 years, 1937 to 1949. Under present law and under the bill, this rate would rise to 1½ percent in 1950. It is an essential sound matter of financing that the contribution rate should rise steadily over the future because the benefit disbursements will of a certainty rise for perhaps the next 40 or 50 years. In all its considerations, the Committee on Ways and Means was firm in its conviction that this system should be soundly financed so that the benefits promised could be paid.

Under present law, the 1½-percent tax rate would be effective for 2 years and thereafter the rate would be 2 percent. The committee was of the opinion that such a low tax schedule could not support adequate benefits.

Further the committee concluded that this system should be on a sound actuarial basis and should be completely self-supporting from the contributions of the participating persons and their employers. Accordingly, the bill provides that the tax rate on employers and employees should be increased to 2 percent in 1951 and then to 2½ percent in 1960, 3 percent in 1965, and 3¼ percent in 1970. These contribution rates will result in the building up of a fairly sizable trust fund, which will be invested in that soundest investment of all—United States Government securities. In answer to the critics of this method of investing the trust fund moneys, I might point out that Government bonds are purchased by banks, insurance companies, and individuals when they want to invest surplus funds in the soundest investment in the world. The investments of the trust fund will earn interest just as any other Government bonds, which will help to finance the large benefit disbursements. The bill would repeal the provision in present law authorizing appropriations to the trust fund from general revenues. Before reaching this conclusion, the committee satisfied itself not only that the tax schedule would provide sufficient funds to finance the system but also ascertained that workers insured under the system would receive protection valued in excess of their individual contributions.

E. PUBLIC ASSISTANCE AND WELFARE SERVICES

Thus far I have discussed the insurance provisions of the bill. The provisions in the bill relating to the State-Federal public-assistance programs are also of great importance to those persons who are unable, for one reason or another, to be eligible for insurance benefits. While the old-age, survivors, and disability insurance program that I have outlined will decrease the need for public assistance in the future, we should not forget the needy aged, the blind, the permanently and totally disabled, and the dependent children who do not have social insurance protection. Accordingly, the bill would strengthen and improve the public-assistance programs for these needy individuals, as follows:

First. Extension of State-Federal public assistance programs: Aid would be extended to the following persons not now eligible for assistance:

(a) Permanently and totally disabled needy persons. The Federal Government would share in the costs in the same manner as for old-age assistance and aid to the blind.

(b) The mother, or other adult relative with whom an eligible dependent child is living. The Federal Government would share in the costs of the aid furnished such mother or relative.

Second. Increase in Federal share of public assistance costs: The bill would strengthen financing of public assistance in all States, and, particularly, would enable the low-income States to raise the level of payments to needy recipients under the State-Federal program. Federal funds would be made available to the States under the following matching formula:

(a) For old-age assistance, aid to the blind and aid to the totally and permanently disabled: Federal funds will equal four-fifths of the first $25 per recipient plus one-half of the next $10 plus one-third of the next $15 with a maximum of $50 on individual assistance payments.

(b) For aid to dependent children: Federal funds will equal four-fifths of the first $15 per recipient—including one adult in each family—plus one-half of the next $6, plus one-third of the remainder, with maximums on individual assistance payments of $27 for the adult plus $27 for the first child plus $18 for each additional child in the family.

Third. Public medical institutions: The Federal Government would share in the costs incurred by the States and localities in furnishing assistance to the needy aged, blind, and permanently and totally disabled recipients in public medical institutions, instead of limiting Federal participation to costs incurred for recipients residing in private institutions as provided in present law.

Fourth. Direct payment for medical care: States would be authorized to make direct payments to doctors or others furnishing medical care to recipients of State-Federal public assistance.

Under existing law the Federal Government does not participate in the cost of medical care for recipients unless payment for such care is made directly to the recipient.

Fifth. Child welfare services: Authorization for child welfare services would be increased from $3,500,000 per year to $7,000,000, for service in rural areas or areas of special need. The use of child welfare funds would be authorized for purposes of returning interstate runaway children to their homes.

Sixth. Puerto Rico and the Virgin Islands: The four categories of public assistance would be extended to Puerto Rico and the Virgin Islands, but the Federal share of assistance payments would be limited to 50 percent. The maximum Federal payment would be $15 for a recipient of old-age assistance, aid to the blind, or aid to the permanently and totally disabled, and $9 for the first child and $6 for each additional child in an aid to dependent children family.

Seventh. Cost: The over-all estimated additional cost to the Federal Government for the public assistance and welfare services amendments would be $256,000,000 annually.

Mr. MURRAY of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Wisconsin.

Mr. MURRAY of Wisconsin. I would like to ask what, exactly, is the status of an employee? For example, there are several paper mills in my district, and in my State, and in reading over this bill I wonder where the operators of the paper mills' responsibility begins and where it ends. There is considerable pulp cut by contractors. Who would be responsible for keeping track of that particular situation?

Mr. DOUGHTON. Of course, that was one of the most controversial problems that we had to deal with. We had before us the Treasury officials, representatives of the Social Security Administration, and heard testimony from the taxpayers. We heard all shades of thought on that subject. If the Treasury administers the law as it says it will, there will be no trouble about who is covered. As to exactly who will be covered and who will not be covered, I do not believe you could write that into statutory law. There must be some discretion, as you know, if this law is to be administered according to the intent of the Congress. The benefits of any law depend upon its administration. You might take the Ten Commandments to administer, but if they are not understood and not lived up to, what would be the result? We have to leave it to those who administer this law, and give them some discretion as to who is covered as an employee and who is not. In the same way, we have to leave it to the local welfare boards to determine who is in need; we have to leave it to the doctors to say who is permanently and totally disabled.

Mr. LYNCH. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from New York.

Mr. LYNCH. I think the answer to the gentleman's question is this, that if the subcontractor is in reality a real contractor, if he has money invested in his equipment, if he does not do any work personally, if he has employees, he does not come in under this bill as an employee but would probably come in under the provision of self-employed. I do not know whether that answers the question precisely.

Mr. MURRAY of Wisconsin. I want to get the facts in the case. If we pass a bill we ought to know what we are passing.

Mr. DOUGHTON. I agree with the gentleman.

Mr. MURRAY of Wisconsin. Here is a company, regardless whether it is a paper mill or any other company, but it has subcontractors and it contracts with these men for so much pulp, we will say. Does the corporation assume the responsibility, keep track of the social-security numbers and payments for instance, or does the subcontractor have that responsibility?

Mr. DOUGHTON. I am not a lawyer, and I do not understand the technical and legal terms as well as my good friend the gentleman from New York [Mr. LYNCH], the gentleman from Tennessee [Mr. COOPER], and the gentleman from Arkansas [Mr. MILLS] and others.

Mr. LYNCH. I think the answer is simply this, that if the subcontractor, for instance, is a corporation and that corporation employs loggers, there is no question as to who pays the social-security tax. The corporation pays and the individual pays insofar as social security is concerned. When the gentleman said a subcontractor, I assumed he meant an individual. If the individual to whom he refers does all the work himself, then he ordinarily would be considered in the capacity of an employee of whoever it was that engaged him. If, on the other hand, the subcontractor has money invested and there are tools and equipment so that in truth and in fact it might be said in your own mind that he is the real employer, then he is an employer insofar as he pays, say 1 percent social security as an employer and 1 percent is deducted from the wages of his employees. If he is an individual, then he himself under this bill may be included as one who is self-employed and pays 1½ percent, approximately, for his social-security insurance. Does that answer the gentleman's question?

Mr. MURRAY of Wisconsin. Let us get it straight now. The gentleman is a corporation and I am going to cut some pulpwood for him. I have three fellows working for me. Is it the gentleman's responsibility to see that they have their consideration, or is it mine?

Mr. LYNCH. It all depends upon the facts involved. If you are one who has money involved in that business and if you in turn have equipment, and if you supply the equipment to these three workingmen that you have——

Mr. MURRAY of Wisconsin. Axes, for instance.

Mr. LYNCH. Axes, and all the other equipment that might come with doing contract work, then under those circumstances you would be looked upon as the employer. There is no question about that whatsoever, if you in turn are the one who, as I say, has the capital investment, who has the equipment and supplies and those other necessary things.

Mr. MURRAY of Wisconsin. Mr. Chairman, I would not want to leave the impression that I am opposed to social security.

Mr. DOUGHTON. I understand that.

Mr. MURRAY of Wisconsin. Before I became a Member of Congress even when I had only one fellow working for me, I always saw to it that he got his social security.

Mr. DOUGHTON. He was working for you or he was working with you?

Mr. MURRAY of Wisconsin. He was working for me.

Mr. DOUGHTON. When I work on the farm, when I work in my office, or when I work anywhere, and somebody else works we work together. I always feel that he is working with me and not for me.

Mr. MURRAY of Wisconsin. I paid my share of social security so he could build up his social security standing.

How about the farmers, then? They do not come under it at all?

Mr. DOUGHTON. Whenever a majority of them signify their desire to be covered, I think it would be appropriate to cover them. So far we have had no evidence that a majority of them have such a desire. There is little interest or enthusiasm among the farm organizations about it.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Tennessee.

Mr. COOPER. May I invite the attention of the gentleman from Wisconsin to pages 86 and 87 of the committee report, which gives some specific examples on the very question about which the gentleman is inquiring.

Mr. DOUGHTON. I thank the gentleman from Wisconsin for inquiring and I thank my colleague, the gentleman from New York [Mr. LYNCH], and my colleague, the gentleman from North Carolina [Mr. COOPER], for their contributions.

Mr. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Illinois.

Mr. CHURCH. On this question of employees, I feel that I should rely on the chairman's statement that in the last analysis it is the department's regulations that will make the definitions that will affect the situation as to who is the employee.

Mr. DOUGHTON. Within certain definite limitations.

Mr. CHURCH. The gentleman said it would be left to the department.

Mr. DOUGHTON. Yes.

Mr. CHURCH. In view of the statement of the gentleman from Tennessee, I think it is clear that it would be left to the department. However, if the department does not settle that question in its regulations, and then 5, 10, or 15 years from now it changes its definition or changes its regulations, what kind of chaos will you have then? How much does this little logroller and these other people have by way of uncertainty as to back wages, back claims, and such, keeping in mind that it is the department that makes the definition and it is the department that next year and the next will change its mind?

Mr. DOUGHTON. The gentleman has raised a very pertinent question. Does he have a definition which he can give to the House?

Mr. CHURCH. If I did, I could not get it into this bill because I would have no opportunity to offer it as an amendment. Yes, I think your committee should have defined the word "employee" in every instance as it is affected in this bill.

Mr. DOUGHTON. This bill has to go to the other body. We do not claim it is perfect. The gentleman will have an opportunity to make his case over there. No doubt they will have extensive hearings on this subject as we had. I am sure every provision of the bill will be gone over carefully.

Mr. CHURCH. Does the gentleman want the other body to do our thinking for us?

Mr. DOUGHTON. No, no, that is not the situation at all. If the gentleman wants to appeal his case, why there is another court to which he can take his appeal.

Mr. LYNCH. In answer to the gentleman I might say that when the department makes regulations, it must make regulations within the confines of the definitions set forth in this bill. When the gentleman says that he did not have an opportunity to offer a substitute for what we have in the bill, I must point out, Mr. Chairman, that we have had more than 6 months of public hearings. Every Member of Congress had an opportunity to come in and express their own opinion, or give any kind of a definition that they wanted to give. Nobody has done so. The committee has worked out this definition to a certain extent in accordance with the interpretation of the Supreme Court. This is a definition that the committee has given and within this definition and no other can the department make any regulations.

Mr. DOUGHTON. Has the gentleman from Illinois [Mr. CHUICH], read our committee report? If he has, I think he will find the information he seeks in the report.

Mr. CHURCH. I have tried to rush through it. I understand that we may have three more days' debate on this measure, then I understand when we have let the other body do our thinking for us next year, we can undo what we are doing now.

Mr. DOUGHTON. Well, another Congress, of course, can undo what we are doing now. The gentleman knows that this Congress cannot bind the next Congress. We cannot tell what the next administration will do. Of course we cannot tell that.

Mr. LYNCH. Mr. Chairman, it is apparent that the gentleman has not done any thinking on this bill up to the present time. Now, if he has not done any thinking up to the present time on this bill, or if he has not read this report, it would seem to me when he states that he has not had an opportunity to present his views, that is not in accord with the actual situation.

Mr. DAVENPORT. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. DAVENPORT. I would like to ask this question, because I have been asked it so many times back home. We have thousands and thousands of insurance agents in Pittsburgh and outside salesmen engaged in the wholesale trade. How does this bill affect them?

Mr. DOUGHTON. I yield to the gentleman from Arkansas [Mr. MILLS]. He is a lawyer and he knows more about the legal technicalities of the bill than I do.

Mr. MILLS. It is quite difficult, as the distinguished chairman of our committee knows, to answer a question such as the gentleman from Pennsylvania puts with a straight yes or no. The definition of the term "employee" will take in under social security as employees some 500,000 or 750,000 people who would not be employees under the strict technical terms of a common-law definition. It is the purpose of the committee, as I understand, to take in these outside salesmen for wholesale companies on a commission basis as employees and to take in these life-insurance salesmen that he has referred to on the basis of being employees. To say that everyone in that occupation in Pittsburgh would come in as an employee, no one could do. It will depend largely upon the actual facts of the relationship, rather than the technical, legal definition of the common-law rule.

For the information of the gentleman from Pennsylvania, I suggest that he read particularly pages 81 and 82 of the report.

Mr. DOUGHTON. I thank the gentleman from Arkansas [Mr. MILLS].

The CHAIRMAN. The gentleman from North Carolina [Mr. DOUGHTON] has consumed 1 hour.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that the gentleman be allowed to continue.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. ROGERS of Florida. I would like to know the interpretation of the committee with reference to bringing self-employed individuals under the provisions of this bill. I understand that they must pay up to $3,600.

Mr. DOUGHTON. That is taxable self-employment income base. Anything above $3,600 is not taxed. All up to that would be subject to tax, if he comes under the provisions of the act. He must have a certain income, at least $400 a year, before he is covered.

Mr. ROGERS of Florida. Suppose an individual makes $10,000 and does not want to come in. Has he any right to elect?

Mr. DOUGHTON. No. He has no discretion. He ought to be willing to pay the small amount he has to pay for the support of the fund in order to be eligible for benefits.

Mr. ROGERS of Florida. Was there any evidence of a desire on the part of that class to come under this act?

Mr. DOUGHTON. Yes, sir.

Mr. Chairman, I have described very briefly the major accomplishments of the present social-security law as to old-age and survivors insurance and public assistance. Correspondingly, I have set forth the improvements which the bill would accomplish. Our committee has worked long and diligently on this matter and has done the very best work possible. What we have done will not satisfy everybody—some will want more and some will want less—but we do feel that we have set before you a well-considered, financially sound plan which will be of great benefit to the country. We do not claim that we have reached ultimate perfection in social-security systems, but we do claim that we have approached the subject as fairly and practically as humanly possible at this time. Social security is a matter which will always require continuous study and improvement; but if this measure is enacted into law, the United States will have a social-security system of which it can well be proud and which will be of lasting benefit to the stability and prosperity and well-being of the Nation.

The CHAIRMAN. The gentleman from North Carolina has consumed 1 hour and 2 minutes.

Mr. JENKINS. Mr. Chairman, I yield myself such time as I may require.

I ask unanimous consent to revise and extend the remarks that I make at this time, Mr. Chairman.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. JENKINS. Mr. Chairman, I shall further develop the discussion between Mr. DOUGHTON and Mr. MURRAY of Wisconsin. The distinguished gentleman from Wisconsin [Mr. MURRAY] has just propounded a very profound question to my distinguished chairman [Mr. DOUGHTON] and has touched upon one of the sore spots in this bill. He got no conclusive answer. The answers that he got show conclusively that nobody knows who is an employer as defined in this bill.

A year or two ago there developed a severe conflict between the Social Security Board and the Treasury over this matter of who is an employee and who is not. The Social Security Board felt that it had the right to determine who should draw benefits, regardless of whether or not the employer of that individual felt that that person should draw benefits. In other words, under the law, two parties, the employer and the employee, must agree, that there is the relationship of employer and employee existing between them. They must agree, and then one pays 1 percent of his wages into the social-security fund and the other pays 1 percent. No money should be paid into the United States Treasury nor out of the United States Treasury on this program to anybody unless the relationship of employer and employee has been established. But the Social Security Board paid money to thousands of people whom the Treasury held had no right to receive that money and that the Board had no right to order that money paid. Many so-called employees drew benefits upon whose so-called employment nobody had paid any tax. So out of that great conflict between them came this bill. Those were the people that Mr. Truman referred to in his campaign when he said we, the Republicans, had taken off the pay roll to the extent of 750,000. The 750,000 persons had been put on illegally, by the Social Security Board. The Treasury, in effect, said so. The Treasury was then as it is now a Democratic Treasury. Of course the Social Security Administration was thoroughly Democratic. However, the Social Security Board refused to heed the warning of the Treasury and went right ahead anyway—spent the money illegally.

In the Ways and Means Committee and in the legal profession throughout the country there arose great concern over the action of the Social Security Board arbitrarily ordering money to be paid to these men who had no legal right to receive it. From this arbitrary and illegal action of the Social Security Board and the resentment that the people felt about it, the Gearhart amendment was prepared. It passed the Ways and Means Committee and in due time this amendment was passed by the Congress of the United States. This was all done to prevent the bureaucratic and unlawful activity of the Social Security Board. The present law referring to this matter and including the Gearhart amendment is as follows:

(i) Employee: The term "employee" includes an officer of a corporation, but such term does not include (1) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor or (2) any individual (except an officer of a corporation) who is not on employee under such common-law rules.

That amendment supported the Treasury of the United States in its viewpoint. But the Social Security Board was never satisfied; that group will never be satisfied until they bring everybody under their control, and that is what the Social Security Board was trying to do then just simply by its own edict, to bring people under the law when the Treasury said they had no right to be there. The Gearhart amendment was worded very simply but it was sufficient. It clarified what we call the common law. Some principles of law are so old and have been recognized by the courts so long they become as immutable as the law of the Medes and the Persians of the Bible. The law of master and servant is so well recognized as to be known as the common law. What is the common law in these social-security matters? The common law is that the relationship of master and servant must be established, the relationship of employer and employee. How do you establish or prove the relationship of employer and employee? You establish it by some kind of contract, either express or implied. If I walk into a store and buy a suit of clothes and take it home without asking the price I am presumed to be willing to pay the price, impliedly. If the clerk and I agree on a price then I pay that agreed price. If I have a dentist do some work for me and do not ask him how much his work will cost, then impliedly I have agreed to pay the price he asks, and that is a contract. There has to be an arrangement of some kind. It is the same with a man who wants to pick the other fellow's beans, tomatoes, or whatever it is; there the same principle applies. If a difference arises between the buyer and the seller over the contract, then the judge decides; if a difference arises between the merchant and me over the price of a suit of clothes or between the dentist and me over the price of the work he did for me, then the judge and the jury hear it and decide what the facts are. So, of course, somebody must decide these matters. Let us see how this bill proposes to decide who is an employee. Turn to page 48 of this bill and see how much space it takes, how many words it takes, to define the word "employee." It states:

Employee:
(k) The term "employee" means—
(1) Any officer of a corporation—

That language was put in that bill, of course, so that there might be no misunderstanding as to the status of an officer of a corporation; otherwise he might not be considered to be an employee eligible to come under the Social Security System even though he would be drawing a salary. Then it goes on—

Or—

(2) Any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee.

That would have been enough had the definition stopped right there. But this Social Security Board was not satisfied with the courts; it wants to decide everything. Let us see how much space it

takes in this bill before us to define this one word "employee." It starts on page 48. It continues throughout the entire page 49, through all of page 50, and most of page 51. They designate a whole lot of groups as employees just to be sure they keep them in; otherwise, probably even the Social Security Board would not have the conscience to put them in as it had done before. But they are included in the law by the language of this bill. Then we go over on page 51 and this is where the gentleman from Wisconsin [Mr. MURRAY] comes in if he comes in at all. I do not know that there are any two lawyers on the committee or any place else who can agree on what this language on page 51 means. This is the language to which I refer:

The term "employee" means—

(4) Any individual who is not an employee under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss.

This language is most confusing. The committee recognizing this fact sought to clarify the language by inserting in its report filed with this bill a number of hypothetical illustrations to show what would be required in order for a person to be entitled to be considered to be an "employee."

Let us look further as to what that language means.

(4) Any individual who is not an employee under paragraph (1), (2), or (3),

Let us see what is going to happen to any individual that does not come within paragraph (1), (2), or (3). Under paragraph (4) they seek to include any persons who cannot come under paragraph (1), (2), or (3). They are going to take all such persons in with one fell swoop if they do not come in under (1), (2), or (3).

This is what the bill says in paragraph (4):

But who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee.

How can you determine what is the meaning of status of an employee as in that paragraph? It is very confusing. And again let us read further in paragraph (4):

As determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual.

In other words, if you are not skillful you cannot be an employee any place, but if you are too skillful you are liable to be included when you do not want to be included. Let us consider category (F).

(F) Lack of investment by the individual in facilities for work.

The poor man who has no money cannot get into that status at all. If he has money invested; if he can put in some money he is included.

And category (G).

(G) Lack of opportunities of the individual for profit or loss.

Mr. Chairman, it seems to me that in this effort to include every possible individual they have so confused the subject that it will be difficult for any man being subject to these provisions to tell whether he is included or excluded. I am sure that any lawyer reading this attempted definition of an employee would throw up his hands in despair if he were asked to render an opinion as to whether a certain individual was an employee. This wordy definition is too confusing. The small-business man will be at a loss to know what to do.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Nebraska.

Mr. CURTIS. Referring to the language that the gentleman just read, particularly to line 8 on page 51, it says "as determined." As determined by whom?

Mr. JENKINS. The gentleman asks a very pertinent question. I answer him by asking him "determined by whom?"

Mr. CURTIS. As determined by the Social Security Administrator and the Treasury?

Mr. JENKINS. Certainly so.

Mr. CURTIS. Lawyers could not look at that and advise a client. The people we are dealing with here are employees or not employees.

Mr. JENKINS. The gentleman is exactly right.

Mr. CURTIS. There is nothing in there to prevent the Treasury from coming in years afterward and saying that by this hocus-pocus of (A), (B), (C), (D), and (E) they all come in. They put any value or any effect they want to on those sections and come up with the answer that these people are employees and therefore you owe 5, 6, or 10 years' taxes.

Mr. JENKINS. Yes. This confusion should not obtain. This matter must be clarified. This confusion comes up because of the disposition of the Social Security Board to overstep its jurisdiction last year.

Mr. JENNINGS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Tennessee.

Mr. JENNINGS. Here is the manner in which a governmental agency might very well construe this language under subparagraph (4) page 51:

Any individual may be held to be an employee, although he is not such under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service.

Here is the joker that could bring them all in as employees.

Integration of the individual's work in the business to which he renders service.

A man's service may be held to become an integral part of, his services may mesh in with and contribute to or affect in some remote direct or indirect manner the combined labor of all these people, and an administrative interpretation and finding will make him an employee, certainly so, when a bureaucrat bent on making him such would construe him to occupy the relationship of an employee.

Mr. JENKINS. That is true. I will ask the gentleman a question. He has been a judge and everybody knows he is a learned man.

I will put this question. Let us be serious.

This section says "as determined by the combined effect of" seven different tests. Then, how would you determine how much weight you would give to each test; would you divide 100 percent by 7 and give to each test 14 percent?

Mr. JENNINGS. All these provisions become a part of the whole, and any one of these elements, in my opinion, leaves the door open for Federal agency construction and for bureaucratic interpretation, and then the citizen who never intended to enter the relationship of an employer finds himself years later held to be such. In other words, here is a circus tent and this is the entrance. You get the camel's head under the tent, and then the whole animal is under the tent by interpretation, fact findings, and decrees by some appointed Federal bureaucrat.

Mr. JENKINS. Let me ask another question. Suppose your client has been put through this searching test and he has failed to qualify on about one-third of these and he is aggrieved by the finding of the board, what is he going to do about it?

Mr. JENNINGS. He cannot effectively do anything. Ordinarily when you get caught by one of these agencies and it finds the facts against you, and you undertake to relieve yourself in the courts of the land, you enter the court with three strikes on you, because if there is any evidence at all to sustain the finding of the agency on the evidence, the court will not pay any attention to you on the facts. The findings of the agency are binding on the aggrieved citizen and conclusive on the court.

Mr. JENKINS. I doubt very much whether you could get into any court.

Mr. JENNINGS. You might get into court, but you could get no relief.

Mr. JENKINS. You might have to show fraud or some other legal reason.

Mr. CURTIS. Mr. Chairman, if the gentleman will yield further, I would like to ask the learned jurist from Tennessee a question that I propounded in the committee, and I was unable to get any enlightenment on, referring to section (b)

line 10, permanency of the relationship. If an individual is in truth and in fact an employee or not an employee, how can permanency of the relationship change it one way or the other?

Mr. JENNINGS. I do not think it would make any difference, but no man can assure himself that there exists a yardstick or any criteria or any certainty about the interpretation of any law of Congress, because a member of the present Supreme Court said that because the Congress in an act or in a law it passes uses clear and unambiguous language, it by no means follows that in the interpretation of such an act, is a simple matter; that for the Court to so hold, he said, would be "oversimplification."

Mr. JENKINS. Yes.

Mr. JENNINGS. In other words, the construction of an act never gets simple.

Mr. JENKINS It is too good.

Mr. JENKINGS. You never know what the Court will hold from past decisions.

Mr. CURTIS. Is it the gentleman's understanding of this paragraph 4 that the Treasury and the Social Security Administrator will say that you are an employee or you are not one? Is that what it boils itself down to?

Mr. JENKINS. That is the way it seems to me. I do not see how you could ever get out of it. Anyway you proceed you will become entangled in it and I do not see how you can get out of it.

Mr. CURTIS. In one of the preceding paragraphs, suppose there is a relationship between the parties and one is not the employee of the other, but they write a contract that is contrary to the facts that recite that they are employees; what about that contract?

Mr. JENKINS. Well, I think in the discussion in the committee, did we not decide that he would be considered an employer under those circumstances?

Mr. CURTIS. Yes.

Mr. JENKINS. I think regardless of what the facts were, they would hold him in anyway.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Arkansas.

Mr. MILLS. In response to the suggestion of the gentleman from Tennessee that there would be no recourse on the part of any employer or employee regarding the interpretation placed upon this language by the Treasury Department, I am sure my friend from Ohio would not want the record to suggest that the man would have no right of appeal to any court at all.

Mr. JENKINS. I do not know. I am just asking the gentleman whether he has.

Mr. MILLS. The gentleman from Ohio knows that this is a matter involving the payment of a tax, and that the taxpayer, the employer, has the right to go to court any time he is not satisfied with the interpretation by the Treasury Department of what the law is as applied to the facts.

Mr. JENKINS. The gentleman is wrong about that.

Mr. MILLS. The gentleman from Ohio knows that the gentleman from Arkansas is right, because 20 percent of the cases in Federal court today involve interpretations of the tax law, and that is what is involved here.

Mr. JENKINS. Let us get our minds together now. This is the proposition that I think the gentleman has in mind. Of course, any taxpayer, if the tax authorities are not administering the law properly, and it involves an amount of money to be collected or it involves the question of whether or not the item the Government is seeking to hold him for is taxable, and he maintains it is not, or it is a matter of a credit or an offset, or things like that, then he can get into court. But this is not that kind of a matter. This is a matter that is fixed by the law. The law assumes to give a man a fixed status. If the law says he is an employer then he can do nothing about that. Somebody has the final authority to say who is an employee. He is an employee when that somebody says he is or he is an employer when that somebody says he is. They have already said it, and the law then says that that employee has to pay his 1 percent and that employer has to pay his 1 percent. That is all there is to it,

Now, who decides it? I will tell you who is going to decide it under this law. The law goes around and around, about four pages, trying to say who is an employer. It finally says it shall be the Social Security Board that shall determine it. There it is. You have to take it or leave it.

While I am talking about that, if we had had a chance to amend this bill that would have been one of the things we would have changed. We would not have passed that on to the Senate of the United States to change it, because that is a matter that belongs to us. It ought not to be easy for us to say that we will pass it on to the other body and let them take care of it. It is our responsibility under the Constitution, and we have frittered it away. We have a right to say who shall pay taxes, and we have frittered it away. We have given it to the Social Security Board to say who shall pay taxes. When that Board says that a certain man is an employer the tax authorities will hold him to pay the tax.

Mr. MILLS. Let us look at the record.

Mr. JENKINS. I am satisfied with the record, as far as I am concerned.

Mr. MILLS. The gentleman keeps referring to the Social Security Administrator in connection with this question. This is a matter within the province of the Treasury Department, because it involves a question of tax collection.

Let me ask the gentleman this question: If it was possible for the silk people to get into the Supreme Court, Bartels and the rest of them, how does he think this language will prevent any taxpayer who does not agree with the interpretation of the Treasury regarding that language from getting into Federal court over the question of the payment of social-security taxes? The gentleman knows they will be permitted to get into court.

Mr. JENKINS. That is exactly the reason this has been put in this bill, so they can fix the responsibility, and they will fix it.

Mr. MILLS. The gentleman knows that you cannot keep a man from going to court in connection with a tax.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Nebraska.

Mr. CURTIS. The people who will be kicked around under this provision are the little folks who cannot go to the Supreme Court of the United States.

Mr. JENKINS. Of course.

Mr. FORD. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Michigan.

Mr. FORD. I think it is correct to say that there is opportunity for a person who is accused of not paying the tax to either pay the tax and sue to collect it or contest it in the first instance. If my recollection is correct, there are two possibilities, one before the Tax Court, and the other in the United States district court.

Mr. MILLS. That is right in the case of income and estate and gift taxes. Controversies over employment taxes are not within the scope of jurisdiction of the tax courts, however.

Mr. FORD. The problem, however, is that you have a small-business man who comes to you as a lawyer and asks for an interpretation, "Are my employees covered? If they are, I have to pay the tax. If they are not covered, I do not have to pay the tax." You as a lawyer have the responsibility of making a decision based on provisions in the law. It was a most difficult job to advise anyone with any degree of certainty. You will find. if you check the reports of the Tax Court and of the various district courts, that there are a number of cases based on a multitude of fact situations, and you cannot pick out any line of decisions on a specific decision that will be of material help to a practicing lawyer or to the businessman. Until the Gearhart resolution it was virtually impossible to determine whether certain employees were covered.

Mr. MILLS. The gentleman from Michigan has put his finger on a very important thing. It has been difficult in the past, without any definition whatsoever of the term "employee" except the resolution we passed in the Eightieth Congress, for a lawyer to advise an employer whether this man is an employee or not, because it is a factual situation.

The gentleman knows that a common-law rule as applied in the Federal courts in the State of Michigan may differ considerably from the common-law rule as applied in the Federal courts of the State of Arkansas. There is a considerable difference among Federal courts. The purpose of the committee here was, for the purpose of tax collections, to lay down a definable standard which applied across the board in all States.

Mr. FORD. May I ask the gentleman one more question?

Mr. JENKINS. I yield.

Mr. FORD. I happen to have had some personal experience as an attorney with the law prior to the change made in 1948. Before 1948 the law was a maze. The changes made in 1948 aided all concerned. Is this definition in H. R. 6000 materially different from the act as it was prior to the Gearhart amendment?

Mr. JENKINS. Certainly it is entirely different, because there was no spoken word about it. We just relied upon the matter of the contractual relationship of master and servant. Then the Department of Public Welfare went on, as I told you before, to take the law in its own hands, and finally we passed the Gearhart amendment which clarified the situation. But we did not clarify it to suit them, because we took the power away from them. Now they want us to give it back and reassert that power. Did I answer the gentleman?

Mr. FORD. In part.

Mr. MILLS. There was no definition, as the gentleman from Ohio pointed out, until the Gearhart resolution. All we had to go upon were these multiple cases in the courts and finally a few cases in the Supreme Court. The Silk case was decided, which based the question of employment on economic reality. The Congress rightly decided that we did not want any such indefiniteness in any law relating to taxation, so we passed the Gearhart resolution. This bill does not undo and restore that interpretation of the Supreme Court to the effect that this matter of status of employee depends entirely upon economic reality. It is more restrictive than the decision in that case.

Mr. JENKINS. The very purpose of this program was to nullify the Gearhart amendment.

Mr. MILLS. Yes.

Mr. JENKINS. That was preached in the last campaign all over the Nation. That is what beat Mr. Gearhart. That is how the President of the United States beat Mr. Gearhart, by going out over the country and talking about his resolution. And with all the power that the President had over a poor Congressman, poor Mr. Gearhart went down. That is what happened. If his constituents had appreciated the great service he had done, they should have rallied to his support.

Mr. MILLS. My point is that by undoing the Gearhart resolution we did not go back as far as the Supreme Court went in its dicta in the Silk case.

Mr. JENKINS. No; that is the trouble. You do not go back at all. You go forward; you go forward and claim territory which you are not entitled to.

Mr. MILLS. We do not go as far as we should.

Mr. FORD. If I may ask one more question, Is this provision in the bill a modification of the administrative rulings or the Treasury's ruling plus an expansion of the coverage?

Mr. JENKINS. I hardly know how to answer the gentleman. These provisions sought to nullify the Gearhart amendment and to supplant the common-law rule that had previously obtained.

Mr. MILLS. Will the gentleman yield?

Mr. JENKINS. I yield.

Mr. MILLS. My good friend the gentleman from Tennessee [Mr. JENNINGS], for whom we all have great respect, as a lawyer and former judge, knows that these very factors mentioned here all appear in the restatement of agency as the factors which determine agency to exist.

Mr. JENNINGS. Mr. Chairman, may I ask the gentleman this question?

Mr. JENKINS. I yield.

Mr. JENNINGS. Does anybody know who the author of this bill is, or is it a composite product of a number of minds residing in different craniums, none of which are identified and none of whom can we put our finger on, unless somebody just comes up and makes a full disclosure as to who is the author of this measure?

Mr. JENKINS. I do not think anybody wants to claim that honor.

Mr. JENNINGS. Can anybody know and can anyone forecast what the decision of the present Court of last resort would be on any given set of facts? I do not mean to assail that Court or any other court, but if I were going to, I would just adopt the language of the members of the Court with respect to one another. Mr. Justice Roberts said, not so long ago, with respect to a decision which overturned a line of precedents, which had been the law of the land for some 75 years:

> The decisions of this Court have now become like a limited railroad ticket—good for this day and this train only.

No lawyer, with respect to the interpretation of a Federal statute, could, with any degree of security, advise his client what would happen to him under this new law. We are writing a new law. Nobody knows what the actual authors of this bill had in view, except I am inclined to suspect that their purpose is to make this all-embracive measure cover everybody who works for anybody.

Mr. JENKINS. Perhaps I can help you a little in that respect. I think the majority report goes to great length to cite some illustrations or instances that would be outside of this definition. In other words, they recognized fully that this definition did not mean anything without some collateral explanations. Their report is full of instances showing who they think would be in and who would be outside the purview of these definitions on pages 44 to 51 of the bill H. R. 6000.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield.

Mr. SIMPSON of Pennsylvania. Is there any assurance under this bill H. R. 6000 that a man will be held by the Social Security Board and by the Treasury Department as being an employee? Might he not find himself as a person employed under one department and not under the other?

Mr. JENKINS. Yes. I think we would have some illustrations where a man would have trouble determining whether he is an employee of somebody or whether he is employed by himself.

Mr. SIMPSON of Pennsylvania. Several thousand people have been held by the Social Security Board to be employees and the Treasury Department held they were not.

Mr. JENKINS. Yes. That is a profound and distressing fact. I am afraid that those who have attempted to wreck the Gearhart amendment have set up a legislative device that may yet prove very troublesome to them.

Mr. MACK of Washington. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield.

Mr. MACK of Washington. I want to ask the gentleman concerning the exclusion of newspaper publishers from the benefits of this act. Page 54, line 19, reads:

> There shall be excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation, together with the income derived from other activities conducted in connection with such trade or business.

There are about 20,000 or 25,000 weekly newspapers in the United States. They are published by small publishers. Nearly all of those businesses are not incorporated businesses. They are operated as partnerships or private businesses. Under this act these publishers will be entirely excluded from the benefits of this act, although the baker, the butcher, the laundryman will get these benefits. I am going to be asked when I go home why we were excluded and marked out as a class not to enjoy the benefits of this legislation.

Mr. JENKINS. I cannot answer that, and that is just another instance where, if we had an opportunity to discuss this bill and offer amendments, the gentleman could have presented his claim and probably made out a good case. But this gag rule has prevented him from doing anything but point out this glaring inconsistency.

Mr. MACK of Washington. I am the publisher of a daily newspaper. I own 99 percent of the stock. It is an incorporated business. I am covered by social security. These little weekly newspaper publishers, oftentimes operated by a man and his wife, would be excluded from the benefits of this act, which I enjoy; and that is not right.

Mr. JENKINS. The gentleman is correct.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield.

Mr. HARRIS. Speaking again to the definition of "employer," the gentleman referred to the fact that there was a difference of opinion as to the interpretation that might be placed on the definition as included in the bill in two different places. The gentleman also referred to the fact that the committee did not themselves perhaps know what the proper definition was that might be placed on it and left it to some board,

and, consequently, had to give some examples in the committee report.

Mr. JENKINS. That is right.

Mr. HARRIS. Now, can the gentleman tell the House—incidentally, those involved in various types of businesses, as has been set out in these examples, in the administration of the law would the Board necessarily have to follow and act in accordance with the definition in those examples as set out here, with reference to automobile dealers, contract loggers, book-plant operators, and so forth, on pages 86 and 87? There are several examples outlined. In the administration of them, even if there are differences of interpretation of the definition, would the Treasury Department, for social-security tax-collection purposes, agree and administer the act in accordance with those examples here?

Mr. JENKINS. I am one lawyer who has maintained consistently that we ought not in a congressional act leave any interpretation of the law to the report of the committee. The report has no binding force on any court. The courts have at different times interpreted legislative action by the intention of the legislature if there is something in the report that shows what the intention was. But the courts are not bound to give any weight to a report of a conference committee. Neither will the Treasury be bound to follow the suggestions of the committee as they may appear in hypothetical cases set out in the report, when the committee, as they do, cite certain examples in their report. If I were on the tax board I would not consider that these suggestions had any binding control over me, because they just simply say that these are examples of cases that might come up in the administration of this statute. I would determine whether they were examples of this statutory enactment myself and I would follow the statutory amendment and not follow something in the report. That is why I say they are so indefinite about the law, but the result is that when a man reads it he will say to himself: I do not come under this law but I come under this illustration. This is a hodgepodge. Statutes ought not to have to be clarified by examples given in a report; they should be stated in the clear and unambiguous language so clear as not to need interpretation by illustration.

Mr. HARRIS. Mr. Chairman, will the gentleman yield further?

Mr. JENKINS. I yield.

Mr. HARRIS. The gentleman heard all of the testimony; evidently he heard the witnesses from the Treasury Department testify on this provision. Did the gentleman get the impression from what they said that they would administer it in accordance with these examples set out here in the report?

Mr. JENKINS. I do not know that anyone from the Treasury came before the committee and made any promises as to how they would administer the law. If one did come and made promises I do not know how he could possibly bind anyone else, and especially he could not bind a future Treasury official. I remember that the Treasury officers did come up to the committee whenever they thought the Social Security Board was running away with that law; the Treasury did fine to come up and complain about it. I have no complaint against the action of the Treasury. I think the Treasury officials know that I have held up for them on many occasions, but I do not want to ascribe to them the powers of a United States court.

But I now see on his feet a man whom we hope is soon to become a Federal judge. I think when he gets on the bench and looks back on the law that we are about to enact, his reaction will be amazement at how fearfully and wonderfully laws are made. I refer to my colleague, the gentleman from Pennsylvania [Mr. EBERHARTER].

Mr. EBERHARTER. I have learned a great deal from listening to the gentleman from Ohio both in the committee and on the floor dealing with these affairs, but is it not a fact that representatives of the Social Security Administration and the Treasury Department have stated that they would have no difficulty whatever with this definition and that they both agreed it was the best that could be gotten, the finest that had ever been written into a statute of the United States insofar as the employer and employee relationship was concerned?

And also, I think the gentleman will agree that we follow very largely the definition as established by the Supreme Court of the United States in the Silk and Greyvan cases. The common law is different in practically every State in the Union. The Federal Government and the courts generally follow the State law; so, in the administration of the Social Security Act pertaining to a population over the entire country, if you follow the State statutes and the State common law you would be treating people in one State different from what you would be treating them in another State; therefore, you have to have a definition in a Federal statute, and that is what we are trying to do, to have the legislation clarify the definition of the employer-employee relationship.

Mr. JENKINS. No; there is the difficulty. You have 5 or 6 pages of definitions in this bill and then you have 10 or 15 illustrations. Nobody can understand it. When the gentleman from Pennsylvania takes his place on the Federal bench he would not permit me or any other lawyer to appear before him and say when we wanted to exercise some prerogative of the Court: "Judge, I can do this thing as well as you can; give me the authority and I will do it for you." But that is what we are doing here. We, the Congress of the United States, are passing this power over to the Federal bureaucrats. Why? Because they say they are able to do it. I do not believe the gentleman believes that. I do not want to think that he believes it. I will tell the gentleman I do not know what it means; I will grant that, but now we will turn to Judge EBERHARTER and see what he thinks about it.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield for one more comment?

Mr. JENKINS. I yield.

Mr. EBERHARTER. What we are doing is to take away from the bureaucrats the right of interpretation; we are not giving them the right of interpretation, we are writing in the new statute a definition of what an employee is. Heretofore we have allowed the bureaucrats to make the decision.

Mr. JENKINS. No. No, Judge.

Mr. EBERHARTER. Here we are writing it clearly, in understandable terms which the Court has already passed upon, the Supreme Court of the United States. So here we are taking something away from the bureaucrats and we are reasserting the power of Congress to define and state what an employee relationship is.

Mr. JENKINS. Judge, I will have to say something to you which I could not say to you if you were on the bench and I had a case before you. I think, Judge, in regard to this matter you are almost so wrong that it makes me think you are purposefully wrong, because you are.

Mr. Chairman, how much time have I consumed?

The CHAIRMAN. The gentleman from Ohio has consumed 39 minutes.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Arkansas.

Mr. MILLS. I think it would be a great help to the membership if the gentleman, as the ranking Republican member of our committee, now addressing the committee, would discuss some of the features of the bill which he does not like and which might constitute a motion to recommit to be offered by the gentleman from Ohio.

Mr. JENKINS. The gentleman is presuming something I am not ready to assume. I do not know anything except my own mind and I am not sure of that, especially in connection with this maze of intricate inconsistencies.

Mr. JOHNSON. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from California.

Mr. JOHNSON. Does the gentleman think he can offer any definition that would not be subject to all kinds of variation? I am thinking about the fact that in California, for instance, about 30 years ago we passed a workmen's compensation act, written in very clear-cut, concise language, which defined "employer" and "employee." Yet hundreds of cases have gone to the Supreme Court interpreting the different variations which would apply to all kinds of factual situations. I do not get the point of the gentleman's argument. Does he believe he could offer better language than they have here or simpler language?

Mr. JENKINS. I know I could not make it more complicated.

Mr. JOHNSON. Does not the gentleman recognize there are many different situations where employee and employer

designations apply that you cannot get an all-embracing definition that is clear and simple?

Mr. JENKINS. No. When the State assumes to pass a workmen's compensation law that State can say what it wants to in the law. It can say what will constitute an employee.

Mr. JOHNSON. We said that in what I thought was clear language; yet we have dozens of different categories that require interpretation.

Mr. JENKINS. The gentleman does not think this language is clear; does he?

Mr. JOHNSON. No; it is not clear; but you have to have some definition of employee. I do not want to argue with the gentleman because he is very learned in this particular field, but it does seem to me we have to be frank enough to recognize that you cannot get a clear-cut definition of every situation that will not be subject to some twilight zones and subject to interpretation and in the end of things you have to resolve it to the courts.

Mr. JENKINS. As far as I am concerned, I am willing to depend on the courts which have been established by the Constitution, instead of some bureaucrat that has no powers that will permit him to make and enforce legal decisions.

Mr. JOHNSON. I agree with the gentleman on that.

Mr. DOLLIVER. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Iowa.

Mr. DOLLIVER. I want to direct the gentleman's attention to a different part of the bill than he has been discussing, namely coverage of State and local municipal employees. Would the gentleman explain just how that group of employees may or may not come in under the provisions of this bill?

Mr. JENKINS. I would be glad to try it. That is rather complicated, too. That is another provision that if we had our way about it we would have left out. We would have left all of these teachers, State employees, and municipal employees outside because they all have their own retirement systems. Here is what this does, as I understand it: This law is another one of those all-inclusive things. The Social Security Board has written it so it says they can come in if they want to.

Mr. DOLLIVER. By what method?

Mr. JENKINS. The Governor of the State can call a referendum of those organizations and if they by a two-thirds majority indicate their desire to come in then he can ask the Social Security Board to take them in.

Mr. DOLLIVER. Let me give the gentleman a specific example and ask him how it would work out. In my own State there are certain municipalities which have established pension systems for police and firemen.

Mr. JENKINS. That is right.

Mr. DOLLIVER. Other municipalities have not done so. It is an optional matter under the laws of our State. Who would vote on whether they come in under this, those who are covered, or those who are not covered, or both?

Mr. JENKINS. It applies only to those who are already organized—that is, those who have a retirement organization—but if an uncovered group comes along and wants to organize, in that case I think they could make an application to come in, although I am not sure about that. If they organize as a private group without any connection whatever with the State, county, or municipality, they might qualify. But it is not likely that they would want to separate themselves from the political subdivision which employed them.

Mr. DOLLIVER. Would a school district where the teachers were not included in any voluntary plan under the State statute for retirement benefit automatically come under this?

Mr. JENKINS. No; they would not automatically come in.

Mr. DOLLIVER. How would they come in?

Mr. JENKINS. In the first place, it would depend on how they are organized. If they organized with all their own funds, I do not know what would happen; but if they are organized with State contributions or contributions from the county or school district or State authority, or if they come in under a State law that gives them authority to organize and the State contributes, then they could not come in unless there was a referendum and the two-thirds vote.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Nebraska.

Mr. CURTIS. Here is the general pattern for State and municipal employees. For the moment we will not consider those that already have their own plan. The Federal Government cannot tax a State or its subdivisions; consequently this is an approach from the angle of a compact between the Federal Government and the State, and it would require action by the State legislature. Then they could enter into a compact wherein the State or the subdivisions would agree to collect the employee's tax and remit it to the Treasury and pay a sum in lieu of the employer's tax, and the Social Security Administrator in turn would agree to treat their employees as all other employees. Now, of course, that does not cover all of the details. The State is vested with authority to determine what classes of employees would come in, with as much local control as you have. Now, that is the general pattern. As to the situation in the State of Iowa, we are dealing with some municipal employees that have their own retirement program. The majority bill calls for a referendum, and the people who are beneficiaries and are under it would have a right to vote in that referendum. Now, the Kean bill, which will be offered in the motion to recommit, takes those that have their own system entirely out of the provisions of the bill.

Mr. DOLLIVER. It does not permit them to come into it.

Mr. CURTIS. That is right.

Mr. DOLLIVER. But under the majority bill which we are now discussing they can come in, and any given municipality can say that as to policemen or firemen retirement funds, if two-thirds of the men on the force vote for it, they can come in.

Mr. CURTIS. Then it has to be determined by referendum.

Mr. DOLLIVER. And it does not require any State or municipal action.

Mr. CURTIS. Oh, yes. No one in a sovereign State can come in without appropriate State action, so that in any event the issue has to be threshed out in the State legislature.

Mr. DOLLIVER. And there would have to be enabling legislation passed by the State legislature.

Mr. CURTIS. That is right.

Mr. JENKINS. Here is the way I understand it, and here is how the teachers and the firemen and the policemen feel about it. They feel very much protected so far and so long as the State legislature and the State Governor remain loyal to them. But, if they should ever have a Governor or State legislature who would say, "You had better get ready and come under Federal social security or we will cut you off; we are going to repeal the law and cut you down," they could, under those circumstances, break up a lot of these fine organizations that are already functioning and entirely satisfied with what they are doing. That is the pressure that may come along. They will say that "Social security has its arms open and is ready to welcome you, and you fellows better get in, because we will cut you off."

Mr. McGREGOR. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Ohio.

Mr. McGREGOR. I am certain that the dean of the Ohio delegation is familiar with our laws in Ohio relative to firemen and policemen. Would his description be applicable to our firemen and policemen in Ohio?

Mr. JENKINS. Absolutely, and they are scared to death. I assured all of them that I could come in contact with, that if two-thirds maintained their loyalty to their organization, the Governor or nobody else could shake them loose. I am glad to say that we Republicans on the Ways and Means Committee were not in favor of forcing these groups to come in. And I, myself, have been strongly opposed to any plan that would force the teachers or the policemen and firemen to give up their retirement systems.

Mr. Chairman, I favor a fair social-security system. I helped write the first social-security law. Without boasting, I think it is generally conceded that I am the author of the blind pension provisions of the first social-security law. I shall vote for this bill because I am for social security and in spite of a number of provisions in the bill that I think should be excluded.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, my dissent from the bill reported out does not stem from opposition to a liberalized social-security program. Instead, it arises from the fact that the bill reported out fails in some major respects to do the very things a liberal and effective social-security program should do.

The old-age and survivors insurance program is a grossly unsound and ineffective tool for the social-security purposes it attempts to accomplish. Because it is so unsound and ineffective I cannot agree that the mere extension of its coverage or a mere numerical revision of its benefit formula, such as the majority of the committee proposes, can bring about significant improvement. Instead, the very fundamentals of the program should be objectively reexamined, and to the extent that such reexamination indicates the need for drastic overhauling of the program, that overhauling should be done, even though it proves necessary to abandon completely those concepts on which the present program rests.

I should like to outline what I consider the major shortcomings of the old-age and survivors insurance program, both in its present form and as it would be amended by the reported bill. At the same time I shall indicate what I believe is the necessary remedy.

I. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM FAILS TO PROVIDE AUTOMATIC BENEFITS FOR THE MAJORITY OF THOSE PERSONS WHO ARE IN NEEDY CATEGORIES NOW

The program makes grandiose promises for the future. Even with its coverage excluding certain occupations, as under the reported bill, the great majority of the aged population of a half century from now will be eligible for the program's benefits, since most of the young men starting out to work now or in recent years will have full opportunity to get the required calendar quarters in covered employment at some time during their working lifetime. Most of today's young women either will similarly succeed in getting these calendar quarters or will be married to men who so succeed, so that they, too, will qualify for benefits either in their own right or on behalf of their husbands.

But what of today's older population? Of the 5,200,000 men now aged 65 and over, only one-third are insured under the program; and of the 5,500,000 women of these ages, only one-fourth are either insured themselves or are the wives or widows of insured men. This is because only those who are still fortunate enough to have remained at work for much of the time since the program actually started in 1937 could obtain the calendar quarters of employment needed to be insured today. Many of the men over 65 today were already too old to be at work back in 1937, or were already disabled or unemployed. Many of the women are wives or widows of men who had already left work by 1937; in fact, many of today's widows had already become widows by that date or before 1940 and so could not qualify for benefits.

True, the Social Security Act includes a program of old-age assistance said to be designed for the benefit of those who were too old to qualify under the insurance program. But old people do not want the stigma of receiving assistance benefits which are based on a needs test. They want automatic benefits, even though modest in amount, that they can call their own. The old-age assistance programs, even when conscientiously administered, have proved shamefully dishonest in their results. Some old people of the most deserving type have remained in need rather than go on assistance. Other old people have become a burden upon their conscientious but poor children. Those who get assistance benefits have, in some cases, concealed their assets in order to qualify for the benefits; on the other hand, hundreds of thousands of even more deserving people have declined to do this and at the same time have suffered harsh deprivations. Other deserving individuals without assets of any kind have finally had to apply for this assistance, but it has broken their spirit, destroyed their independence, and changed their entire outlook on life.

The men now aged 65 or over who are eligible for social-security insurance benefits come, by and large, from the more well-to-do portion of the aged population, since these men either have worked recently or are still working. If we were to remove from consideration the more opulent one-third of the older male population and concern ourselves only with the poorer two-thirds who might be said to be in the economic levels of qualifying for public assistance in the more liberal assistance States, we would find that probably only about one-fifth of this poorer group have qualified for benefits under the insurance program. This indicates the degree to which the insurance program has failed to take care of those older persons for whom its benefits should be primarily available.

It is said that the extension of coverage, as provided in the bill reported by the committee, will tend to remedy this situation. The majority of those of today's old people who are ineligible for insurance benefits are no longer regularly employed, so that the mere extension of coverage to those occupations not now covered cannot help them. Such extension of coverage may make it even more probable for future generations of old people to become insured, but it cannot take today's old people off public-assistance rolls or help those old people who are now in distressing circumstances because they cannot get insurance benefits and refuse to apply for public assistance.

What is needed is an extension of automatic benefits—that is, benefits available without a needs test—to the millions of old people who could not qualify under a wage-record insurance program and yet who, over their past working lifetime, have worked just as faithfully as the more fortunate few who now qualify. No other way can possibly provide these deserved benefits.

There are those who frown upon the idea of paying every citizen an old-age benefit. These critics should examine the present program. Under this program, we are now paying a privileged few, some of whom are independently wealthy, amounts that are many, many times more than what they have paid in. Under our old-age assistance program, which is part of social security, one State has now on the assistance rolls 8 out of every 10 of its inhabitants over 65 years of age. Every taxpayer in the country is helping to carry these loads.

What we say of the old people is equally true of the other categories in need. Mere extension of coverage will not put onto the insurance-benefit rolls those orphan children whose fathers have already died. Should the Congress decide to go into the field of permanent disability benefits, the method provided for in the bill of the majority is unsound, costly, and very inequitable and unjust. Mere provision of disability insurance on a wage-record basis cannot put on the benefit rolls the large number of people under age 65 who are now permanently disabled. It can never help the hopeless cripple who has been such all his life. The administration's proposal offers nothing but relief for the crippled individual who as a child never knew what it was to run and play. It can never help the individual who is stricken by some dreaded disease before he reaches his working age and never gets the chance to hold a job. Such provisions may help some of the disabled of later generations, but we should not overlook today's needy or leave them to the mercy of public assistance, if the field of total disability benefits is going to be entered by the Federal Government.

II. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM FAILS TO MAKE THE MOST SOCIALLY ADVANTAGEOUS DISTRIBUTION POSSIBLE OF FUNDS AT ITS DISPOSAL

Social-security funds are necessarily limited in amount, since they depend upon the amount of economic productivity in the Nation and the possibility of drawing off a portion of this productivity for social-security purposes that is not too large to injure the Nation's economic health. Because of this limitation, it is of the utmost importance that these funds be distributed wisely.

But the insurance program fails to make this wise distribution because it is tied down by the concept that benefit amounts should vary directly with the worker's former wage level. This concept of the higher the wage, the higher the benefit has generally been rationalized on the ground that a greater wage loss is suffered when a higher paid worker dies or retires than when a lower paid worker does. But I feel that this concept results in a maldistribution of social-insurance funds and ignores the important fact that the higher paid worker should be expected to accumulate far greater resources than the lower

paid with which to supplement his social-insurance benefit. In fact, this concept is so inconsistent with the social-insurance objective set forth above, that the reverse concept of the lower the wage, the higher the benefit would be more nearly correct.

It is my belief that benefits should be uniform in amount and independent of previous wage history. A system providing uniform benefits would recognize the fact that since the amounts available for social security are necessarily limited in total, it is far better to divide up these amounts without discrimination than to pinch one man's benefit in order to deal more generously with another man.

A social-security system, subsidized as it intrinsically is from public funds, should not be the medium for continuing the higher paid worker's differential in living standard over that of his lower paid fellow citizen. It is the function of the higher paid man's greater personal resources to provide a supplemental benefit for the purpose of continuing this differential. While the higher paid man may not wish to make such provision, he has the choice to do so. And he has a choice of methods by which to do it. If he prefers not to use private channels, such as thrift or insurance organizations, or union or other cooperative funds, he should have the opportunity of using public, but not subsidized, channels.

A claim which has been made for the variable benefit concept is that under it are reflected geographic differences in living costs. This claim can hardly be taken seriously since benefit variations within almost any fair-size town will be much greater than variations in benefit averages as between different towns or different parts of the country. It has been well established that variations in average expenditures between one locality and another reflect variations in living standards much more than they do variations in living costs. And to the extent that an individual's need for a higher benefit is due to a genuine local variation in living cost, it is the function of his own community or State, whose increased living cost is matched by increased fiscal capacity, to make up that benefit differential to him by means of State-financed, public assistance, and not the function of the Nation-wide social-security program.

The benefit differential cannot be justified on the ground of individual equity. Primary insurance benefits which would be awarded in 1950 under the bill proposed here by the majority, for a worker who has been steadily employed at an average of $250 a month, are $16 a month greater than the benefits for a worker steadily employed at $100 a month. Yet, less than $2.47 differential in primary benefit amounts can be justified actuarially by the higher contributions of the $250-a-month man. In other words, the higher paid man has paid for $2.47 more in benefits but receives $16 more in benefits. This small actuarially justified differential is due in part to the newness of the program, for, at present, contributions pay only a small part of the benefit costs. But it is doubtful whether, even in the long run and under the higher contribution rates of the committee bill, the differential in employee contributions will ever justify the differential in benefits between the lower paid and the higher paid worker. While it is true that the higher paid worker derives a benefit which is lower relative to his previous earnings than that of the lower paid worker, and also that the higher paid worker pays a larger relative share of the cost of his benefits than does the lower paid worker, the important fact is that the higher paid worker derives a greater dollar profit than the lower paid worker.

A case in point showing that the present system does not make a proper social distribution of funds is that of the corporation official, whose salary is somewhere above $250 a month, who has been under social security since it started, who retired in 1949, and whose wife is the same age. Under existing law, this husband and wife are drawing $67.80. This man has paid into the trust fund a total in his lifetime of $390, or less than the amount that he and his wife are drawing out in 6 months. The measure before us would raise this man's benefits to $64.40 and the wife's benefits to $32.20 or a total of $96.60. This increase is given to them without any needs test.

The pending measure so departs from a social program as to make the insurance benefits for an orphan, in some instances, conditioned on whether or not that orphan was born in wedlock; yet, this same program makes possible old-age-retirement benefits as a matter of right to the professional gambler or any other person who makes his livelihood in an unlawful enterprise.

A widow, whose husband was not under social security, or whose husband died prior to 1940, receives no payments from the Federal Government without going on relief.

Take another case of a young lady who, upon reaching her majority, gives up her career and her opportunity for marriage, to care for her invalid mother. Suppose the mother lives until she is 80, and by that time the small resources of the family are exhausted. This daughter will never be entitled to any social-security payments as a matter of right based on a wage record. She can only look to relief.

A system of uniform benefits would remove these inequities and correct this socially adverse distribution.

III. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM FAILS TO PROVIDE THE FLEXIBILITY NECESSARY TO KEEP ITS BENEFITS IN LINE WITH SOCIAL AND ECONOMIC CHANGES

A major purpose of the committee bill is that of adjusting the benefits of the insurance program to meet the changes in living costs which have transpired since the present law's benefit formula was adopted. I cannot view the remedy as a satisfactory one, and I view the very problem as evidence of the program's basic unsoundness.

Can the benefit-formula revision of the committee bill, coupled with the special-adjustment schedule for benefits already on the rolls, rectify the benefit-wage relationship for a substantial number of years to come? Obviously not. In view of the constantly changing levels of prices and wages, the revision would only be a temporary expedient. If wage and price levels fall substantially in future years, the ratio of benefits to wages could be disastrously high, both socially and economically. The more probable long-term trend, however, is upward, and not many years may elapse before this trend will give rise to a demand for further adjustment. It should be remembered, too, that the real urgency in such times is that of the situation of those who will already be on the beneficiary rolls. Those who will still be working will see their benefit amount (as it appears on paper) rise somewhat with rising wage levels and can, of course, hope that Congress will make further revision in the benefit formula before their retirement or death.

Does not this need for continual revision of the benefit formula, and in particular the even more urgent need for repeated special-adjustment schedules for benefits for those already on the rolls, point clearly to the absurdity of basing benefits on wage histories? Will it not, in fact, soon make a shallow mockery of the claim that benefits are based on wage histories? Can a social-insurance system presume to meet social needs of the future on the basis of records of the past and present? Not only in terms of benefit levels but also in terms of various other economic and social factors, we are powerless to outline properly tomorrow's needs and to promise benefits accordingly. A retirement age of 65, for example, may well become obsolete in a future population whose age composition and health characteristics could be such that 65 would be too low an age, both biologically and economically, for superannuation.

A private insurance company or a privately funded pension system cannot readily do other than to promise those now insured or covered in such company or system specific future benefits dependent upon present premiums or contributions, which in turn may be dependent upon present income levels. But a social-insurance system need not have the limitation of this inflexibility. And, in fact, this very limitation on the part of private insurance and private pensions makes it the more urgent that social insurance possess the flexibility to be automatically adaptable to economic and social change.

As will be shown further on, this flexibility does not connote instability; nor need it be achieved through the medium of public assistance. In fact, today's dual system of Federal insurance benefits for the selected few and Federal-supported public assistance for many of the remainder is responsible for much of today's instability. At the present time the average old-age assistance monthly payment exceeds the average primary

insurance benefit by about $18. The passage of this measure would probably put the insurance benefit amount in the lead, but the race would only have begun. The insurance beneficiary, misled into thinking he has paid for his own benefit, is resentful of the assistance recipient's receiving a comparable amount without having paid contributions toward it; and the latter, who suspects the actual truth that the insurance beneficiary has paid only an infinitestimal portion of the cost of his benefit, rightly resents the fact that he himself has had to submit to a needs test in order to get assistance. The two systems will therefore compete with each other for increasing political favor, and this competition, combined with the extreme long-range cost increases inherent in the measure before us, could prove to be a major inflationary factor in the Nation's economy.

Under the present system, this Government is saying to a young man 21 years of age that they will pay him a definite amount upon retirement at his retirement age. He is not only promised the exact amount that he will receive upon retirement, if his age is then 65, but how much he will receive each month if he lives to be 90. What the price level will be at the time he is 90, what he will need, or what the taxpayers can afford to pay at that time, are all factors that are totally disregarded. What will happen is that future Congresses will have to revise his benefit formula. What, then, is the value of all these wage records? Why maintain a huge, staggering bureaucracy to maintain wage records that will have to be disregarded later?

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

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

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

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

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

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

In 10 years the annual cost will be $3,800,000,000.

In 20 years the annual cost will be $6,200,000,000.

In 30 years the annual cost will be $8,400,000,000.

In 40 years the annual cost will be $10,600,000,000.

In 50 years the annual cost will be $11,700,000,000.

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

In 10 years the annual cost will be $4,200,000,000.

In 20 years the annual cost will be $6,800,000,000.

In 30 years the annual cost will be $9,500,000,000.

In 40 years the annual cost will be $11,900,000,000.

In 50 years the annual cost will be $13,000,000,000.

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

Second. No definite scheme for meeting these greatly increasing costs has been established. The alleged reserve now in the trust fund is already $7,000,000,000 short, and the program is new.

Third. Proposed combined rates of employer and employee contributions are so small that acturial costs are not met even with respect to the youngest workers now covered, for whom contributions will be paid throughout their working lifetime.

In addition to the above conditions, which spell uncertainty for the program's future, the following conditions also seem incorrect for a social-insurance program:

Fourth. The present tax structure is highly regressive.

Fifth. Incomplete coverage, by which I mean not only incomplete coverage of the working population but more particularly the exclusion from benefits of most of those now old, disabled, or orphaned, means that the cost of employer contributions and eventual Government subsidy are borne by those who cannot benefit from the program.

The fact that the cost of the program will so greatly increase over future years, or rather that the number of beneficiaries is so small now as compared to future years, is unfortunate in a number of respects. It signifies the fact, as indicated at the beginning of this report, that the program is not doing its job now and will not be for some decades to come. But it also means, I am convinced, that no suitable method of financing can be found. To adopt a method requiring contributions of the level actuarial type would be a political impossibility, and even if it could be achieved it would have the adverse effect that in the early years of the program much more would be taken out of the Nation's economy than would be put back into it in the form of benefits. On the other hand, not to require level actuarial contributions would mean, as is now the case, that—even with respect to the youngest workers—benefit costs would be underfunded and the public would have no real appreciation of the true costs of the program.

Another objection to a program in which the number of beneficiaries is much smaller in the early years than in the later years is that, regardless of what financing method is adopted, there will be an uncontrollable tendency toward undue liberalization of individual benefit amounts. With only relatively few beneficiaries on the rolls now and in the immediate future, it is only too simple a matter to propose that individual benefit rates be approximately doubled; that primary benefit amounts in excess of $100 a month be promised, as well as combined husband-and-wife amounts of $150 a month. With only a relatively small number of present beneficiaries and with present benefit disbursements far below contribution receipts, the ability to fulfill these promises over the next few years seems to be all that matters, and the tremendous future cost, which will result when there is a much larger number of persons for whom we have made commitment of these benefit amounts, is too easily ignored.

I insist that a realistic program be established in which the number of beneficiaries now will be at least comparable to the number in the future. Under such a program, careful thought would necessarily be given to any liberalization of benefit amounts, for the cost of any such liberalization would be felt immediately.

Under such a plan, disbursements from the program would require matching by incoming revenue, either over each year or over a short period of years, thus affording a definite program of financing.

It has been frequently pointed out that those now in receipt of primary insurance benefits under the program have paid but a very small portion of their cost. Of the primary beneficiaries now on the rolls, virtually none have paid more than $400 in employee contributions, some have paid less than $10, and the average amount of total employee contributions for these benefits has been less than $150. Yet the actuarial value of the benefits, as of the time of the beneficiary's being placed on the benefit rolls, has averaged about $3,000, and if allowance were made for the value of possible wife's and other benefits, the value would be much greater. While over the long run employee-contribution totals will become much higher than at present, they will not pay for a significant portion of benefit costs.

Let us consider the case of a man who is now 40 years of age. Let us assume that he has been under old-age and survivors' insurance since it started in 1937, that he and his wife are the same age,

and that both will reach 65 at the same time. We will also assume that his average monthly wage has been $200. This man will have paid in in taxes according to the schedule in present law the sum of $1,440, and his employer a like amount, or a total of $2,880.

This amount would have purchased him a monthly benefit of $14.10 on an actuarial basis. However, under existing law he would draw $47.95 a month and his wife would draw $23.98, or a total of $71.93. In less than 3½ years he and his wife would draw out everything that he and his employer have paid in, even though he would have been covered for 37 long years. The actuaries say that the total value of all these benefits under existing law is $9,770. Under the pending measure his benefits will be raised to $71.10 a month, his wife's to $35.60 a month, or a total of $106.70 a month.

Now let us take the case of a much older man, one who reached 65 years of age on January 1 of this year, and has been under social security since it started, at an average monthly wage of $100. We will also assume that his wife is the same age. This man has only paid in a total of $144 in taxes and his employer has paid a like amount. Actuarially, this would have purchased for him a monthly benefit of only $1.45. Under the present law he receives $28 a month as long as he lives and his wife receives $14. Should his wife live longer than he does, she will draw $21 a month as long as she lives.

The actuarial value of this man's benefits is $3,460 and the wife's and widow's benefit is $2,240 or a total actuarial value of $5,700. This is provided at a cost to the man and his employer of $288. The measure before us will raise this man's monthly benefit to $49 a month and his wife's benefit to $24.50 a month, and if he dies first the widow will then receive $36.80 a month—all of this for the total cost of $288.

The proponents of the present program, as liberalized by the pending measure, claim to prefer insurance payments to assistance, and a contributory program to a noncontributory one. What they propose, however, is just the reverse of this stated preference. They favor a program which would leave for large numbers of needy persons only needs-test assistance, while at the same time favoring others with virtually noncontributory insurance benefits. A plan which would provide automatic benefits for all those now old, or otherwise entitled to benefits, would require the portion of the population now working to pay a cost equivalent to the value of their own benefits, and such a plan would therefore be contributory in its effect. The generation now working would be paying for the benefits of those now old—or the survivors of those now dead—with the assurance that when they become old their benefits—or if they are then dead, the benefits to their survivors—would be paid for by the generation then working. Such a program, I feel, would be both sound socially and sound financially.

I submit that in any given year, those individuals who are so blessed as to have a job and good health so that they can produce, should carry the load for those unable to produce for themselves in that particular year, that the cost should be paid in full in that year, and that when the year closes, nothing is owed and nothing is promised.

Such a method will eliminate this huge bureaucracy now administering social security, it will eliminate the use of a costly and useless system of wage records, and it will not be committing future generations of taxpayers of 20 years, 50 years, or 70 years from now, to the untold billions to which the present system is committing them.

I propose a program of modest benefit amounts, one that could be borne by a present tax rate not much greater in total effect than the cost of Federal grants for public assistance plus the combined amounts of employer and employee contributions at present. But I would prefer that this tax be in the form of an addition to the current normal income tax rates. The pay-roll tax, as noted above, is regressive in effect. The employer portion of the pay-roll tax can probably be adequately justified for financing hazards directly related to current employment, such as loss of wages due to temporary absence from work, but we cannot see its rationale as a method for financing long-term benefits relating to the one-time hazards of death, or old age.

How much can the Nation spend in any 1 year for social security? If we pay our social-security bill each year as we go, and a specific tax is levied for that purpose, the taxpayers—through the powerful medium of public opinion—will prevent those payments from getting too high. On the other hand, the aged, the orphaned, and the widowed, likewise can exert a great influence on public opinion and thus prevent benefits from becoming too low. These two forces should balance each other. This is not accomplished under the present program because of its cumbersomeness, alleged reserve system, and the binding commitments it makes on future generations.

V. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM IS ADMINISTRATIVELY COMPLEX

Under the present law, it is claimed, the wage-record system has worked well and with little cost in comparison with the benefits of the program. Yet it appears that the system is a wasteful one if, as I believe, a program at least as satisfactory can be developed without the use of wage records. Moreover, even though the most modern labor-saving devices have been applied in the operation of the wage-record system, the cost is substantial.

Let us consider how a wage record is used in our present social-security law. If a young lady 18 years of age goes to work in an office, she must apply for and receive a social-security number. Every time her employer pays her he deducts her tax and adds the employer's tax and sends a record of this tax and wage paid, to the Government. The Social Security Administration opens an account for her and the taxpayers must employ Government workers to handle, preserve, and maintain that record, probably for 70 or 80 years. This young lady may work a few months and get married. Years later she may go back to work for a month or two, further social-security taxes are paid and a further report of wages paid; this results in some more expensive Government bookkeeping. She may work periodically several times during her life but never enough to qualify for old-age insurance. Yet the taxpayers must maintain this expensive wage record for her.

Or take the case of a man who starts to work and works continuously, the keeping of his wage record by the Government is expensive. It is very likely that several times before he dies the cost of living and prices generally will change to the extent that the benefits that he is to receive have to be changed, thereby rendering these past wage records entirely useless. We must also not forget that many very fine citizens, who lead productive lives and make their contribution to society, never have a wage record. It is exceedingly difficult, and in some cases almost impossible, to apply the present program to those citizens.

Approximately 8,000 of the 15,000 employees engaged in the administration of the present program are directly concerned either with the enforcement of the pay-roll tax or the processing of the quarterly employer reports and the maintenance of the many millions of wage accounts. Practically all of these operations, and some portions of the remaining operations, could be dispensed with, if benefits were independent of wage records.

Under extension of coverage, the administrative effort required in employment-tax enforcement will be greatly increased, and the percentage increase in administrative costs will be much greater than the percentage increase in the number of persons covered. The definition of the term "employee," which proved so difficult for the committee, and the definitions of "covered wages" and "self-employment income," likewise difficult, are problems which are not necessary if we follow a system that is not based upon wage records.

On the other hand, financing old-age and survivors insurance benefits by an income tax method, without wage records, would not only eliminate the above costs but would add practically no cost to the present expense of collecting income taxes.

CONCLUSION

I have, in the foregoing, presented only some general ideas of how I would overhaul the insurance program. To put these ideas in somewhat more concrete, but not at all final, form, I am submitting the following outline of tentative benefit proposals:

First. Payment of old-age benefits to all citizens who have reached retirement age or over, to the widows of deceased citizens, and to their orphaned children under age 18.

Second. Payments within each category (aged, orphaned, and so forth) to be uniform in amount, though amounts for different categories may differ.

Third. No needs test or work clause, except that other federally supported benefits programs would be offset.

Fourth. Federal grants-in-aid for old-age assistance and aid to dependent children would cease, and all such assistance payments would be State financed.

Fifth. Benefits provided would be financed by addition of a flat percentage rate, especially designated in the return, to the normal income tax rate.

Sixth. Benefit amounts would be included as taxable income in the ordinary income-tax return. This would discourage many who do not need it from applying for the benefits; at the same time, evils of the present system would be eliminated and the costly burden of supporting thousands and thousands of welfare workers, inspectors, record offices, and the like would be eliminated.

I would repeat, however, my earlier statement that such overhauling must be preceded by an objective and thorough reexamination, such as has not been done to this time. I do not disparage the work of previous congressional groups on this subject, and particularly not the work of the present Ways and Means Committee, which is to be congratulated on its rejection of some of the most extravagant and visionary proposals contained in the original administration request for legislation. The committee has perhaps done the job as well as possible by patching up a hopeless program, and trying to make an untenable program work.

On the other hand, with due regard to the high caliber and public spirit of the individuals comprising the various advisory councils on social security, I feel it regrettable that these councils have not been able to make more thorough reexamination of fundamentals. Each council has been made up of individuals who were experts in their own outside fields and who, being extremely busy men in these outside fields, could not take the necessary time to make such reexamination; consequently, acceptance of the proposals developed by the Social Security Administration staff members became an almost inevitable course. I feel that a study should be made by a group consisting largely of persons who can devote full time for several months to the work, who are largely technicians in this field, and who at the same time are fully independent of administration pressure. Only in this way can a wholly objective and thorough chart be laid for future development.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan [Mr. LESINSKI].

Mr. LESINSKI. Mr. Chairman, I ask unanimous consent to proceed out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. LESINSKI. Mr. Chairman, as chairman of the House Committee on Education and Labor my name has been mentioned in the public press on numerous occasions. Up to this time I have never seen fit to answer any press stories. However, in the October 3 issue of the magazine Newsweek there appeared a story to the effect that I would resign my position as Representative in Congress and as chairman of the House Education and Labor Committee to accept a Federal administrative position.

The article reads as follows:

Representative LESINSKI, of Michigan, will be offered a Federal administrative post after Congress adjourns. Democratic leaders think morale of the House Labor Committee will improve if LESINSKI, its hard working but stubborn chairman, resigns in favor of another Member.

I do not feel that I can let this story go unchallenged. This item concerning me is evidently based on a malicious and false statement made for political purposes. I am confident that it will suffer the fate of any statement which is not based upon fact. I want to say that I have no intention of resigning my seat in the House of Representatives. The only way that I will be removed from my position as chairman of the House Committee on Education and Labor will be by the verdict of the voters of the Sixteenth District of Michigan.

Mr. JENKINS. Mr. Chairman, I yield 35 minutes to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Chairman, there are many defects in H. R. 6000. Most of these are corrected in H. R. 6297, the bill which I introduced yesterday, but I do not want to talk this afternoon about the exact details of my bill. I will do that at a later stage of the debate.

What I will discuss today is H. R. 6000 and why I am in favor of the general philosophy behind this bill.

Can we provide reasonable social security for the less fortunate among us without in any way sacrificing that liberty which is the essence of the American system?

Of course we can.

Both the Democratic and Republican platforms of 1948 urged broader coverage under OASI and extension of benefits to a more realistic level. An adequate old-age insurance program, and reasonable aid to the unfortunate, is not statism, nor is it socialism.

The first and most important decision with which our committee was faced was whether care for the aged should be based on a pension system or on the insurance system.

We are at the crossroads. The old-age assistance program has grown by leaps and bounds. More than twice as many of our older citizens are receiving old-age assistance as are receiving payments under OASI.

The average benefit under old age assistance is $42.02, against an average of only $24.35 under OASI, and about $31 for new beneficiaries. Many are saying, What is the use of our paying payroll taxes when those who pay none receive greater benefits?

Of course it is true that the chief reason for the low benefits under the insurance program is that so many worked only part time in covered employment, thus making their average wage very low, but this narrow coverage is a fault of the system, and it is difficult to explain to the general public as they retire why their benefits are so low.

Old-age assistance is relief only for those in need. Its concept is somewhat that of charity. Under this program the aged who, themselves, have saved for their old age must pay additional taxes to support those who have not.

Under OASI benefits are given as a matter of right, based somewhat on the amount of taxes which each individual has paid and which his employer has paid for him. It is a system geared to maintain the self-respect of the individual.

The committee made the vital decision that the insurance system should be the basic one; that coverage should be broadened; and that benefits should be sharply increased. A worker who would now retire at $31 monthly, which is the average payment, will under the new bill get approximately $56 monthly.

Though from eight to ten million more workers will be taken into the system under H. R. 6000, unfortunately the majority of the committee would not agree to extend coverage to the extent which I have always advocated. The result is that the system will still continue to be inadequate. Many people will continue to move from covered to uncovered employment, and as a result will receive only small benefits.

The majority first voted to include all self-employed, and then whittled it down by taking out lawyers, doctors, dentists, and engineers.

They first voted to take in those in domestic service, and then took out nearly three-quarters of them, and I might add those who will need protection most, by changing the definition of employment to one who is employed for at least 26 days in one quarter by one employer. There are not many people in this country, with the present cost of living, who can afford to employ a full-time maid. And the majority of the committee, through their definition, have taken out from under covered employment all those maids who work for 1 day a week for one family. A maid would not be under covered employment if she worked 5 days a week 1 day a week for five different families.

Of course the most important exclusion from coverage provided in the majority bill is that of farmers and farm labor. You cannot have a truly comprehensive system if you leave out such an important segment of our population. I

believe that if those engaged in farming understood the benefits of the system, they would be pleading with their Representatives to admit them.

However, farmers are rugged individualists, and it is evident from the attitude of those Congressmen representing the farm districts that the benefits of the system have not been sold to farmers.

As a result the burden of old-age assistance is very heavy in the States which have a large farm population, and will grow heavier.

Farmers are not only paying for the benefits which industrial workers are receiving, because the pay-roll tax is inevitably added to the cost of the goods which they buy, but they are also paying higher and higher State taxes to meet their local old-age assistance burdens.

Someday I think the governors of these States will be down in Washington begging us to admit farmers to the system. I think they would be today if they understood what was going on.

I believe that all gainfully employed, except public employees who have their own pension systems, should be included under our old-age and survivors insurance program.

The next major decision which the committee had to make was on the question of financing. You may remember that the original law as envisioned by President Roosevelt called for a step-up in the tax for both employer and employee which would have made the system carry itself; but in 1941 the Democratic Congress accepted the suggestion of a Senator that the tax be frozen at 1 percent.

This freeze was, unfortunately, continued by two Democratic and one Republican Congress until the present time.

Mr. Altmeyer testified before our committee last February that the result was an actuarial deficit of $7,000,000,000 in the fund.

Several years ago when one of the freezing resolutions was before the Senate, Senator MURRAY, of Montana, arguing that continued freezing might cause some doubt among the beneficiaries as to the soundness of the whole system, had an amendment passed which was later accepted in conference by the House—providing that if at any time the trust fund was insufficient to pay benefits that the United States would pay them out of the general revenue.

The situation which faced our committee, after they had agreed on increased benefits, was that the cost of the new bill would be over 6 percent of pay roll.

The problem we then faced was: Should we make the system financially sound, make it a system which carried itself; or should we provide only a moderate increase in tax and follow Mr. Altmeyer's recommendation which was that ultimately the Federal Government should assume one-third of the burden of paying benefits from the general tax revenue.

Such a system would have been very unfair to everyone who was not in covered employment.

It certainly would have been unfair to farmers, to doctors and lawyers, to railroad workers, to State and Government employees who were not covered in the system but would be paying their Federal taxes for benefits paid to others, none of which they would ever receive.

So the committee, I believe very wisely, decided to make the system carry itself by setting up a schedule of taxes rising in 1970 to 3¼ percent on employee and 3¼ percent on employer. At the same time we repealed the Murray amendment.

The decision of the committee was that we were not justified in now promising benefits to workers in the future and leaving it up to our children and grandchildren to find the money to pay the benefits which we had promised. It was a sound decision.

Of course, it is impossible to tell what conditions will be 50 years from now. If we continue the same increase in pay rolls which we have had over the last 50 years; if the dollar, over a long period, continues to decline in value as it has in the past 50 years, the taxes which we have set up may well yield twice what we have anticipated. However, if this is so, the buying power of our schedule of benefits will be too low and they will have to be increased.

The third major decision which the committee had to make was whether this was to be a system through which people could retire in comfort or whether benefits were merely to be of a basic subsistence level.

The formula suggested in the bill introduced for the administration would have provided that a steadily employed worker with high wages during his working lifetime, with a wife over 65, might have received upon his retirement over $2,200 a year. The administration's suggestions were thus that we build up a retirement system rather than a social-security system.

The proposed benefits were geared to favor the steadily employed—the man who had received high wages—the very one who would most be able to put money aside in savings or insurance for his own protection in his old age.

At the same time the benefits for the lower-income group remained niggardly, so that there would still be need for supplementing their income through old-age assistance.

The committee rejected this basic theory of the Administration, changed the formula so that it would give greater benefits to the lower-income group and less to the more fortunate.

However, I do not think that the committee went as far as they should in this direction.

The bill now provides two rewards for steady employment. Those steadily employed are not subject to what is known as the continuation factor, which is a deduction in benefits for each year that a worker is not employed. Then, in addition, there is the so-called increment—a percentage increase of one-half of 1 percent in primary benefits for every year in which a worker is in the system.

Thus, the luckiest individuals—those who have been steadily employed and who probably have also been able to put aside savings and buy life insurance—will doubly benefit under the bill, while those who need assistance most, who have been irregularly employed, or who have changed jobs in and out of covered employment, would be doubly penalized.

In the bill as originally drafted we did not have this important factor, but under pressure from certain outside sources the administration supporters put it in.

As actuaries told them this provision would cost on the average $800,000,000 a year they looked around for ways to save some of the cost, and changed the formula which was in our first draft granting benefits on a basis of the 10 best consecutive years of a working life to one figured on the average wage over all of a working life. Actuaries said this latter change would save the system $600,000,000.

Where does this saving come from? It comes from those who have been irregularly employed, and thus will need protection most in their old age.

By this action the committee majority have taken away annually $600,000,000 in benefits from those who need it most, and given it to those who need it least—those who at all times have had steady employment. This provision benefits the "economic royalists" among the workers.

The new bill also makes it easier to qualify for insurance. The committee approved a provision which was in the bill which I introduced last year, making it possible for a worker to qualify if he had been employed for 20 quarters out of the last 40 before his retirement.

We also raised the minimum benefit to $25 a month, changed the work clause so that an individual, instead of being limited to $14.99 a month, can earn $50 a month between age 65 and 75, and anything he can earn after that, and still receive benefits.

We also increased the benefits of those who have already retired by an average of about 70 percent.

The committee felt that it was proper for the Federal Government to consider the question of permanent and total disability. This is handled in two ways in the bill. It provides a fourth category under the assistance program by adopting title 14 of the proposed bill. Of course, as under all the assistance programs, these benefits would only go to those in need.

At the same time the committee included total and permanent disability in the insurance program. Benefits would be the same as those provided for the retired worker, except that there would be no benefits for dependents.

Some of us wonder whether it is wise to include permanent and total disability in the insurance program at the present time.

It is an untried field and perhaps it might be better for the present to ex-

periment with the new provisions along this line, in the old-age assistance program. The cost of this insurance program is unknown. Estimates have been that it may well be more than a billion dollars a year. This, of course, would be taken out of the trust fund which was set up for old-age and survivors insurance.

The experience of private insurance companies in this type of coverage has been most unfavorable. Claims increased by leaps and bounds during periods when unemployment was high and were sharply reduced in times of full employment.

The determination of when a worker is totally disabled is a marginal one. It is usually a question of judgment. The theory of the insurance system is that benefits are a matter of right. Would not everyone feel that having paid the insurance premium he was entitled to these benefits, even if only slightly disabled? A permanent lifetime pension is so attractive that it would be difficult for many workers to resist the temptation to try to make out that they were disabled in order to get the benefits which they felt that they had paid for through their pay-roll taxes.

There are other items in the bill approved by the committee which I question.

A lump sum payment for all who die, of three times the primary benefit, is provided. Under present law lump-sum payments are only granted to those who have no survivors. This was originally put into the law because it was felt that those who had paid the tax and would receive no benefits should at least get something back. This new provision has been characterized as being the "grave" part of protection from "cradle-to-the-grave."

Of course, in most cases the money will in no way benefit survivors, but it will only benefit undertakers. If we are going to make these payments, why do we limit them to funeral expenses? Why not expenses of the last illness?

It seems to me that this lump-sum payment changes the whole philosophy of OASI and that this provision in the bill should be eliminated.

I hope that the old-age assistance program will gradually taper off as more and more people become qualified under OASI. I hope that some day as all the gainfully employed become covered by the insurance system that old-age assistance, as far as the Federal Government is concerned, can be completely abolished and that the few cases where assistance is needed will be taken care of by the States.

I was hopeful that such an eventuality might occur in about 15 years. However, the failure of the committee to include farmers and farm labor puts this far in the future.

The cost of the proposed program is tremendous. Additional benefits which we have granted under the assistance programs will amount to $256,000,000 annually. It is difficult to place this annual drain on the taxpayers especially at a time when the budget is so out of balance, but it seems to me that these new benefits are so desirable that I am glad to support these provisions of the proposed law.

When we come to considering the cost of the old-age and survivors program you reach figures that are so astronomical that they are frightening.

We must remember that the taxes necessary to carry our social-security program must be borne by those who are working, by the producers. They must carry those who are not producing.

Today the working population is estimated to be approximately 64,000,000, or about 43 percent of our population. With the probable increase in the number of our aged which all experts envision, this proportion will probably soon drop to about 40 percent. We cannot place too heavy a burden upon them.

If all the programs recommended by the Administration were adopted, the over-all cost of all social security, pensions, health and welfare programs would amount, within the next few decades, to somewhere between thirty or forty billion dollars a year.

Add this to our present budget, and you can see that it is proposed to take from our producers a total of from seventy to eighty billion dollars, and this sum does not include State and municipal taxes.

No nation in the past has been able to survive and maintain a sound currency with any such rate of taxation. The only way that it could be carried would be through inflation, and devaluation in the buying power of the dollar. But if this occurred, beneficiaries would demand—and rightly be entitled to—more benefits. Thus, the merry-go-round would start up again.

We must stop, look, and listen. In expanding social security we must advance cautiously.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield to the gentleman from Arkansas.

Mr. MILLS. I am particularly interested in the gentleman's bill, H. R. 6297, in view of the statement made by the gentleman from Nebraska [Mr. CURTIS], that this bill might well be the motion to recommit offered from the minority side. Am I correct in my understanding of the gentleman's bill that it embodies practically all of the features of H. R. 6000, the majority bill, with the exception of the recommendations contained on page 158 of the report; that is, the summary of the minority position.

Mr. KEAN. Plus the tax feature.

Mr. MILLS. Yes; I was coming to that. Under the bill H. R. 6297, what is the estimate of the net level premium cost?

Mr. KEAN. 5.45.

Mr. MILLS. Which is about seven-tenths of 1 percent under the cost of the bill, H. R. 6000, 6.15 percent.

Mr. KEAN. That is correct.

Mr. MILLS. The gentleman fixes the tax, therefore, at a maximum of 6 percent in 1980. In the course of reducing the cost below the cost of the committee bill you do four or five different things. First of all, you increase the cost by continuing the wage base at $3,000, whereas the committee bill proposes to increase that base to $3,600.

Mr. KEAN. That is correct.

Mr. MILLS. That action by itself raises the level premium cost of the program.

Mr. KEAN. That is correct.

Mr. MILLS. You eliminate the increment, however, which is eight-tenths of 1 percent.

Mr. KEAN. This saves $800,000,000.

Mr. MILLS. Then you change the method of computing the wage base.

Mr. KEAN. Which increases the cost by $600,000,000.

Mr. MILLS. By $600,000,000.

Mr. KEAN. And benefits go to the right people.

Mr. MILLS. Then the gentleman increases the number of domestic servants who would be brought under the program from the number involved in the committee bill of about 950,000 to approximately how many?

Mr. KEAN. About 2,000,000 in all.

Mr. MILLS. Two million.

Mr. KEAN. And that also goes to those who need it most.

Mr. MILLS. Do not misunderstand me; I am not arguing with the gentleman. I am merely trying to find out what the bill does. The gentleman would then place under social security 1,100,000 more than the committee bill would place under social security.

Then the gentleman provides a prohibition in his bill against those who are locally employed by municipal or State governments and who are already included under a pension plan being included in the program by any action, even though more than two-thirds of such employees may desire to have social security coverage.

Mr. KEAN. Correct.

Mr. MILLS. They cannot come in at all.

Then the gentleman eliminates the extension of title II social security coverage to residents of Puerto Rico and the Virgin Islands.

Mr. KEAN. Correct.

Mr. MILLS. Those are the primary changes between this bill, H. R. 6297, and the committee bill?

Mr. KEAN. No. The gentleman left out the permanent and total disability under the insurance program and the definition of employee which we were talking about with the gentleman from Ohio [Mr. JENKINS], paragraph 4.

Mr. MILLS. The gentleman leaves out paragraph 4 of the language defining the term "employee"?

Mr. KEAN. Right.

Mr. MILLS. How many people would that exclude as employees as compared to the language in the committee bill?

Mr. KEAN. It would not exclude any. All it does is give a determination by law as to who should pay the tax, instead of putting that up to the

Social Security Administrator and the Treasury to decide.

Mr. MILLS. But the gentleman is satisfied with the first three paragraphs of the committee definition of the term "employee"?

Mr. KEAN. I am not a lawyer. My best advice is that it is correct, but I am not a lawyer, so the gentleman will have to ask somebody else about the details of that one.

Mr. MILLS. Then, of course, the gentleman's proposition does eliminate this matter of total and permanent disability?

Mr. KEAN. In the insurance program.

Mr. MILLS. In the insurance program, but retains it for the public-assistance program?

Mr. KEAN. That is right.

Mr. MILLS. So that it is the gentleman's philosophy, then, that these people who become totally and permanently disabled should be taken care of by the public treasury of the Federal and State governments rather than being taken care of out of this fund into which they pay from their wages?

Mr. KEAN. At the moment, yes. Does not the gentleman believe it is a question whether we should take the money from the trust fund which has been contributed by people for protection in their old age and give it to the disabled, which may cost two or three billion dollars? We do not know what it is going to cost.

Mr. MILLS. The gentleman knows that the tax increase recommended by the committee includes one-half of 1 percent of pay rolls for this specific purpose?

Mr. KEAN. It is not enough. With all due respect to our actuary, I am not sure that that is enough.

Mr. MILLS. The gentleman says that by eliminating disability from title II we can save around a billion dollars a year in the future. How much can we save when we put all of these disabled cases on public assistance?

Mr. KEAN. Does the gentleman believe the permanently and totally disabled who are in need now are not being taken care of by their local communities? All we are doing is helping the local communities, so the local communities can pay more. Today what is happening is that the local communities are only paying $20 or some small amount to these permanently and totally disabled. The same people will be taken care of under this kind of Federal Government contribution. They will get twice what they are getting, and they will be able to live in a decent way.

Mr. MILLS. The gentleman from New Jersey and the gentleman from Arkansas are both in favor of extending public assistance to these totally and permanently disabled cases.

Mr. KEAN. Yes.

Mr. MILLS. My point is this: Is it cheaper to do it that way than it is to do it the way the committee provides?

Mr. KEAN. Very much cheaper, because it goes only to those in need, and the State and local people will police those payments so that they are not given to people who are not entitled to them.

Mr. MILLS. The gentleman thinks a better job will be done if it is left to public assistance?

Mr. KEAN. Yes.

Mr. MILLS. And less expensive?

Mr. KEAN. Yes.

Mr. JOHNSON. In your bill do you have a simpler definition of the word "employee" than they have in the committee bill?

Mr. KEAN. Yes; we lef tout that remarkably complicated definition based on the Supreme Court decision.

Mr. JOHNSON. And the courts will finally resolve the twilight cases?

Mr. KEAN. Yes.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield.

Mr. MILLS. Mr. Chairman, I could not let this colloquy come to an end after having asked the gentleman to yield in this extended manner, without recalling to the membership the very fine cooperative spirit the gentleman from New Jersey manifested in committee. He is one of the best-informed men with whom I have discussed social-security questions. I take my hat off to him. I know of his deep and abiding interest in the welfare of the very people affected by this bill. The gentleman has placed his finger on the real differences which arose in the committee. He has called attention to the primary differences and those are matters which the House will have to pass judgment on in the final analysis.

The gentleman is striving, as the gentleman from Arkansas has strived, to hold down the cost of this program. I take issue with the gentleman as to the method of holding down the cost of this program. But I certainly must pay him a well-deserved tribute for his knowledge and the fine work that he has done on this bill.

Mr. KEAN. Mr. Chairman, I want to reciprocate and say that the gentleman from Arkansas was always one who was striving in committee to write a sound bill. He has a very great knowledge of his subject. It was always a pleasure to work with him.

Mr. DOLLIVER. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield.

Mr. DOLLIVER. The gentleman made some remarks earlier in his speech concerning the cost of this program as presently written, both in the gentleman's proposed substitute and the committee bill as it affects the farmer. It evidently is the gentleman's feeling that at this time the farmers cannot be included either in his bill or in the committee bill.

Mr. KEAN. That is correct.

Mr. DOLLIVER. Will the gentleman develop that thought a little to explain why it is that this burden is upon the farmer and they are not aware of it?

Mr. KEAN. The reason is that the cost of the social-security program is added to the cost of the goods that the farmers buy.

Mr. DOLLIVER. It is indirect, rather than a direct tax?

Mr. KEAN. It is indirect. Every time the farmer buys a tractor he is paying for the social security of all the workers in the factory that made the tractor. That is one thing.

Then the second thing is that the burden of old-age assistance is so great in those States where they have a lot of farmers that they are paying an inordinately high tax.

Mr. DOLLIVER. But that for the most part is going to their own people, is it not?

Mr. KEAN. It is going to their own people; that is correct.

Mr. DOLLIVER. In other words, they are paying for old-age assistance by way of taxation to people locally rather than sending it to the Social Security Board by way of a pay-roll tax.

Mr. KEAN. That is right.

Mr. DOLLIVER. Can the gentleman give us any idea how those two figures might compare; that is, the amount they might have to pay in pay-roll taxes if the agricultural elements of the country were covered, and the relative amount they would have to pay for old-age assistance?

Mr. KEAN. No; I do not think I can give those figures.

Mr. DOLLIVER. Are there any figures available with respect to that, or are there any estimates?

Mr. KEAN. I do not think so. Of course, 45 percent of the farmers have already paid social-security taxes out of which they will never get anything because they have gone to work in the towns, for example, for a short time. Some may have gone to clerk in a store for a little while. Some of them have had war work and worked in a factory for a short time. Some of their sons have gone to the city for a year or so, and then have gone back on the farms. As a result 45 percent of the farmers have already had some social-security coverage, but they are never going to get a nickel back in the way of benefit from what they have paid in.

Mr. DOLLIVER. Why is that?

Mr. KEAN. Because they have paid so little that they cannot qualify.

Mr. DOLLIVER. In other words, that coverage has lapsed; is that it?

Mr. KEAN. Yes; it has lapsed.

Mr. HESELTON. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield.

Mr. HESELTON. I would like to ask the gentleman two questions. The second one possibly should be addressed to a member of the majority rather than to a member of the minority. I have a communication from a constituent who advises me that they have several individuals who represent them in selling their products on a straight commission basis. They say these individuals act as independent contractors insofar as we have always interpreted it, because they represent not only us but in several cases three or four other concerns. He has

asked me whether or not, under H. R. 6000, those individuals will be covered.

Mr. KEAN. The self-employed are covered. I should think they would be independent contractors and would be self-employed.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield.

Mr. MILLS. I think the gentleman from Massachusetts [Mr. HESELTON] would have to submit a few more facts to the gentleman from New Jersey [Mr. KEAN] before he could give you a concrete answer. House-to-house salesmen of the type you are talking about are specifically excluded. We had testimony before our committee that it would be practically impossible to collect the tax.

Mr. HESELTON. If the gentleman will let me add this further statement, that this is an industrial concern which has these salesmen, selling their products in large amounts.

Mr. MILLS. And they are paid on a commission basis?

Mr. HESELTON. That is right.

Mr. MILLS. As outside salesmen working either for a manufacturer or wholesaler, they would be included under the definition of the term "employee" in the bill, on the basis of the information which the gentleman submits, either under paragraph 3 or paragraph 4. Even though paid on a commission basis, such salesmen would be included, depending upon the presence of the other factors listed in these two paragraphs.

Mr. HESELTON. And under the gentleman's bill they would not be included, by reason of the definition in the gentleman's bill?

Mr. MILLS. The gentleman from New Jersey accepts the definition as to paragraphs 1, 2, and 3, and the gentleman's situation would be included under paragraph 3, as well as paragraph 4.

Mr. HESELTON. Then, how will this operate in terms of the payment of the tax? Assume that these salesmen earn $3,600 from each of these concerns? Each of the concerns are required to file a return and pay a tax.

Mr. MILLS. That is right.

Mr. HESELTON. How would they determine who would get a refund and what they would get?

Mr. KEAN. Why a refund?

Mr. HESELTON. Certainly he is not going to be able to collect on five times 3,600. He has paid it into the Treasury, but he cannot get it out.

Mr. KEAN. That is right. He should be entitled to a refund. You are correct. But how could we go about it, if he was working for all three at the same time? The gentleman from Arkansas [Mr. MILLS] seems to think he knows.

Mr. MILLS. It is my understanding of existing law, which is not affected in this respect, if this individual is working for three employers, all three of the employers will be called upon to pay a tax. No one of the three employers, even though the over-all amount may exceed $3,600 wage, would be entitled to a return. The employee, however, is permitted to receive a refund on that part of his salary in excess of $3,600.

Mr. HESELTON. Then I am correct in stating that this concern might have to pay anywhere from three to fifteen times, and there is no way, under the bill, by which they can reclaim from the Treasury money that will never be of any benefit to the employee.

Mr. MILLS. That is in existing law, I might say.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield to me?

Mr. KEAN. I yield.

Mr. EBERHARTER. This definition of "employee" takes into account seven or eight different factors. I do not think members of the committee should be asked to say definitely whether, under a few facts given, a person can be classified as an employee.

Mr. KEAN. That is right. You cannot do it.

Mr. EBERHARTER. You have to know all the facts before you can make a decision.

Mr. KEAN. That is right.

Mr. EBERHARTER. I want to say this further. I am delighted that so many Members were present when the gentleman spoke, because I agree heartily with what the gentleman from New Jersey [Mr. KEAN] has said about the gentleman from Arkansas [Mr. MILLS] and what the gentleman from Arkansas has said about the gentleman from New Jersey with respect to the intense interest they took in this measure. I am delighted that the gentleman from New Jersey [Mr. KEAN] indicated that he wanted more extended coverage. That matter, particularly the matter of the inclusion of farmers and farm laborers was certainly not a partisan question in the committee. As far as I am concerned, I am thoroughly in agreement with the position of the gentleman from New Jersey that the farmers, the doctors, the dentists, and lawyers should be included, and we should not have made those exclusions.

I further want to state there are other members of the majority who feel the same as I do. I further want to state to the gentleman that I agree with him that it was a mistake when we froze the tax in the first place. I do not, of course, blame the majority for that because during those days the minority party voted almost solidly for that freezing of the tax. But I was against it all the time. This colloquy here, however, between the gentleman from New Jersey and the gentleman from Arkansas will indicate, I believe, to the Members here how confused this subject is and how differences of opinion occur. It is not particularly a partisan question; it is really a very important question to be decided. This bill, as the chairman has said, is not the product of one mind; it is the product of all the members of the committee. I venture to say that the bill contains a suggestion from every member of the committee, both minority and majority. It was not a bill that was pushed out because of votes on one side or the other. So I feel sure that it is a good bill. There may be some differences of opinion. It did not suit me in every respect; I wanted to include farmers and domestics and all self-employed. But it was the best we could get under the circumstances, and I hope it will receive a good heavy supporting vote.

I thank the gentleman.

The CHAIRMAN. The gentleman from New Jersey has consumed 45 minutes.

Mr. WOODRUFF. Mr. Chairman, I yield to the gentleman from Oregon [Mr. ANGELL] such time as he may desire.

Mr. ANGELL. Mr. Chairman, as one of the authors of the Townsend legislation in the House, H. R. 2136, I deeply regret that the Rules Committee saw fit to present this legislation, H. R. 6000, under a so-called closed or gag rule. This procedure will compel the House to swallow the bill as is without amendment.

The bill does help the insured and disabled but it does not offer any substantial relief to the aged citizens of America who have not been able or who will not be able to qualify as a covered employee under the social-security program except those in a few favored States. Even with the amendments proposed in H. R. 6000 millions of our elderly citizens are without the mantle of protection under this law. Under the philosophy of the present social-security law it was believed that as time passed it would cover most of our elderly citizens needing aid. However, the law has been in effect over 10 years and experience under it shows that this philosophy was false and that the breach is widening between those covered and those not covered by the law, the majority being left without its protection. In October of last year the number granted cash on the basis of need was 2,469,372 as against only 1,016,303 retired workers receiving old-age insurance.

It is significant that the fact-finding board appointed by the President recently to consider the wage dispute between the United States Steel Corp. and its workers reported as follows:

> The concept of providing social insurance and pensions for workers in industry has become an accepted part of modern American thinking. Unless Government provides such insurance in adequate amount, industry should step in to fill the gap.
>
> Government * * * has failed to provide social insurance for industrial workers generally, and has supplied old-age-retirement benefits in amounts which are not adequate to provide an American minimum standard of living.

This is in line with the findings of many commissions and social-security experts who have considered the problem of social security not only for workers but for the aged, handicapped, and disabled. Ex-President Hoover, Chairman of the Commission for the Organization of the Executive Department, in considering this important problem in a letter to the gentleman from North Carolina, Chairman DOUGHTON, of the Ways and

Means Committee, under date of April 6, 1949, said:

I wish to say at once that I strongly favor Government provision for protection of the aged and their dependents.

The problem before the Nation is to obtain a workable system, with a minimum of administrative cost, a minimum of bureaucracy, adjusted to the economic strength of the country which gives an assurance of security to this group. In my view, we have not yet found that system.

I should like to make two general observations:

1. There is an illusion about the whole Federal old-age and survivors insurance. Because the taxes on pay rolls are paid into a trust fund and paid out without appropriation by Congress, there is an idea that these are neither taxes nor Federal expenditures. They are just as much a burden upon our national economy as any other tax or any other Government expenditure. Also, payroll taxes, however justifiable, are, like all other taxes, a burden on the standard of living of the whole Nation. A considerable part of the pay-roll taxes paid by employers in the long run is passed to the People as a whole in prices, and a considerable part of the taxes paid by wage earners is passed on by demands for increased wages.

2. The old-age problem has been thrust upon the Federal Government largely by the great increase in longevity. Its dimensions are indicated by the fact that there will be by 1950 about 11,000,000 persons over 65 years of age. They will increase in numbers absolutely and relatively, both with the increase in population and with the constantly advancing protections to health.

Recently, Mr. Arthur J. Altmeyer, Commissioner of the Social Security Administration, said:

When the Social Security Act was passed in 1935, the basic idea was that contributory social insurance would be a first line of defense against destitution. It was expected that, as time went on, Federal and State governments would have less and less of a burden under the public-assistance laws. Today, however, the number of needy persons receiving public assistance is greater than it has been at any time since the passage of the Social Security Act. Moreover, the number of aged persons receiving public assistance is nearly twice as great as the number of persons receiving benefits under the Federal old-age and survivors insurance system.

It is also true that the largest proportion of persons receiving what we call general assistance, as distinguished from old-age assistance, aid to the blind and aid to dependent children, consists of persons who are suffering from physical disability. If our social-insurance system covered disability, we would be able to reduce considerably the burden on States and localities for providing this general assistance.

Mr. Chairman, while this bill, H. R. 6000, does extend its coverage to give protection to a large number of employees not now covered, it is wholly lacking in providing security for the elderly citizens of America who are not able to qualify as an insured employee. This group is a large one. It is for those I plead. Every State in the Union has a long list of elderly people knocking in vain at the doors of public-welfare offices seeking some protection under the social-security law. To a large extent their cries are going unheeded by reason of the fact that existing legislation, Federal and State, fails to provide the minimum of social security insuring shelter, food, and medical care for America's aged. This great Nation, with the greatest productive power of any nation throughout all history, with the facilities, manpower, and know-how to produce the necessities of life not only for our own people but for half the world besides, cannot be excused for its neglect of its aged citizens. It has taxed its people to send overseas since the war ended over $21,000,000,000 to help to rehabilitate the nations of the Old World and thereby insure a stable and peaceful world and protect our own country, yet it falters in meeting its responsibility for its aged citizens at home.

This bill, H. R. 6000, we are considering seeks to amend and extend social security for the employed and disabled but continues to leave unprotected the millions of other aged citizens in need who cannot qualify as employees under it.

The United States is a nation with only one-sixteenth of the earth's population and only 6 percent of the world's area, but it produces nearly seven-sixteenths of the world's goods. Our people own 46 percent of the world's electric power, 48 percent of its radios, 54 percent of the telephones, 59 percent of its steel capacity, 60 percent of its life insurance, 85 percent of its automobiles, with the most schools, the most churches, and the best health record. Yet we refuse to provide meager subsistence for millions of our aged in need.

Mr. Chairman, I will repeat some of the arguments I presented to the Ways and Means Committee when the proponents of the Townsend legislation were granted a hearing on March 14 of this year in which I discussed the merits of the Townsend legislation and compared its provisions and objectives with those of the existing social-security plan which H. R. 6000 seeks to amend and extend.

As a Member of Congress for over 10 years I have been deeply interested in old-age and disability security, and am the author of H. R. 2136.

We in America can be justly proud of our achievements in the development of our industrial production which enables us to stand in the forefront of all nations in the ability to produce food, clothing, shelter, and other necessities of life in abundance, not only for our own people but to help other nations in need. This was a major factor in winning the war. However, with machine labor and mass production, we have found that the elderly people in America, by reason of the very success we have achieved in production, are outcasts and have been deprived of remunerative employment in their declining years.

Existing social and economic conditions force upon us the complex question of security for the individual in our modern industrial civilization. Since 1919 the number of self-employed individuals in the United States, including farmers, has remained fairly constant at about 9 or 10 million. During the same period the number of employees in the American labor force has risen from 32,600,000 to over 60,000,000, almost double. Since population has been increasing during this entire period, the percentage of self-employed persons in the United States has declined from about 22 percent in 1919 to about 16.6 percent in 1946. In other words, we are facing an age-old problem under rapidly changing conditions.

The young and vigorous are on the pay rolls of this machine age and the elderly citizens are relegated to the side lines. As a result of this maladjustment, we find the aged unemployed increasing in numbers and in want, and we are faced with the problem of social security to meet the needs for livelihood of this large group.

To meet this problem the Congress passed Public Law 271 in the Seventy-fourth Congress, setting up a social-security program not only for the aged but for the blind, dependent, crippled children, and with certain assistance to maternal and child welfare and public health. The Seventy-sixth Congress made extensive amendments to the law, and as a result we now have two major programs governing social security—title I, providing grants to States for old-age assistance, and title II, setting up a program for Federal old-age and survivors insurance benefits. For over 10 years now these laws have been in operation, and we find that they fail, in many important particulars, to meet the problems we are seeking to solve in providing adequate social security for the aged and disabled.

The Advisory Council on Social Security to the Senate Committee on Finance made its report and recommendations last year. The council consisted of 18 outstanding leaders, representing practically all segments of our industrial and social life. Their recommendations are significant in that they point out the deficiencies of the existing program for social insurance. The council found three major deficiencies in this old-age and survivors insurance program, which I quote verbatim:

1. Inadequate coverage—only about three out of every five jobs are covered by the program.

2. Unduly restrictive eligibility requirements for old workers—largely because of these restrictions, only about 20 percent of those aged 65 or over are either insured or receiving benefits under the program.

3. Inadequate benefits—retirement benefits at the end of 1947 averaged $25 a month for a single person.

In order to remedy these deficiencies, this advisory council recommended that the coverage be extended to include the self-employed, farm workers, household workers, employees of nonprofit institutions, Federal civilian employees, railroad employees, members of the armed services, and employees of State and local governments, all of which are now excluded from the benefits of the act. The council further recommended extending greater liberality in eligibility and increased benefits and survivors' protec-

tion. The findings of this council clearly disclose that the present social-security program is basically inadequate and must be completely overhauled or supplanted by a more effective program.

There were more than 100 bills pending in the Eightieth Congress proposing changes in the social-security law. Several sought to increase old-age and survivors insurance. Forty-one urged increases in old-age assistance. Thirteen dealt with aid to dependent children. These all pointed to the inadequacy of the present system and the need for drastic changes or the enactment of a new plan.

I will discuss some of the failings of the present system of old-age security and compare it with the proposal embodied in H. R. 2135 and H. R. 2136.

The problem of caring for the aged, the disabled, and dependent children, as seen today in the eyes of proponents of the Townsend plan, and others, is that there are millions of such persons in need among us who are not now, and cannot in the future, be cared for in an honorable and just way by the present system of social security. Under this system, millions of old people receive either no support or hopelessly inadequate support. The system which has been set up is extremely cocmplicated. To supply these deficiencies we propose H. R. 2135 and H. R. 2136.

In the Eighty-first Congress, several bills identical in language, propose the Townsend plan. They are H. R. 2135, BLATNIK; H. R. 2136, ANGELL; H. R. 2677, WITHROW; H. R. 2743, VAN ZANDT; H. R. 2792, PETERSON.

This is a self-financing noncontributory retirement system under which beneficiaries will receive annuities as a matter of right without reference to need or prior contributions. It is Nation-wide and covers all citizens 60 years of age or over. It is a pay-as-you-go system. Annuities will be paid currently out of currently raised revenues. Sums received by annuitants must be spent within 30 days. The existing system of old-age and survivors insurance and old-age assistance is abolished, together with the pay-roll tax for financing old-age and survivors insurance.

OASI, United States Code, title 26, sections 1400–1432; title 42, sections 401–410a, is a self-financing contributory Federal retirement system under which the insured and their dependent survivors receive annuities as a matter of right in an amount which depends on the length of the period of membership in the system and the amount of wages received by the insured during such period. It is a system under which a reserve is built up against the accumulating liabilities for persons who will retire in later years. The reserve, however, is more in the nature of a contingency reserve than a full reserve. Individual accounts are kept for each worker.

United States Code, title 42, sections 301–306, 601–606, 1201–1206, contains provisions corresponding to those provided under the Townsend proposal giving grants to States for old-age assistance without contribution.

This is a noncontributory State system, aided by Federal grants, under which payments are made to beneficiaries on a basis of need in an amount fixed by State law. The State programs, though they must conform to the requirements of title I of the Social Security Act, differ widely in type from State to State.

The philosophy and objectives of the Townsend proposal as compared with the philosophy and objectives of the existing system have much in common, but there are marked differences. The Townsend proposal would give recognition to the past labors of the aged and would offer them dividends from the wealth they helped to create. It would give this as a matter of right without any direct relation to specific monetary contributions. The existing old-age and survivors insurance program gives benefits as a matter of right but ties them to a principle of insurance—something that each prospective annuitant and his employer buys as he participates in the productive processes of the country. Finally, old-age assistance is provided to the aged who, because of the lateness of starting the program of old-age and survivors insurance or because of inadequate coverage or benefits, are in need and should be helped.

Townsend plan: Annuities should be offered with neither the stigma of charity nor the aroma of poverty. They should be offered as a matter of right as dividends from the national wealth the aged have helped to create. The system should be one to replace the complicated, arbitrary, and inequitable provisions of the existing law. It should be one which will have a stimulative effect upon our economy and one which will help to make available jobs to all the young who will replace the aged as the latter move into retirement at a decent standard of living.

Only noncontributory pensions will meet the needs of those now grown old who are in need because of past neglect in providing an adequate contributory retirement system. Since at the time the system was adopted most of the States were financially unable to assume the burden of so many aged who moved onto Federal relief rolls; it was deemed proper to continue to provide Federal aid to States to provide relief to those aged who were in need.

Much of the argument in support of the Townsend plan stems from the limited coverage and inadequate benefits of the present system. For example, most of today's aged who are not working left the labor force before they could build up rights to benefits under OASI. And even among the young and still employed, under the present OASI system, there is no coverage for jobs in agriculture, domestic service in private homes, Federal, State, and local government employees, and workers in religious, charitable, and certain other nonprofit organizations, the self-employed, and others as well. About one-third of the workers engaged in employment are not covered by the system; and of the 78,700,000 living persons with OASI wage credits at the end of 1948, about 40,500,000 were neither fully nor currently insured on the basis of their wage records, and hence were not protected under the programs. In the Federal Security Agency, Social Security Administration, Annual Report, 1947, section 1, page 7, 18, 39, it is said:

> Under our present provisions it would be possible for an individual to work at some time during the course of his working life in jobs covered by Federal old-age and survivors insurance, the Railroad Retirement Act, the Civil Service Retirement Act, and the retirement plan of a State or locality. According to the length and timing of such employments, he might become eligible to receive retirement benefits under one or more or all of these plans. Another man, with similar earnings under several of the programs, may go through a working life without ever acquiring retirement rights under any. Conceivably the survivors of a worker who dies might be eligible for benefits under a Federal old-age and survivors insurance system as well as under a State workmen's compensation law and under general veterans' legislation. Another family, equally in need of income to replace the father's earnings, may have had no opportunity to gain protection under any of these programs.

No Federal provision is made to care for the disabled other than the needy blind. In the same report, pages 21 and 22, it is said:

> The United States is unique among major industrial nations in its lack of a general disability insurance system. Compensation for wage loss due to incapacity is confined in this country to work-connected accidents or diseases in industry and commerce, to service in the armed forces, and to employment in the railroad industry or by government. Two States provide benefits for temporary disability under arrangements similar to unemployment insurance and with the same coverage. In June 1947 these special systems, in the aggregate, reached very few of the 2,000,000 to 2,500,000 persons disabled on an average day and recently in the labor force, who but for their incapacity would be working or seeking work.

The Social Security Administration in this report, pages 1 to 63, concedes the limitations of the present law and strongly urges extension of coverage. The present law was and continues to be considered simply as a cornerstone of a structure which was to be expanded. Approach has been piecemeal and dictated by practical considerations. There has been the fear that in attempting to accomplish too much all would be lost.

Under the existing law under old-age and survivors insurance the average benefits are approximately $25 per month according to the latest data available from Social Security records. To obtain this payment the worker and the employer would have to make contributions over a long period of time. On the other hand the average of old-age assistance—not available to those under the retirement plan but given only on a claim of need—was some $16 more per month than the old-age and survivors insurance payments. According to late figures payments in Colorado reached

$67.08, in California $70.55, in Washington $67.11, in my own State of Oregon, $48.21. It is thus shown that those receiving assistance who did not contribute to the program received very substantially more than those who through the years contributed taxes based on monthly incomes.

It is reported that recipients of relief now exceed by nearly 1,500,000 the insured workers who are drawing benefits. In the month of October last the number granted cash on the basis of need totaled 2,469,372 as against 1,016,303 retired workers receiving old-age insurance. This experience is directly opposite to that contemplated when the Social Security Act was enacted. It was believed that gradually all old-age beneficiaries would come under the provisions of the old-age and survivors insurance program and those receiving assistance on the basis of need would be gradually reduced and eventually eliminated.

Mr. Arthur J. Altmeyer, Commissioner for Social Security, in an article appearing in the Social Security Bulletin for December 1948, said:

> Today we have Federal old-age and survivors insurance and a railroad social insurance system that covers the risk of wage loss from old age, premature death, temporary and permanent disability, maternity, and unemployment. We have unemployment insurance laws in all the States and Territories. We have 1,800 permanent full-time public employment offices. We also have temporary disability laws in three States, covering loss of wages due to nonindustrial accident and sickness. Besides these forms of social insurance, we have in effect federally aided State-wide old-age assistance programs in all the States, aid to dependent children in all States but one, and aid to the blind in all but four States * * *
>
> Benefits paid under the various forms of social insurance are for the most part inadequate. The increase in the benefits that have occurred have not kept pace with the increased cost of living. Moreover, as I have already indicated, only three States provide protection against loss of wages resulting from nonindustrial accidents and diseases. There is no protection under Federal old-age and survivors insurance against permanent total disability. There is no protection under either Federal or State law against the costs of medical care.
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> As far as the various forms of public assistance are concerned, the Federal Government has provided increased participation in the costs. This increased participation has enabled the States to provide more financial assistance to needy persons than they otherwise would have been able to do. Therefore, the increase in Federal participation is desirable in itself. At the same time, however, that more Federal participation has been provided in meeting the cost of public assistance, there has been a lopsided development of our total social-security system.

A major defect in the present system is the smallness of individual payments, and their inadequacy in providing a decent standard of living. As one of my colleagues has said, the old-age insurance program is allegedly based, in respect to the payments to the recipients, upon the contributions made by the workers, the employees, and their employers. A vast actuarial scheme has been set up, requiring the attention and deliberation of highly trained actuaries. Great shelves are being filled with volumes of statistics, weighted averages, median lines, maximums, minimums, involved and intricate forms. At the end, what happens? At the end, the average worker comes out with about $25 a month, far less than he would get if he were under the old-age assistance program. This plan actually contemplates that these actuarial calculations will become effective against a boy 16 years of age who is in a covered occupation, and that for 50 years, until he is 65 years of age, the Social Security Board will keep track of his employers and of the tax payments made from his wages; also of his wife, his children, his job, and his compensation; and then, as a result of those calculations, it will determine what that young man will receive 50 years from now. In other words, these actuarial calculators are now calculating whether 50 years from now that boy will get $10.50, or $19, or $20. In the next 10 or 20 years we are going to have crisis after crisis; what these crises may be, no one can readily predict; but certain it is that many of them will bring widespread economic dislocation. And here is a group of men who solemnly assert that by means of this actuarial system they are at this time determining how much workers will be paid 10 to 20 to 50 or even 100 years from now. The sad and pathetic aspect of it is that these payments will amount to only approximately $10 a month, which is the minimum, or up to approximately $60 a month, which is the maximum. As a matter of fact, these payments are so meager and so low that they nauseate and sicken the human heart. It is true H. R. 6000 increases these payments, which is commendable.

Subject to particular attack has been the fact that the average payments under public assistance, for which a showing of need is required, exceed on the average payments under OASI toward which the beneficiaries have actually made payments as shown in the Social Security Bulletin, November 1947, pages 34 to 36, and in Social Security Bulletin, October 1947, page 33. It is also pointed out that it is rash to attempt to fix by statute and provide through reserves the payments that will be paid many years hence. Changes in the purchasing power of the dollar are so great that attempts of one generation to set minimum decent standards of living for succeeding generations cannot but prove fruitless and just waste motion.

It is not possible to estimate definitely the per capita annuity that would be available under the Townsend proposal should it be enacted. Its virtue is its elasticity, the monthly payments keeping pace with the purchasing power of the dollar. The tax formula could be changed by the Congress from time to time to meet the existing needs. Since the amount of the monthly payments for the beneficiaries depends upon the tax collected and the number of eligible citizens who apply for the annuities, it is not possible to determine with any degree of accuracy what these payments would be without knowing the national gross income and the number of recipients. However, amounts payable under the Townsend plan will be found by subtracting administrative costs from tax receipts and dividing by number of beneficiaries. Proponents of the plan have variously estimated the benefits that would be payable monthly.

At the present time old-age-assistance payments are financed through congressional and State, and sometimes local, appropriations. No special Federal levy is made to finance the Federal share. Payments to the recipients are actually made by the States. The Federal contribution for payments to the aged and blind is three-fourths of the first $20, plus one-half of the remainder up to $50. It is three-fourths of the first $12 for each child, one-half of the next $15 for the first child and one-half of the next $6 for each additional child. The maximum Federal contribution is $50 for the aged and blind, $27 for the first dependent child, and $18 for each additional child.

Under the Townsend plan, each installment of the annuity received must be spent within the United States by the end of 30 days after its receipt. The proceeds from the sale of real property acquired through the use of money received as an annuity must be spent within 6 months. The purpose of this is to keep the money in circulation, stimulate the economy, and stabilize production. There is no comparable provision applicable to payments under OASI or public assistance.

Complications involved in the administration of old-age and survivors insurance are frequently pointed to as one of the arguments against that system. "Illusory," "sheer fraud," "swindle" are favorite epithets for attacking the reserve. A discussion of this appears in Legislative Reference Public Affairs Bulletin No. 46, 1946, Financing Social Security, pages 41–61. A more recent further attack has been made by John T. Flynn in his Our Present Dishonest Federal Old-Age Pension Plan, Reader's Digest, May 1947. This is reprinted in the CONGRESSIONAL RECORD, May 5, 1947, page 4613.

The great objection to the public assistance programs is that, being State administered, amounts paid vary greatly not only as between States but also as between localities within the same State. So far as the Townsend proposal is concerned, none of the foregoing would present a problem, but the proposal would have some problems of its own to be worked out. Some of the foregoing points I will now consider in further detail.

The Bureau of Internal Revenue is to collect the tax under the proposed Townsend plan law. Every person having a personal income in excess of $250 and all other persons or corporations having any gross receipts would be required to make monthly returns. Much of this

work of collection could be eliminated if a method of collection at the source were devised. Another administrative problem would be the sending out of the checks each month to the pensioners. A similar problem is now being met under the Social Security Act.

Under old-age and survivors insurance, the Social Security Administration in the Federal Security Administration administers the payment of benefits, while the Bureau of Internal Revenue collects the tax. The cost of administering this program is now running around $50,000,000 per year. Total costs through 1947 were about 15 percent of benefits paid out and a little more than 2 percent of total receipts—taxes plus interest on assets. For the fiscal year 1947, administrative costs were 2.5 percent of receipts and 9.6 percent of benefit payments. Part of the administrative chore is keeping the wage records of 78,700,000 living persons and determining the amount of benefit each—and his family—is entitled to if and when he or they become eligible for a benefit payment.

Though old-age and other public assistance plans are State administered, the Federal Government contributes to the administrative costs. The contribution is 5 percent of the grant for old-age assistance and one-half the cost of administering aid to dependent children and the blind. The total Federal and State administrative costs in the fiscal year 1947 ran approximately as follows: Old-age assistance, $50,026,000; dependent children $21,289,000; needy blind $2,396,000. The costs ran higher for the year 1948 but the break-down is not yet available.

Proponents of the Townsend plan believe that the economy of the Nation will benefit by reason of the expenditure of the annuity within 30 days after its receipt. According to the bill (a) the annuity shall be spent within the confines of the United States, its Territories, and possessions; (b) each installment of the annuity shall be spent by the annuitant within 30 days after the time of its receipt; (c) an annuitant shall not engage in any occupation, business, or other activity from which a profit, wage, or other compensation is realized or attempted, except that nothing in this title shall be construed to prohibit an annuitant from collecting interest, rents, or other revenues from his own investments. No annuitant shall support an able-bodied person in idleness except a spouse; (c) any sum received by an annuitant which represents the proceeds of a sale of any real property acquired through the use of money received as an annuity under this title shall be expended by the annuitant within 6 months after the receipt of such proceeds of such a sale.

The thought behind this proposal is that in the years before the war people in general tended to hoard their earnings. Consumption did not keep pace with our ability to produce. The result was that we had underproduction, underconsumption, and unemployment. Under the Townsend plan there will be no incentive for elderly people of limited income to hoard their meager earnings as the haunting fear of old age and destitution will have been removed. The proceeds of the tax will go to people who will move out of employment. They will be required to spend the proceeds of their annuities within 30 days. This will stimulate production, production will promote employment, the younger will move into jobs vacated by the aged, and we will have prosperity.

The old-age and survivors insurance program, being a contributory plan based upon contributions by both employers and employees, each paying a tax of 1 percent of the first $3,000 of wages, to be increased to 1½ percent in 1950–51 and 2 percent thereafter, is, in effect, a tax on production and a burden on all citizens. The plan gives inadequate relief to those covered and is unjust to those not covered. These taxes go into what is called a trust fund which, on June 30, 1949, amounted to $11,200,000,000. The Government spends the trust funds as received for the regular expenses of Government, and replaces the funds with Government securities bearing interest paid by the Government, which encourages deficit spending. It follows that when these funds are needed, in lieu of the bonds the Government will be obliged to levy another tax on all taxpayers to meet the demands upon the fund. Notwithstanding this huge balance in the trust fund on December 31, 1948, there had been paid to beneficiaries under the program up to that date, only $2,328,606,000. The cost of administering this program is now running approximately $50,000,000 a year. For the fiscal year 1948 administrative costs were 10.8 percent of the benefit payments. A major part of the heavy administrative work is in keeping the wage records of 78,700,000 living people and determining the amount of benefits each—including his family—is entitled to if and when he becomes eligible for benefit payments. To be fully insured for life a worker must have 40 calendar quarters of covered employment. Minimum benefits for a worker are $10 a month, and for a worker and his wife, $15. Maximum benefits currently paid are $45.20 for a worker and $67.80 for a worker and his wife. The average payments as of December 1948 were $25.40 for a worker and $38.10 for a man and his wife. This old-age and survivors insurance plan contemplates these actuarial calculations would become effective for a boy 16 years of age in a covered occupation and that for 50 years or until he is 65 years of age, the Social Security Board will keep track of his employers' and his tax payments made from his wages and other essential data covering the case, and based thereon will determine what he will receive in benefits 50 years from now which, according to present average payments, would be about $25 a month. With the ups and downs in the economic conditions of our Nation and the fluctuation in the value of the dollar, it is at once apparent that the whole scheme is unworkable and, in fact, offers little social security to our workers. These workers, who, with their employers have been taxed through the years and who are now receiving only an average payment of $25 a month, are receiving less than many of the old-age beneficiaries who pay no tax to the fund. In the meantime, the Federal Government is piling up a huge so-called reserve fund which, in reality, is only a paper fund as the actual moneys are expended as received by Government bureaus, and only I O U's are left in the fund.

All of these difficulties would be avoided by the enactment of legislation of the type we propose in H. R. 2135 and H. R. 2136 which, as I have said, is a pay-as-you-go plan and is financed from current receipts, to which all contribute who come within the tax formula. Particularly, it would eliminate the unsound reserve fund, the bureacratic spenders' paradise for inflation and deficit spending. Furthermore, our proposal would be elastic so that monthly annuities necessary to enable the recipient to maintain himself in decency and health, would be determined currently, based on existing conditions and tax revenues collected, and which would be adequate to meet necessary living expenses.

While it is true H. R. 6000 provides additional funds to carry on the old-age assistance program, the revised method of allocation of the funds to the recipients is so arranged that the additional Federal assistance will go to those States in the Union which have provided the least help to the aged. As shown by the tables on page 41 of the committee report in the "Old age groups receiving from $20 to $45 per month" of which only $5 to $17.50 is contributed by States and local funds, recipients may receive an increase from Federal funds of from $5 down to $1.25 a month, providing the States make the same contributions heretofore given. However, the States such as California, Colorado, Washington, and my own State of Oregon, which have contributed more generously to the welfare of these people, will receive no additional Federal funds.

It is apparent, therefore, that the Pacific Coast States will receive no additional Federal contributions under this law to pass on to old-age annuitants under the old-age assistance provisions of social security and they will be relegated to the existing inadequate allowances for the needy citizens.

The old-age assistance program under the present social-security law is also wholly inadequate to provide a decent annuity to old people of our Nation who come within its provisions. It is a starvation allowance. There is little uniformity in the payments made in the several States. Many old-age annuitants are suffering from malnutrition and starvation. In my own home city this news item appeared:

OLD-AGE PENSIONER FOUND CRITICALLY ILL

Leonard Dow, 79, Lind Hotel, old-age pensioner who was found seriously ill in his room Friday, was taken to the Emergency Hospital. Attendants said he is suffering from pneumonia and malnutrition. He later

was admitted to Permanente Hospital, where his condition is reported critical. Dow is the third elderly person found this week in need.

Many of our aged citizens throughout the United States are similarly situated. If we are to preserve the American way of life and our economic and democratic processes under free enterprise, we must find a solution not only for our unemployment problems but also for the problems of providing adequate care for the aged and disabled. With an accelerating advance in technology in the post-war era, and with the commercial development of atomic energy presaging more rapid transitions in mass production, the social risks and hazards of unemployment and old age are increased. Rather than see workers pushed from the active labor force, hit or miss, the logical policy to follow is one of selection. The older group has earned retirement. Many of them are not covered by the Social Security Act. By covering the entire group, the whole process of business activity will be stabilized. Retirement payments will provide continuous buying power, will provide the needed balance in market demand, and will help to provide mass consumption without which our mass-production economy cannot function successfully. It will lead the way to greater prosperity in our Nation.

It was by reason of these deficiencies in the old-age security program that those of us in the Congress interested in the problem introduced the Townsend legislation, which is embodied in H. R. 2135 and H. R. 2136. The closed rule by which we are bound does not permit an amendment being offered embodying our proposal.

The aged, through no fault of their own, through the flat of industry, are denied a part in production. They toiled the longest in production and should not, when old, be deprived of taking part in consumption. They are the victims of an industrial system for which they are not responsible. Society owes a duty to these old folks, and it can only perform this duty by establishing a national annuity system providing against the hazards of old age and disability. There are now millions among us 60 years of age and over who are not now being cared for in an honorable and just way by the present system of social security, and are receiving no support from any source or hopelessly inadequate support. Our plan would replace the complicated, arbitrary, and inequitable provisions of the existing law. It is financed by a gross income tax in which all participate. As I have already said, it is a pay-as-you-go system, and annuities will be paid currently each month out of currently raised revenues, and the sums so received by annuitants must be spent within 30 days. Under the plan the existing system of old-age and survivors insurance and old-age assistance will be abolished and a new program substituted therefor. This proposal gives recognition to the past labors of the aged and would offer them dividends from the wealth of American industry which they helped to create. These annuities are provided for these self-respecting American citizens as a matter of right, without reference to need or prior contributions, and with neither the stigma of charity or the aroma of poverty.

Mr. Chairman, I regret, as I have said before, that the Rules Committee has brought this legislation before the House under a gag rule which will not permit any amendments and which will not give the House an opportunity to vote upon an amendment embodying the Townsend legislation. I trust that if the bill passes the House the Senate will make it possible for the Congress to pass judgment upon a Federal social-security program which will eliminate State lines and make it possible for all of the aged and disabled citizens and dependent widows and children of the United States to have adequate social security protection, which they are not accorded under the present social-security law, even after it is amended by the provisions of H. R. 6000.

Mr. WOODRUFF. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. REES].

Mr. REES. Mr. Chairman, I consider it to be absolutely unfair and undemocratic for the majority leadership to bring the social security bill to the floor of the House under a gag rule.

This bill contains 600 pages. There are a number of controversial features in the bill. It is far reaching in its effect upon the people of this country. It is a bill that determines permanent policy on the broad question of social security and is entitled to full consideration and debate by the membership of the House.

Furthermore, Mr. Chairman, there are many Members who would like to offer amendments to this bill, and yet, by adopting this gag rule, 435 Members must approve or reject the bill as written and in entirety. Do not forget the bill was written by 15 Members of a House committee.

I have no fault to find with the fact that the bill was written by a majority of the House committee. My criticism is that the bill is of such vast importance and of Nation-wide interest that Members ought to have a right to submit amendments and have them discussed.

This procedure is autocratic, to say the least. Furthermore, to say that some other Congress in the past followed this kind of procedure with respect to some other bill is not sufficient excuse or reason for following such policy on this legislation. The problem is too important to be considered under a gag rule where no one is even given an opportunity to offer amendments of any kind.

Let me repeat, the question I am raising now is not with respect to the approval or disapproval of the bill. The question I raise is that of placing the House in a strait-jacket whereby we must take the bill in its entirety as written or vote against all of its provisions.

Mr. Chairman, we were called back 2 weeks ago and have been in session only 4 or 5 days. It seems to me that since you have seen fit to insist on bringing the bill to the floor of the House, then you ought to permit plenty of time for discussion and amendments.

Let me say further that since this bill will not even be considered in the Senate during the present session, the right thing to do is to have it printed and then let it go over until the first of the year so the people may have a chance to examine its provisions in the meantime. The reason I make this suggestion is because of an agreement that has been made by the majority party not to consider it in the Senate until next year.

Mr. WOODRUFF. Mr. Chairman, I yield 11 minutes to the gentleman from Illinois [Mr. MASON].

Mr. MASON. Mr. Chairman, you have just listened to a very excellent, statesmanlike discussion of our social security set-up and the problems contained therein. I fully agree with what the gentleman from Arkansas said about the gentleman from New Jersey: He is one of the best posted men in the Congress on social-security problems. He has, however, given you a description of the social-security set-up and its problems from the standpoint of an enthusiastic supporter of the problem. Now, I am going to give you a description of the social-security set-up as a whole, not the ramifications of it, from the standpoint of a man who is violently opposed to the way the social-security set-up is being administered, and the law under which it is being administered.

Mr. Chairman, social security is a splendid thing. It is supposed to provide financial independence for old folks no longer able to work. Properly administered, it would do just that. But the New Deal politicians who invented the plan wanted the tax money to spend at once; so, through political cunning and sharp practice, they put across on the American worker and employer this scheme to collect taxes now for old-age security benefits, spend the money for other things, and then levy additional taxes upon future generations to pay the old-age benefits that present-day workers have already paid for. The social-security objective is excellent; the plan for financing it is "phony."

Social security taxes are paid to insure security in our old age. Uncle Sam has collected some $15,000,000,000 for that purpose, but he has spent every cent collected for current needs. It was spent as fast as it rolled into the Treasury. Instead of putting the money into the vault for future use when it was needed, Uncle Sam spent it and put his I O U's into the vault. When you are past 65 and are entitled to monthly benefit payments from the social-security fund Uncle Sam will have to tax your children and your grandchildren to get the money to pay what you have coming to you—what you and your employer have already paid for.

YOU PAY TWICE FOR SOCIAL SECURITY

Mr. Chairman, the premium you pay for your old-age security insurance—the dollars taken out of your pay envelope

each month—goes into the Federal Treasury and is spent for the general running expenses of the Government. Into the old-age security insurance reserve fund—in lieu of the cash collected—are placed Government bonds from which future old-age security insurance benefits are to be paid. But Government bonds only represent an obligation on the part of the Federal Government to pay out at some future time an equivalent number of dollars. And where will these dollars come from to pay this obligation or debt? From future taxation. There is no other source. Therefore, you are taxed to pay for your old-age security insurance during the time you work, and then when you retire at 65 years of age your children must pay new taxes to redeem the bonds to furnish the cash that the old-age security insurance hands out to you in the form of benefits. It is a fraudulent system, a "phony" system.

To illustrate: John Smith decides to operate his own security program and puts into his safety-deposit box a certain amount each week out of his wages as a fund to provide an annuity in his old age. After John has accumulated, let us say, $5,000 in his safety-deposit box he finds he needs money for other expenses, so he takes cash out of the box and replaces it with I O U's to himself. If he keeps on using cash out of his fund he will eventually have in his box $5,000 worth of I O U's signed by John Smith and payable to John Smith. This is exactly the kind of reserve fund Uncle Sam has set up as a social-security fund, and Uncle Sam must levy a second tax to pay future benefits.

The Federal Government wound up June 30, 1949, $1,500,000,000 in the red. Congress turned down President Truman's request for higher income taxes. Increasing the old-age security insurance taxes will bring in extra billions for current expenses. So, since President Truman cannot "soak" the rich to balance the budget he proposes to "soak" the poor to balance the budget through increased old-age security insurance taxes. Has the Federal Government either the responsibility or the right under our form of government to force its citizens to buy "phony" old-age insurance?

Now, Mr. Chairman, what does H. R. 6000, the bill now before the House for debate and action, propose to do? What are its provisions? Briefly, the following is an analysis of the general features of the bill, boiled down and stated in simple language.

The bill has 201 pages and the report has 207 pages, all technical language and terminology. The committee labored 6 months (February 15 to August 15) to overhaul our social security set-up. Half the time was given to open public hearings and half to executive committee consideration and debate. H. R. 6000 is the result of the 6 months' labor, being voted out of the committee favorably by a 22-to-3 vote. The following are the principal provisions of the bill:

A. COVERAGE

President Truman asked that 23,000,000 people not now covered be taken into the system—farmers, farm help, all professional people, such as doctors, dentists, lawyers, civil engineers, and so forth, and all self-employed. The bill takes in between ten and twelve million people not now covered, but leaves out farmers, farm help, and all professional people.

B. BENEFITS

Present benefits, under the provisions of the bill, will be in general doubled. For example: Present primary benefits run from $10 per month to $45 per month. Under the bill they will run from $25 to $64, while family benefits under the bill will run from $40 per month to $150 per month.

C. TAXES

The present 2 percent pay-roll tax for social security—1 percent on employee and 1 percent on employer—will be increased to 3 percent January 1950, 4 percent January 1951, 5 percent January 1960, 6 percent January 1965, 6½ percent January 1970. Since it will require at least 8 percent to cover accrued benefits by that time, the general treasury will be drawn upon for the balance needed.

All self-employed people will be required to pay 1½ times the rate employees are required to pay.

The taxable amount of a person's salary or wages for social-security purposes has been upped under the bill from $3,000 to $3,600.

D. ADMINISTRATION

H. R. 6000 has many technical revisions of the present law to simplify, clarify, and expand the present powers of the Social Security Administration.

E. DEFINITION OF EMPLOYEE

The definition of employee is very technical and complicated. It repeals the Gearhart bill which reinstated the common-law definition of "master and servant" for social-security purposes. I cannot explain this new definition, and I do not know anyone who can explain it. In reality H. R. 6000 permits the Social Security Administrator to use his own judgment in deciding who is an employee and who is not. The definition is not spelled out in the bill.

Mr. Chairman, H. R. 6000, in my opinion, is a long step down the road to a welfare state. It is the initial or preliminary step toward socialized medicine—a cradle-to-grave program that will eventually cost the taxpayers of this Nation between fifteen and twenty billion dollars per year.

This social security expansion program is both immoral and unsound. It is immoral because it proposes to hand out benefits now and charge most of the cost to future generations. It is unsound because it dodges entirely the expenses eventually involved. I am opposed to H. R. 6000 on many counts.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Arkansas [Mr. HARRIS].

Mr. HARRIS. Mr. Chairman, I too have enjoyed the discussion today on the highly complicated and most interesting subject of social security. I am for the expansion of social security because I believe, out of the experience gained since 1935, that when this program was first enacted, there must be some changes that could be brought about that would make it a better program.

I should like to refer, as many others have here, to a particular provision that gives me some concern, however. There are a number of provisions here that cause me grave doubt. I believe that is true of other Members. As a member of the committee has said, this represents somewhat of a compromise on some highly important issues, and this is what we have.

I am from the southern part of Arkansas, where we have tremendous timber, sawmill, pulp, paper, and logging industries, which mean much to the economy of our area and to thousands and thousands of employees, and their welfare. This is why I am making an effort to try to clarify what seems to be a very important definition as contained in this bill with far-reaching effect, and one that seems to have created a great deal of interest among many people and particularly in the timber, sawmill, pulp, and paper industries.

I refer particularly to the definition of "employee," which is proposed in the bill to include—

(1) Any officer of a corporation; or

(2) Any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee. For purposes of this paragraph, if an individual (either alone or as a member of a group) performs service for any other person under a written contract expressly reciting that such person shall have complete control over the performance of such service and that such individual is an employee, such individual with respect to such service shall, regardless of any modification not in writing, be deemed an employee of such person (or, if such person is an agent or employee with respect to the execution of such contract, the employee of the principal or employer of such person); or

(3) Any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

(A) As an outside salesman in the manufacturing or wholesale trade;

(B) As a full-time life-insurance salesman;

(C) As a driver-lessee of a taxicab;

(D) As a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;

(E) As a contract logger;

(F) As a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

(G) As a house-to-house salesman if under the contract of service or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or

similar services for any other person—If the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed; or

(4) any individual who is not an employee under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss.

I have carefully read the explanation of the committee in paragraph 9, page 14, of the committee report and also the explanation in the section-by-section analysis of the bill, beginning on page 80, including examples applicable under the definition. I appreciate the determined effort the committee has made to clearly explain the meaning of this proposed definition.

However, much speculation has arisen and there are grave doubts in the minds of some people whose businesses will be affected by the definition, and the actual application to their own operation.

I think it should be and I believe it is the purpose and intention of the committee in bringing to the Congress this definition for business as well as employees to know whether or not they would apply to their own operation which is an established operation. In other words, I believe the gentleman would concur with me that this definition should be clear and explicit so this company or that company or this employee or that employee would know if it is applicable to his own situation.

In that there is some doubt and apprehension in the minds of some, I should like in order to clarify this meaning further to propound to my colleague from Arkansas [Mr. MILLS], a member of the committee, some further hypothetical questions of actual and existing operations of some businesses in the sawmill, lumber, pulp, paper-mills, timber, and contract operation. I thoroughly concur in the high compliment paid him by other members. The gentleman is so familiar with the meaning of the definition, his answer would no doubt be the determining factor in the administration, if this becomes law, of these specific and existing contractual operations between company and independent contractors.

For instance, there is a company I could name in my district. It contracts logging.

The contractors own their truck and furnish all equipment, which usually consists of a truck and trailer, a team and saws. The company may or may not own the timber lands; most of the time it does and some of the time under timber contracts the contractor merely cuts down the trees, saws the logs, loads them and hauls them to the mill. These contractors handle their own pay rolls. They handle and report social security and income-tax deductions. The company simply pays them under a written contract, different prices depending on the amount of timber, the distance from the mill and other factors. They too are perfectly free to make a contract to haul for any other mill that they see fit, although most of them haul for this particular company most of the time.

Under this statement of fact, and actual situation, would, under this definition, these men in the administration of it be considered contractors or employees of the company and would any of the men that might be working for the parties entered into the contract to deliver the timber to the mill be considered under this definition employees of the company?

Mr. MILLS. Mr. Chairman, if the gentleman will yield?

Mr. HARRIS. I am delighted to yield to my colleague.

Mr. MILLS. On the basis of the information the gentleman has submitted, it is quite clear to me that the intention is that the definition of the term "employee" does not include this individual, this contractor, as an employee of this lumber company. That individual, under this definition, is intended to remain an independent contractor. Let me point out why.

First of all, it is hard to find control over that individual. Second, there is no permanency of relationship. The relationship is based upon a contract that may be for 2 weeks or 3 months or a year, but it is not within the meaning of the language on line 11, page 51, "permanency of relationship." The integration of the individual's work, of course, is present.

But on the other hand, this individual has an investment in the tools of his trade. In your case he owns trucks. He certainly owns axes and saws. In the last line of paragraph (4), on page 51, you find this language: "lack of opportunities of the individual for profit or loss," denoting the status of employee where there is that lack.

This individual is in a business of his own, where he runs the risk of suffering a loss and anticipates making a profit.

Mr. HARRIS. In other words, the contractor would be responsible for the social-security tax?

Mr. MILLS. As an employer; yes, sir.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield.

Mr. CURTIS. I am not familiar with the type of industry that has been described. Is this person known as a contract-logger?

Mr. MILLS. Yes. He is known as a contract-logger. I know enough about the situation which exists in the territory of the gentleman from Arkansas to be able to advise the gentleman from Nebraska that he is known as a contract-logger. That is his business.

Mr. CURTIS. If the gentleman will refer to paragraph (3), would not that bring them in as employees?

Mr. MILLS. Paragraph (3) would not bring this individual in because of the language which is found beginning on line 16, page 50 of the bill. As the gentleman knows, the contract-logger is mentioned by category in line 3, page 50, but in order for him to be an employee, he has to come within this language beginning on line 16, page 50, and extending over through line 3, page 51, this particular individual would not come within that definition.

Mr. CURTIS. But he would have to meet the test of being employed.

Mr. MILLS. That is correct.

Mr. HARRIS. Here is another case. I regret to have to take up so much of the time of the committee, but it is highly important and a specific operation and typical, not only in my district, so far as the lumber, sawmill, pulp and paper industry is concerned, but it is typical all over the South where we have southern pine operations. It is also important throughout the United States in the timber and mill industry. I am not indicating the question of employee coverage, but clearly determining the responsibility. The taxes must be paid. It is not right, nor is it the intention of an employer or company, to proceed under one ruling or interpretation for years and find he must pay thousands of dollars by administrative ruling, thus vitally affecting the company's economic status and relationship with its employees.

This case also is actual, concerning a certain company in my district and a typical one in our area.

This company enters into a contract with an independent logging contractor who employs some 15 men. He owns and operates, saws, two trucks and trailers, one tractor, perhaps one mechanical saw and odd tools. His investment is approximately $10,000. He complies with all State and Federal laws, such as wage-hour, social security, workmen's compensation, and so forth. He has contracted with this major lumber company for 12 to 15 years. He may or may not have ever contracted with any other company. In carrying out the contract with the company, he will probably cut from the company's own timber or a timber deed owned by the company. His contracts are entered into after negotiation with the company as to terms, price, products to be cut, and so forth. His contracts are for bids ranging from 2 weeks to 3 months. He

most usually owns his own home and a small plot of land in the rural areas. He may own some livestock and farm some, but his contract-logging operations constitute his main business. His employees usually live in the area, too. They do some farming and raise livestock, but depend largely on woods work for their livelihood.

As described by this actual existing operation, would—under the definition in the bill—the so-called independent contractors of the company be actual independent contractors or employees of the company, and would the employees of the alleged contractor be actual employees of the company under the definition?

Mr. MILLS. Under this definition of either paragraph 3 or 4, that individual would be an independent contractor and not an employee for this reason: The fact that he may have been under contract over a period of 12 or 15 years is still not establishing a permanency of relationship, because those contracts are of short duration, and, as you have indicated, the man has a perfect right to contract with other individuals. He has capital invested. He runs the risk of loss as well as the possibility of profit. He would be an independent contractor.

Mr. HARRIS. I understand the committee in its study and formulation of this provision of the bill became familiar with the case of *Crossett Lumber Co. v. U. S.* (79 F. (Supp.) 20, 1948), which case involved the meaning of the term "employee" for the purposes of pulpwood operations, and decided by the Federal district court in Arkansas. In that case it was held that the individuals employed by the contract loggers were not employees of the lumber company but of the contract loggers.

Is it the intention of the committee under this employee definition that the individuals employed by contract loggers under circumstances such as those involved in that case be considered employees of the lumber company for the purposes of social-security taxes?

Mr. MILLS. As the gentleman knows, the Crossett Lumber Co. case was decided in the western district of Arkansas by my predecessor in Congress. I had occasion to talk to him about this specific case—not before the decision but long after the decision. On the basis of the information that I received from him, it appears that in the course of arriving at his conclusion he gave consideration to the very factors which the Supreme Court had used in the Silk case, and the other cases. It is true that at the time that decision was handed down, the Congress had passed the Gearhart resolution, and the common law was the law insofar as this definition is concerned. But in arriving at the meaning of the common-law rule, the judge analyzed all of those factors and found that the man was an independent contractor, and that his employees were not employees of the Crossett Lumber Co. To my mind, this does not change that decision.

Mr. HARRIS. One further question with reference to insurance. What is the status, under the definition of "employee" of a local property agent selling fire insurance, surety, fidelity insurance, who owns his business, which he may sell at his will?

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman two additional minutes.

Mr. MILLS. The status of the local property insurance agent referred to by the gentleman was considered by the committee in connection with this definition, and the committee does not intend, and I am reliably informed that the Treasury does not contemplate, that they should be included as employees, under this definition. The answer I obtained from those people in the Treasury, who will be charged with the responsibility of collecting this tax, is that those people clearly are not employees.

Mr. HARRIS. Will the gentleman advise the House if he also has information as to whether or not the attitude of the Treasury as he has just explained will be the same with reference to answers to the questions I asked regarding the sawmill, paper mill, and timber industries?

Mr. MILLS. I can assure the gentleman as much as anyone can assure him concerning the action of a bureau that the people in the Internal Revenue Service and in the Treasury will attempt as best they can to follow what they consider to be the Committee's intention regarding these definitions. The people in the Bureau of Internal Revenue and in the Treasury Department have been with our Committee during the course of all our consideration of these definitions and I think they know full well what our Committee intends, and that the Committee does not intend to give a blank check to any department.

Mr. HARRIS. I appreciate the gentleman's categorical answer to these questions.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield.

Mr. JENKINS. Does the gentleman think there is any finality in that? That just because one man in the Treasury says what he will do the man who succeeds him will be similarly bound? In future years the Treasury will be officered by other men; there is no permanency there. These men down in the Treasury cannot take the place of a judge on the bench; they are not the judiciary; and I tell you we ought not to pass any legislation based on what an official in the Treasury might or might not do.

Mr. HARRIS. I, too, have had some doubt about administrative procedures but I assume most agencies are endeavoring to administer the laws as Congress intends them. There are certainly some exceptions, but we do not anticipate this to be one of them.

I thank the gentleman from Arkansas for his categorical answers to my questions, but from these actual operations we must recognize that such independent contractors are integrated with the business. It is just an actual reality that cannot be avoided in such operations. Many contract with the company only and they take one contract after another. Therefore, some question the meaning of these interrelated provisions of paragraph 4, under the definition pertaining to the so-called economic dependents.

But it is the committee's interpretation that such actual operations would not be included in the employee definition and the contractors will be the ones responsible for the tax and the compliance with the social security provision.

Mr. MILLS. That is correct.

Mr. HARRIS. I appreciate your clear and frank answers in clarifying this as it affects this industry.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. KILDAY, 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. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, had come to no resolution thereon.

SOCIAL SECURITY ACT AMENDMENTS OF 1949

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. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

The motion was agreed to.

Accordingly the Committee resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H. R. 6000, with Mr. KILDAY in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the gentleman from North Carolina [Mr. DOUGHTON] had consumed 1 hour and 21 minutes and the gentleman from Ohio [Mr. JENKINS] had consumed 1 hour and 44 minutes.

Mr. DOUGHTON. Mr. Chairman, I yield 25 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, I have spoken three times on this bill already, once before the Rules Committee, once in the Democratic conference, and then on the rule, so I shall not ask your indulgence very long at this time.

The pending bill, H. R. 6000, comes before the House by a favorable vote of 22 to 3 of the Ways and Means Committee. In my experiences as a member of that committee I have never known any measure to receive more thorough and careful consideration than the pending bill.

The social-security program for this country was established under the act of 1935. That measure was the greatest piece of legislation of that type ever enacted in the history of this or any other country of the world. Many other countries had some phases or some parts of the social-security program, but the great President Franklin D. Roosevelt was the first man with the vision and the courage to give to the country a rounded-out and completed recommendation for a social-security program.

The act of 1935 provided among other things for old-age assistance, commonly called old-age pensions. It provided for old-age insurance benefits, commonly called old-age annuities. It provided for unemployment compensation, aid to dependent children, child welfare, aid to the blind, and included other provisions.

The old-age insurance provisions of the act became effective in 1937. After 3 years of experience under this act, it was found that certain improvements were desirable, so the act of 1939, embracing quite a number of far-reaching amendments to the Social Security Act of 1935, was enacted. In fact, the act of 1939 provided a program much broader and more extensive than the original act. The original act provided only for old-age retirement benefits. The 1939 act provided for old-age and survivors insurance benefits.

Now, after 10 years of experience under the 1939 act, it is found desirable to extend this program further, so in its far-reaching consequences to the future happiness and welfare of the people of this country this bill, H. R. 6000, is perhaps the most important legislation receiving the attention and consideration of this Congress.

Many improvements are provided for this program. Among other things, the program for old-age assistance, or what is commonly referred to as old-age pensions, is extended and improved. A new formula is provided in this bill which will result in all of the States of the Union receiving some additional Federal funds for old-age assistance, and the States paying the lowest amount of benefits for this purpose will receive greater benefits.

Then for the first time we embrace in this program a provision for total and permanent disability benefits for the needy people of the country.

Bear in mind that under the present program only people who have reached the age of 65 can receive the benefits of old-age assistance. We add a new category in this bill and provide not only for old-age assistance and aid to dependent children and the other provisions now included in the program, but we also provide for total and permanent disability benefits regardless of age. That means if some person becomes totally and permanently disabled and is in need, but has not yet reached the age of 65, he is eligible for benefits under this program under the same formula of State and Federal matching as is provided for old-age assistance, or old-age pensions.

Then very important amendments are included with respect to the program for old-age and survivors insurance. Bear in mind that old-age assistance, or commonly called, old-age pensions, is all paid for by the Federal and State Governments. The individual recipient may not have contributed any part to that program. But under title II of the old-age and survivors insurance program the people themselves make contributions during the working period of their lives to build up benefits to which they become entitled as a matter of right when they reach retirement age.

Mr. KEEFE. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. KEEFE. The gentleman is making a very splendid exposition of this bill. He has just discussed some of the old-age-pension provisions of the bill. Up to now the gentleman, as I have followed his statement, perhaps he intends to do so later, has not discussed this new provision in the bill which relates to the receipt or payment of old-age assistance to beneficiaries who are occupants of

public institutions. I would like to get a very definite statement. As the gentleman knows, I appeared before his committee in support of a proposal which would permit the continuation of old-age-assistance payments even though the people were in a public institution. As I understand, what you have done—and the gentleman can correct me if I am mistaken—you do not permit the continuation of payments in the event a person is either a voluntary or involuntary patient in a tuberculosis sanatorium or a mental institution, but if the county or local organization provides a place where they may receive medical care or subsistence care on a medical basis they will not lose their old-age pensions, is that correct?

Mr. COOPER. The gentleman is correct. Persons in medical institutions other than tubercular or mental institutions would be eligible. The gentleman will find on page 42 of the report a very clear explanation of that provision of the bill. I am glad to say the distinguished gentleman from Wisconsin has evidenced an intense interest for many years in this particular phase of the program. But the Committee on Ways and Means was most favorably impressed by his appearance before the committee. We have endeavored to take care of the situation which he so ably presented to the committee.

Mr. KEEFE. I thank the gentleman.

Mr. COOPER. Mr. Chairman, the pending bill provides for an expansion and improvement of the old-age and survivors insurance program. It also includes, for the first time, a new category for total and permanent disability benefits.

About 11,000,000 people not now covered under the social-security program are covered under this bill. Those 11,000,000 people include the following groups:

(a) Certain self-employed persons other than farmers are included under the bill, about 4,500,000 people. They are covered when their net earnings from self-employment amount to $400 or more per year.

We have had this situation presented to us from time to time. I am sure the experience of every Member of this House has been similar to mine. We meet people in our districts at home who say to us, in effect, "I am operating a barber shop, or a garage, or some other business. I am paying my employer's share of social-security tax for the benefit of the other people who work in my business, but I am not making any provision for my own retirement benefits. It may well be that when I reach 65 I may need retirement benefits as much as any of the men I am now employing and for whom I am paying my share of the tax."

So the committee has included in this bill certain self-employed, on the basis I have just mentioned. Of course, a self-employed person is both employer and employee. It may be thought advisable for him to pay the employer's tax and the employee's tax, both, because he occupies both relationships. But under the provisions of this bill, after consultation with the actuaries and those who are in the best position to give us expert advice and assistance, it was found that the tax rate is 1½ times the amount of the employee's tax rate would be generally sufficient to take care of those self-employed people. So, instead of paying under the present rate of 2 percent, 1 percent for employer and 1 percent for employee, those self-employed people are required to pay 1½ percent.

Next, employees of nonprofit institutions, other than ministers, which will include about 600,000 people: The employer is not compulsorily taxed, but may voluntarily elect to participate. If an employer does not participate, the employee receives one-half the wage credit. We know, of course, the long-standing question about taxation of certain institutions in this country—religious, educational, and other institutions of that type. So it is provided in this bill that they may voluntarily pay this tax for the benefit of their employees, and the information given the Committee on Ways and Means, by representatives of those institutions, is that perhaps 98 percent of them will be glad and willing to voluntarily pay this tax. But it is provided that in such instances as the employer does not pay it, then the employee receives one-half the wage credit, because he is paying the employee's tax, but the employer's part of the tax has not been paid for him.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. JONAS. Does this provision that the gentleman has just discussed apply to hospitals that are organized not for profit?

Mr. COOPER. That is correct.

Mr. JONAS. It is up to the hospital management to determine whether they wish to become parties?

Mr. COOPER. It applies to all those so-called nonprofit institutions—educational institutions, religious institutions, hospital institutions, and so forth.

Mr. JONAS. And charitable institutions?

Mr. COOPER. Charitable institutions. But it is on a voluntary basis so far as payment of the employer's part of the tax is concerned.

Mr. JONAS. If an employer does not pay, then the employee would only draw one-half what he would draw if the employer had paid?

Mr. COOPER. That is right. The estimated number of nonprofit employers, with the type of organization, is as follows: Total of all nonprofit employers, 287,000. Churches, 254,000; hospitals, 3,000; hospitals, church operated, 1,000; other nonprofit hospitals, 2,000; or a total under employment of 12,000. Schools—universities, colleges, or professional schools, 1,000; elementary and secondary schools, 11,000, or a total of 12,000 employers; other religious institutions, 3,000; miscellaneous service and welfare agencies, foundations, and associations, 15,000 employers.

Mr. MILLER of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MILLER of Nebraska. When these nonprofit groups once go in voluntarily, do I understand that they may also withdraw of their own volition, after they have once gone into the program?

Mr. COOPER. After 5 years, if 2 years advance notice is given.

Mr. MILLER of Nebraska. Do the disability provisions go only to those who pay in under the old-age and survivors' feature, or do they go to those receiving old-age assistance?

Mr. COOPER. It goes to both.

We had added a new category for the assistance program and also for the old-age and survivors insurance program.

Mr. MILLER of Nebraska. Does the question of need enter into the picture, as to whether or not they are in need?

Mr. COOPER. The question of need applies for assistance for disability, just as it does in the case of old-age assistance. But the question of need does not apply for disability insurance, just as it does not apply in the case of old-age and survivors insurance for people past 65, because the insurance is something they have bought and paid for and are entitled to as a matter of right, but on the assistance program need must be shown.

Mr. MILLER of Nebraska. In the assistance program who sets up the standard of need? Or does it vary in the several States?

Mr. COOPER. There are certain broad standards provided under the Federal act, but in the main each State through its welfare department or such agency as administers the program in the State determines those questions and fixes the degree of need and any other requirements that must be met by recipients.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. HARRIS. In the case of a person entitled to old-age assistance who draws a check under the old-age-pension program and then becomes disabled, would he be entitled to draw checks under the total and permanent disability program?

Mr. COOPER. They, of course, are separate programs.

Mr. HARRIS. That is the reason I asked the gentleman the question.

Mr. COOPER. Let us assume the case of a man who is 65 years of age and in need; he is entitled to old-age assistance. The bill expressly provides that no aid will be furnished to any individual for assistance for disability for any period with respect to which he is receiving old-age assistance or aid to the blind, or aid to dependent children is furnished him.

Mr. HARRIS. If the gentleman will yield further, I understood from the explanation given that the total- and permanent-disability clause would apply to the established disability of the individual.

Mr. COOPER. I do not know that our minds are exactly meeting. A person who is not 65 years of age but who is totally and permanently disabled, regardless of his age, if he is in need, is entitled to qualify under this program.

Mr. DONDERO. Mr. Chairman, will the gentleman yield for a question?

Mr. COOPER. I yield.

Mr. DONDERO. While home I was visited by a delegation of policemen and firemen from the city of Detroit requesting that their organization be exempted

from the provisions of this bill because they had their own retirement plan. Is that possible under the provisions of the bill now under consideration?

Mr. COOPER. Yes; that is entirely possible, and I will try to touch on that provision in just a moment.

Mr. DONDERO. But a vote is required to exempt them; I understand they have to make the election.

Mr. COOPER. That is right; they have to vote by a two-thirds majority to come under the program, or they cannot be covered.

Mr. DONDERO. Would that apply to school teachers' retirement funds also?

Mr. COOPER. Yes, both of them.

Mr. LYNCH. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from New York.

Mr. LYNCH. In reply to the inquiry that was made in respect to the nonprofit institutions, is it not a fact that when an institution has been in for 5 years it may withdraw only upon 2 years' additional notice; so that before any institution may withdraw it must be in the system or its employees must be in the system for 7 years and once it has withdrawn the institution cannot get back?

Mr. COOPER. The gentleman is correct. Allow me to say that the gentleman from New York [Mr. LYNCH] has made an outstanding contribution to this provision of the bill as well as to many others. He served on the subcommittee last year and has been very diligent in his efforts this year and has made an outstanding contribution to the provisions of this bill, especially with respect to these nonprofit institution employees.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Mississippi.

Mr. WHITTINGTON. As I understand the gentleman, under the terms of this bill the matter of employers coming under it is wholly optional with the employer, all employers, whether barber shop operators or not?

Mr. COOPER. It is voluntary whether they come under or not?

Mr. WHITTINGTON. Yes.

Mr. COOPER. No.

Mr. WHITTINGTON. The matter of an employer coming under the provisions of the bill is not voluntary?

Mr. COOPER. The statement with reference to an employer coming under the terms of the bill voluntarily was with respect to nonprofit institutions.

Mr. WHITTINGTON. I know about that. I am talking about self-employed generally.

Mr. COOPER. The gentleman is talking about self-employed people?

Mr. WHITTINGTON. Yes.

Mr. COOPER. No. They are not covered on a voluntary basis.

Mr. WHITTINGTON. How many self-employed are brought under the terms of the bill outside of exceptions named in the bill?

Mr. COOPER. There about 4,500,000 self-employed people other than farmers who are brought under the provisions of the bill.

Mr. WHITTINGTON. Automatically, whether they desire to be brought under it or not?

Mr. COOPER. Yes. I might state on that point that originally I favored bringing all self-employed people in on a voluntary basis, but it was pointed out that such a program would be very expensive and would probably seriously affect the trust fund for the simple reason that people would wait until they began to advance in years or their health became impaired before they would elect to come in, therefore there would be an unusual burden on the program. They would not have paid in during their active and most productive period of their lives thereby strengthening the fund. So, from the actuarial advice we were able to secure, it was found it was not desirable to bring these people in on a voluntary basis.

Mr. WHITTINGTON. So that the compulsory part is confined to all self-employed?

Mr. COOPER. That applies to everybody under the program now. It is not an optional one.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Florida.

Mr. ROGERS of Florida. If we adopt this program is it not a precedent for adopting a policy of socialized medicine?

Mr. COOPER. No. It has no relation to that at all. It has nothing in the world to do with it. Socialized medicine cannot come unless the gentleman's own committee favorably reports legislation on that point. That is under the jurisdiction of his committee, not the Committee on Ways and Means.

Mr. ROGERS of Florida. Is it the gentleman's idea that if we require a self-employed man who does not want to come under this program to come in that would not be a policy looking toward requiring a man to take out insurance?

Mr. COOPER. I do not see any relationship at all between the two.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 15 additional minutes.

Mr. MACK of Washington. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Washington.

Mr. MACK of Washington. On page 54 of this bill it is provided that newspaper publishers shall be excluded from the benefits of this legislation. Could the gentleman tell me why newspaper publishers are excluded?

Mr. COOPER. Well, about the only answer I can give the gentleman is that the committee had no evidence that they wanted to be included.

Mr. MACK of Washington. One further question. The publishers of newspapers which are incorporated are included as employees. Will this section bar them from inclusion?

Mr. COOPER. No, sir; it does not affect them. In other words, employees of incorporated businesses continue in the future as they have in the past.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. I notice the gentleman is very much disturbed about the exclusion of editors and publishers of newspapers. The committee, when it was considering that subject, felt that editors and publishers of newspapers seldom retired when they were 65 years of age, and that was an additional reason for their exclusion.

Mr. COOPER. The gentleman is correct.

Mr. SECREST. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Ohio.

Mr. SECREST. Does the gentleman see a future possibility of farmers voluntarily being included in the social security program?

Mr. COOPER. Well, of course, it is difficult to tell now. Farmers were not included under this bill because the committee did not receive sufficient evidence that they wanted to be included, and the further fact as indicated by the contribution made by the gentleman from Pennsylvania. As a matter of practice, many farmers ordinarily do not retire at 65 years of age. If a man owns his farm, although he may not plow and hoe and work as much as he did in his younger days, he still operates his farm, supervises it, and does not want to retire as many other people do.

I would like to refer now to certain other provisions of the pending bill. Domestic servants, not in farm homes, are included; about 950,000. They are covered when regularly employed; that is, if they are regularly employed for as much as 26 days out of the quarter and have earnings of as much as $25 during the quarter, from a single employer.

State and local government employees; about 4,000,000 people are included. They are covered if the State enters into a compact with the Federal Security Agency, with the condition that employees already under retirement systems are covered only if by two-thirds majority they vote to come under the program.

Also included are certain Federal employees not under a retirement program; about 100,000. They are covered, with certain exceptions, such as persons under temporary appointment to fill a permanent position, and very short-time employees, such as post-office clerks during the Christmas rush.

Mr. FORD. Mr. Chairman, will the gentleman yield

Mr. COOPER. I yield to the gentleman from Michigan.

Mr. FORD. As to local institutions that have their own programs for retirement, the gentleman says that it takes two-thirds majority. Is that two-thirds majority of all who are covered under the local plan or two-thirds majority of those voting?

Mr. COOPER. It provides for two-thirds both of all employees and adult beneficiaries of a retirement system.

Mr. FORD. There must be an affirmative vote of two-thirds of those who are eligible and covered in order to bring

the local employees under the coverage of this act?

Mr. COOPER. The gentleman is correct.

The bill also provides coverage for certain groups, about half a million people, which includes agricultural processing workers off the farm, nonprofit agricultural and horticultural organizations, voluntary employees benefit associations, farm-loan and farm-credit institutions, employment of United States citizens outside the United States by American employers, and the inclusion of tips as wages.

Under this bill, benefits for existing beneficiaries are increased from 50 percent to as much as 150 percent for the lowest benefit group, with the average increase being about 70 percent. The new benefit formula is 50 percent of the first $100 of average monthly wage, plus 10 percent of the next $200, the average wage being the average over-all years of social security coverage, that is, the years in which there was $200 or more of wages after 1936 (or $400 after 1949), whichever is more favorable. This amount would be increased by one-half percent for each year of social-security coverage. Thus, the longer the worker is in the system the larger will be the benefits.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I think the RECORD should show that in connection with the allowance for increased annuity the average payment of noncontributory old-age assistance throughout the country, as I remember, is about $35, and the earned annuity is only $24, considerably less than the noncontributory.

Mr. COOPER. I think the correct figures are about $45 and $26.

Mr. McCORMACK. In any event, there is a great disparity there, and that is a very important element for consideration by the committee.

Mr. COOPER. The gentleman is correct.

One other word or two about this so-called increment here, this one-half percent a year that a person receives for the number of years he is in the program. Bear in mind that that is in the interest of people who have sustained and supported the program. The longer the person is under the program, the more his benefits are, and he is entitled to this increment.

The minimum primary benefit is increased from the present $10 a month to $25 a month.

Maximum family benefits are increased from the present $35 a month to $150 per month.

Then there are very important provisions with respect to the qualifications for benefits. In addition to existing eligibility requirements, that is, quarters of coverage in one-half the quarters since 1936 and before age 65, or 40 quarters of coverage, another alternative condition is introduced so that newly covered groups may qualify sooner, that is, 20 quarters of coverage out of the 40-quarter period ending at 65 or at a later date. That is of special importance to this newly covered group, the self-employed.

The retirement age of 65 as provided under the present program is continued in the pending bill.

Mr. BRYSON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from South Carolina.

Mr. BRYSON. Did the committee give any serious thought to the reduction of that maximum age of 65 to 62, as in the case of Members of Congress?

Mr. COOPER. Yes; the committee did give very serious and lengthy consideration to that phase of it. There was considerable testimony presented to the committee, especially in favor of reducing the age for women. At one time the committee tentatively agreed to reduce the age for women to 63, I believe. Later, when we were considering the rate of tax and the various phases of the matter, and considering the additional benefits that had been provided and all the various problems in connection with it, it was finally decided to leave the age at 65 as at present. It is a matter of judgment. Of course, there are many desirable reasons for reducing the age, especially in the case of women. But after all, this entire program has to be paid for, and we have to consider every item that goes into the cost of the program and bear that in mind when we are fixing the tax rate necessary to provide the revenue to pay for the program.

Mr. HEDRICK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. HEDRICK. In my section we have many farmers who are also coal miners. They live on 10 or 15 acres of land which they farm some, and go to the mines to work some. What effect would this have on them?

Mr. COOPER. I do not see that this bill would have any effect on that situation, because farmers are still exempt. I do not see that there would be any material difference from the present program in that respect.

The bill provides for lump-sum death payments to be made available for all insured deaths. At present these payments are made only for deaths where immediate monthly survivor benefits are not payable.

Then, as I have indicated before, the bill includes a new category for the old-age and survivors insurance part of the social-security program, which is similar to the new category included for the assistance program; that is, we include those who are permanently and totally disabled. We had brought to our attention many instances of persons who have been under the social-security program from the very beginning. They have been paying in their taxes. The employer has been paying the proper tax for their benefits; but they might have a stroke of paralysis or a serious heart ailment might develop, or for some reason they become totally and permanently disabled. As a result they are removed from the labor market. They are forced into retirement because of their physical condition. But they have not yet reached the age of 65. Under the present program they can receive nothing, although they have been paying in all during that time.

This provision of the pending bill adds a new category and provides that where a person is found to be totally and permanently disabled by the Government physician and meets the requirements and provisions contained in the bill he may qualify for retirement benefits, whatever he may be entitled to, when he becomes totally and permanently disabled, just the same as if he had reached 65 years of age and had been retired by reason of age.

Mr. REES. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. REES. Does that follow the general pattern prescribed under the civil service?

Mr. COOPER. May I say to the distinguished gentleman from Kansas that we tried the best we could to follow the general pattern of the civil-service retirement program as well as the veterans' program with respect to total and permanent disability payments, as well as the retirement program under the Railroad Retirement Act. We tried to pattern this along the lines of these programs which have been in effect for a number of years and have worked rather successfully.

Mr. REES. In fact, this is very much like the program under the Railroad Retirement Act, is it not; that is, this particular feature of it?

Mr. COOPER. It is very similar.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MILLS. The program for railroad men has been in effect since 1937, has it not?

Mr. COOPER. Yes; we have had over 10 years of experience under that act, and we have tried to pattern this somewhat along that line.

Mr. LYNCH. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. LYNCH. It is true, is it not, that in the case of a man who might be disabled, let us say at the age of 52; that is, totally and permanently disabled, he would not become eligible for social-security benefits under the present law until he reached the age of 65? But the fact that he was out of covered employment from the age of 52 to the age of 65 would cause a lessening of the benefits which he ordinarily would receive under the present law; is that not correct?

Mr. COOPER. The gentleman is correct.

Mr. LYNCH. We have corrected that situation.

Mr. COOPER. That is true.

Mr. MILLER of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MILLER of Nebraska. If a veteran who was 50 years of age and comes under the Veterans' Administration as far as disability is concerned, and is also under the old-age and survivors insurance benefit, and he becomes totally and permanently disabled, does he draw from both funds?

Mr. COOPER. Yes. He would draw under both funds. As I endeavored to

point out earlier, the old-age and survivors and the total and permanent disability insurance is something that the person has bought and paid for, and he is entitled to it as a matter of right, regardless of any other benefits that he may receive under a pension or other retirement system, or regardless of how much income he may have. He is buying and paying for insurance and is entitled to it.

Mr. MILLER of Nebraska. At 65 years of age he would get old-age assistance and come under the survivors clause of this bill and also under the Veterans' Administration? And the congressional retirement if he is a Congressman?

Mr. COOPER. The gentleman will bear in mind the old-age-assistance program or the commonly called old-age pensions, and the total and permanent disability assistance, is based on need. A person must be in need. He is receiving something there that is paid for by the Federal and State governments, but he has made no contribution at all to it. On the other hand, the old-age and survivors insurance and the new category, total and permanent disability insurance, is something that he has bought and paid for himself during the productive period of his life, and he is entitled to those benefits as a matter of right.

Mr. MILLER of Nebraska. I think I understand. Of course, there is some misconception about what he has bought and paid for. If he has been in the program only 8 or 10 years he could not possibly have paid in more than a thousand or twelve hundred dollars, and he might start drawing $100 a month, which would take out everything he had paid in in 1 year's time.

Mr. COOPER. Well, it is the best system we have been able to work out to meet those conditions.

Mr. MILLER of Nebraska. But he has not really bought and paid for it.

Mr. COOPER. Of course, there may be some question about that, but there may be some question about whether a man buys and pays for other insurance that he carries.

Mr. CLEMENTE. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. CLEMENTE. Are all the categories under the present law fully covered in this bill?

Mr. COOPER. Yes, they are.

Mr. CLEMENTE. Some of the payments for death have not been made. There are circumstances where a man has been fully insured, but after he is fully insured he becomes ill and is sick for 3 or 4 years and then dies. The Social Security Agency says you are not entitled to any benefits because you have not worked the last six quarterly periods. Has that been corrected?

Mr. COOPER. Of course, under this new category, total and permanent disability insurance would be helpful in such a situation.

Mr. CLEMENTE. Is there a time limit on total disability?

Mr. COOPER. There is a 6 months' waiting period. That is for this reason. A man becomes ill or something may happen to him today, and it is extremely difficult to determine right then whether he is going to be permanently disabled or not, or even whether he is going to be totally disabled or not, but we figure that by requiring a 6 months' waiting period competent physicians may then be able to determine whether he is going to be permanently disabled and whether his disability is total.

Mr. CLEMENTE. If he is decided to be totally disabled at this time, and he dies, does his family receive the death benefits?

Mr. COOPER. Yes. That is correct.

Mr. FORAND. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. FORAND. Insofar as the waiting period of 6 months is concerned, I think the States could well take care of that period like the State of Rhode Island does under its sick-benefit insurance setup, that would give the beneficiary an opportunity to at least have some help during the first 6 months of his disability, and then the social-security program pick him up.

Mr. COOPER. That is correct.

Now, one other point I would like to mention, and I shall not take more time. We include a very important provision in the interest of our veterans. We provide that a permanent wage credit, at the assumed rate of $160 per month, shall be allowed for the time spent in the military service. We have thousands and thousands of veterans of World War II, men who were in covered employment before they went into the service and went back into covered employment after they came out of the service. But for the length of time they were in the military service there is a gap in their social-security coverage; that is 1, 2, 3, 4, or 5 years that they spent in the service—that much time is taken out under their social-security coverage. This bill provides that we will allow at the rate of $160 a month the time that the man spent in the military service in order that there may not be a break or a gap in his social-security coverage.

Mr. CLEMENTE. Take the case of the boy who goes into the service at 17 years of age but who is now under covered employment; would he be given credit at that rate for the time spent in the military service?

Mr. COOPER. Yes.

Just a word in conclusion. Your committee has given 6 months of diligent effort to this bill. We present to you what we consider and honestly believe to be a sound, workable, and constructive bill, and request your earnest consideration and support of it.

THE PROPOSED LEGISLATION IS GOOD BUT DOES NOT GO FAR ENOUGH

Mr. DINGELL. Mr. Chairman, let me start off by saying that I am 100 percent in favor of H. R. 6000 and want to do everything in my power to see that it is enacted. The Committee on Ways and Means has worked hard and diligently on this bill and has produced a very significant measure. There has been splendid cooperation between all the members of the committee, and I am very gratified that the bill accomplishes as much as it does considering that in this democratic Nation of ours the wishes of the minority are not to be completely ignored. However, I do want to state at this time my personal views that the bill should have gone further than it does and thus provided a greater measure of security for the people of this country. Many of the features of H. R. 4303, which I introduced in the Eightieth Congress might well have been included in the current legislation.

As I have stated, the social-security amendments contained in H. R. 6000 are not all that I hoped for. As all Members of the House know, I have consistently in the past been in favor of liberalizing and expanding the social-security system so as to cover all gainful employment in the country. This action is long overdue and we should not delay any longer for more study and deliberation. The subject of social security has been widely considered both within and without the Government over the past decade and there is almost universal agreement that expansion and liberalization are needed and needed now.

Although the bill is deficient in that it does not go as far as I should like to have it go in the direction of liberality of benefits and expansion of coverage, considering the tremendous problems involved, the bill, H. R. 6000, is a definite step forward. Not only has it removed the drastic restriction of coverage brought about by the Gearhart resolution of the Eightieth Congress, but moving in the other direction it has added 11,000,000 more people to the coverage of the program. When a private life-insurance company contemplates a change in the type of policy that is to be sold to the public it requires a thorough actuarial study and research by experts, all involving a tremendous amount of time and energy. Thus, the social-security system, covering the employment of 35,000,000 people during an average week, or 50,000,000 people during the course of a year, and over 80,000,000 people since its inauguration, less than 15 years ago, also requires a tremendous amount of work, both by policy makers and by technical experts.

First, and perhaps foremost, I believe that coverage could feasibly have been extended to more persons than the bill covers. The important groups still not covered, but greatly in need thereof, are farmers, farm laborers, intermittent domestic services, members of the armed forces, and perhaps supplemental or coordinated protection for railroad workers and civil-service workers, who have their own systems. Also some provision should be made for national-bank employees who were inadvertently omitted from coverage during 1937–39, many of whom have suffered as a result.

I am especially concerned about the coverage of farmers and farm laborers. I have always contended that farmers and farm laborers, just like all other workers, suffer from heat and cold, want and privation, and all the other risks of humankind in our complex economy. I believe that the spokesmen for the farmers actually failed their responsibility in that they did not press more strongly for the cause of covering farmers under the social-security system.

I think that the farmers and farm laborers, as well as the various other classes which are not included under H. R. 6000, will ultimately be included. In the meantime the bill, H. R. 6000, provides a fairly adequate start toward a good, liberal social-security system for the workers of this country, and I hope it will not be too long before the benefits of coverage will be available to all workers.

The benefit amounts have on the whole been increased very materially, but I feel that an even further increase would have been desirable. The maximum creditable wage was increased from $3,000 to $3,600, but this is far too little and should have gone to at least $4,800 when it is considered how much wages have risen since 1935, when the $3,000 maximum was first inaugurated. For instance, among male automobile and steel workers employed throughout the entire year over 40 percent received at least $3,000 in wages in 1945, and since that time this proportion has undoubtedly risen considerably, probably to at least 60 percent. Moreover, the majority of these are earning well above the $3,600 limit established by H. R. 6000. A higher wage limit would, of course, have resulted in higher benefits. Then, too, in the matter of liberalization of benefits, I feel that we have not done adequately by those who are already on the roll. These persons will receive an increase of about 70 percent, which it is true will be most helpful, but they will still not be treated as fairly as those who came on shortly after the enactment date, who will, in effect, receive an increase of about 100 percent.

Considering the eligibility conditions for benefits, I feel that the bill is a little too strict in regard to both those in the newly covered groups and even for those now covered, and I would very much prefer to have seen more liberal eligibility provisions included. Also it is unfortunate that the retirement age for women, both workers and dependents, such as wives and widows, was not lowered to age 60.

The bill has made a great forward step in including permanent and total disability insurance, but I feel that too conservative a program has been set forth because there are no supplementary benefits available for dependents. Certainly a young worker who is disabled and who had a number of children is in great need of more than the moderate benefit which will be payable to him, and it would seem only logical that if his dependents are to receive benefits after his death they should certainly be paid while he is living. After all, it will be a very peculiar situation for less to be paid to the worker's family while he is alive and disabled than after he dies, and I certainly hope that dependents' benefits for disabled workers will be introduced in the not too far distant future. Also it would be desirable to include benefits for disabled dependents of retired workers and disabled survivors of deceased workers without regard to the age limitation now prevailing.

H. R. 6000 is of great importance in encouraging persons beyond the retirement age to engage in some form of gainful employment because it permits payment of full benefits when wages are $50 or less per month. However, if administrative problems could be solved, it would be desirable to go further and eliminate an inequitable situation which will arise. A man earning $55 will lose all of his benefit, whereas if he earned $5 less, he would have received all of his benefit. Certainly, in such a case he should only forfeit $5 of his benefit. After a retired person reaches 75, the bill will permit him to earn any amount he can without loss of benefits.

In the field of public assistance, I am heartily in favor of the increased grants for States with low average payments, although I think that we are perhaps tackling this problem in the wrong manner. I believe that it would be much better if Federal participation varied with the economic capacity of the State, as determined by its per capita income, rather than on the basis of the average payment in the State.

Finally, let me refer just a moment to the historic Republican opposition to social security. In general this opposition has not vanished, but is unfortunately still present among the undercurrents.

The Republican Party on the whole is still rigidly conservative and has throughout the years tried to hold back the inevitable progress of social security. The time was ripe just after the war, and after thorough studies had been made available, for the Republican Party while it had control of the Eightieth Congress to sponsor legislation which could have been on a nonpartisan basis, but as you all know virtually no action was taken and even such action as there was at that time was of a negative character, removing from coverage thousands of people under the so-called Gearhart resolution. The cause of social security is so popular among the people of this country that the Republican Party does not dare to come out in opposition and defeat the will of the people. But the Republican Party does attempt to hinder and delay any progressive, liberalizing moves. There is need to be truly conservative in setting up a broad insurance program such as this, and the Committee on Ways and Means has had competent actuarial advice on this matter. The benefits provided in H. R. 6000 will be met without any question from the contribution income to the program. However, there is a very clear distinction between conservatism in the plan of financing and the ultraconservative attitude of the Republican Party which has tried to block any progressive legislation toward liberalizing the program.

In closing, however, let me reiterate that I have discussed here only the features of the bill which I felt could be improved and liberalized, and I have not taken the time of this House to go over the many sound and desirable features of the bill. If I had done so I would have taken up far more time than I have. This bill has my wholehearted support and I urge its passage.

Mr. WOODRUFF. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. SIMPSON].

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I wish to suggest to the committee in connection with this bill that there are two parts to it, the one being that which we are very happy to give to those who qualify as eligible for benefits under the social-security laws; the other is that applying to taxes and the effect of the taxes upon both the individual and his employer. Little has been said about that phase of this legislation. Frankly, if there is any windfall involved in this piece of legislation for anyone it is for the United States Government.

Can you imagine what this committee would have done had the Ways and Means Committee, carried out the President's request earlier this year and come before you with a new tax bill imposing new levies upon the income-tax payers of the country and in particular upon the corporations? We thought of that earlier in the year as the President requested. But, Mr. Chairman, regardless of the White House request that we pass a new tax bill this year, the chairmen of our respective Finance Committees threw up their hands in holy horror and said there should be in effect no new tax bill this year. That tax, as I suggested earlier, as contemplated, would have applied largely to the corporations; yet here we are today under a closed rule imposing an income tax upon the very poorest people of our Nation, the man with the smallest income, the man who under our general income-tax laws is exempted; yet here we are imposing that tax upon him; and, worse, we are spending it, as we see. So I repeat that the Treasury of the United States will receive the windfall, if there is any, under this bill because it will, over the next 5 years, collect at least one-half of all the taxes levied under the social-security laws from the lower-income group of our Nation in an amount of $2,500,000,000 per year in excess of expenditures. Putting it another way, our reserves for the social-security fund will increase by about $11,000,000,000 over the next 5 years. All of that is money that will be taken from the individual and his employer and spent for regular governmental expenses. Certainly, Mr. Chairman, one can readily understand why those charged with the administration of our Government today would like to have this bill passed.

In effect, the Congress has said "You cannot take that money from the businessman, you cannot take that money from the usual income-tax payers, you cannot take that money from corporations, but we will go out and apply an income tax without any exemption to the lowest income group. We will take nothing off regardless of the size of their family, we will take nothing off for medical expenses, nothing whatever. We will levy the tax against whatever they may earn."

Someone may rise and say that that is not exactly true because there is an exemption of four or five hundred dollars a year below which the individual does not pay a social-security tax, but I point out that that group has no chance whatever for benefits under these social-security laws, the very group that actually needs it the most.

There has been considerable talk about the fact that this bill has come to

the committee with a substantial majority in favor of it. That is true. I suggest that had the committee believed that anything other than the usual practice of the House would be followed in considering the bill that it would not have come out with much more than a bare majority. However, the bill is here. The gentleman from New Jersey [Mr. KEAN] has introduced a bill which will be the basis for a motion to recommit. In that bill are a number of items, about nine of which were at one time or another either actually written by the committee into the bill H. R. 6000 or they were voted down by a few votes. They were highly controversial items. When one realizes that our committee is divided respectively, 15 Democrats and 10 Republicans, and I tell you that a number of these factors in Mr. KEAN'S bill under the nine items found in our report on page 51 were actually in the bill, you will appreciate that a number of Democrats supported the position taken by the author of the amendment.

They are highly meritorious amendments and, in my opinion, they deserve at the very least the consideration of this body for they do express a policy that the entire Congress should have passed upon.

With respect to one of them dealing with the $3,000 wage base, you should keep in mind that social security is intended to solve a social problem. It is not intended to compete with insurance and it is not intended to provide insurance. It is to solve a social problem. Raising the base from $3,000 to $3,600 immediately gives a windfall to every man earning $3,600, not at his own expense, not because of something he bought and paid for, but it is paid out of the social security fund which has been taken from the workingmen in years past, who paid their tax on a $3,000 income and less. Thus by increasing this to $3,600 we immediately help the man who needs it from the social standpoint more at the expense of employees who need it worse.

Mr. Chairman, adding one-half percent a year for every year a man is under the social-security law is not right. There are two provisions in the bill providing for extra credit because of continuous membership in the fund. One is the continuous factor which in effect means that the longer you are in the more you get. After having given that to the individuals, we then add this increment of one-half percent a year. We did that in the face of the recommendation of the advisory committee, which is accepted generally as authority on social security law, because what we are saying to future generations to come is that we in 1949 are levying an obligation upon you about which we cannot even guess as to its cost. We do not know how many people will be in how long under the social security law and, starting today and looking ahead 20 to 30 years, that employee has no idea what his actual work will be each year unless he assumes he will work regularly. The generations in the future will be just as puzzled as we are today, in just as much confusion about social security, if our record is any precedent.

When this social security program started 10 years ago, we all were led to believe, though I was not in Congress at that time, that the problems of the workingman would be solved. Here we are a few years later with our fund over $8,000,000,000 in the red, and with the payments, to which any worker is eligible, wholly inadequate, so much so that I believe I am correct in saying that about one-sixth of all those receiving benefits under this law are also receiving old-age assistance. We have benefits so inadequate that we are here today increasing them by an average of 70 to 80 percent, an increase, members of the committee, which every recipient needs upon which to live. That is something that the Congresses back in the thirties had no right, if you please, to promise those individuals, and then to depend upon a future Congress to make good.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield to the gentleman from Ohio.

Mr. JENKINS. Did the gentleman give the approximate cost of this increment to which he has been referring?

Mr. SIMPSON of Pennsylvania. One-half of 1 percent a year for each year the individual is in the retirement fund.

Mr. JENKINS. The total aggregate would be about $1,000,000,000 a year, additional cost.

Mr. SIMPSON of Pennsylvania. Yes. I would like to add at this point that that will be one of the items excluded under the Kean bill so that we can save $1,000,000,000 each year right there by accepting the Kean bill. And, please get this point, there is not a man eligible under H. R. 6000 for benefits under social security who will not get exactly the same amount of benefits under the Kean bill.

Mr. MILLER of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield to the gentleman from Nebraska.

Mr. MILLER of Nebraska. I am concerned about the gentleman's statement that the old-age and survivors insurance fund is $8,000,000,000 in the red. How does the gentleman explain that, and what is the situation in relation to the moneys paid by the employer and the employee to take care of his needs in his old age?

Mr. SIMPSON of Pennsylvania. It is explained by simply stating that there has not been sufficient money collected from the employer and the employee to meet the accumulated obligations if the fund were called upon to liquidate. An insurance company, privately operated, for example, would be required to hold in its reserve sufficient money to provide for liquidation. This fund does not do so.

Mr. MILLER of Nebraska. Do I understand then that the money paid in by the employer and the employee is sometimes used to meet the current needs of government?

Mr. SIMPSON of Pennsylvania. Well, we are talking of two things. The answer to the gentleman's last question, namely, that the dollars actually collected go into the Treasury and are actually spent, is true. The other refers to the fact that we have not collected sufficient money to take care of the obligations as they accumulated under the social-security law, and in that respect there is a deficit of about $8,000,000,000.

Mr. FORAND. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield to the gentleman from Rhode Island.

Mr. FORAND. Is it not a fact that the answer to the gentleman's first question is that because of the Republican sponsorship of freezing the tax, that the fund has a deficit of that amount?

Mr. SIMPSON of Pennsylvania. If there is one thing we have learned in the last few days in this body, it is that the Democratic Party is in control. I simply point out that every year this freezing of the tax passed the Congress, the Democratic Party controlled both the House and the Senate, with one single exception, and that was in that very fine Eightieth Congress.

Mr. FORAND. But the movement was sponsored by the Republicans, and a few Democrats got on the band wagon.

Mr. SIMPSON of Pennsylvania. I have yet to know of any major legislation passing under Republican sponsorship without Democratic support.

Mr. MILLER of Nebraska. Is it not true also that the two previous Democratic Congresses froze the tax?

Mr. SIMPSON of Pennsylvania. It was their idea in the first place.

Mr. JENNINGS. If the gentleman will yield, I am surprised that my good friend from Rhode Island would undertake to imply for 1 minute that any Democrat would get on the band wagon because it is popular to do so.

Mr. SIMPSON of Pennsylvania. I have one other matter about which I want to talk. I think it will strike an interesting chord in the mind of each of you, at least from my viewpoint. I feel that this provision in the bill providing for permanent-disability benefits is one that will lead inevitably to what each of us thinks of as socialized medicine. I have told many a doctor and civilian in my district that I am opposed to socialized medicine, and I do not want to support legislation which in my opinion may lead to it. You look surprised, perhaps, because it is very true that this bill is written most carefully to insure as far as possible that the benefits which a man who is totally and permanently disabled may receive will not be received until these safeguards have all been surmounted, and they are considerable. It must be a 6-month period within which the man is disabled, and there must be a finding by competent doctors.

The experience of the Veterans' Administration and what should be the experience under this bill would seem to me to direct that when the doctors say a man is not totally and permanently disabled but he is almost permanently and totally disabled, the common sense of those in charge of the administration of this fund, and after all, that is the Congress, would direct that they make an effort to save that man from becoming a liability upon the fund. It would not only be common sense, it would be our duty to do that. Consequently we would find ourselves called upon to provide

treatment for an individual nearing total disability. We would find ourselves called upon to provide hospitalization for such an individual. Then, after a man whose health has been insured by this body has been found to be totally and permanently disabled, common sense would direct that we provide the hospitalization in the hope that he might recover sufficiently to be no longer totally and permanently disabled. Thus, I believe we will have entered into a field that this Congress should not enter. Certainly we should not enter into that field without recognizing what we are doing.

I envisage the time when a man approaching 60 years of age says he is totally and permanently disabled because he has an actual or fancied ailment. The Veterans' Administration have gone almost as far as to recognize that any veteran who has reached age 60 has a prima facie case that he is totally and permanently disabled. They have regulations out that approach that point. Certainly under these social-security laws insuring the workers of our country against health and accident disabilities, we should, I believe, protect ourselves on that point and protect this fund, remembering that the money that goes to pay these men their claims comes out of the taxpayers.

Mr. Chairman, I urge the adoption of the Kean bill by the recommittal of H. R. 6000.

Mr. DOUGHTON. Mr. Chairman, I yield 40 minutes to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, in view of the action of the House on yesterday adopting the rule providing for the consideration of the bill H. R. 6000, it appears to me the Membership of the House might well be interested in the differences that exist between the bill H. R. 6000 and the bill H. R. 6297, which was introduced by the gentleman from New Jersey [Mr. KEAN] on October 3, and which we are informed will be the subject of a motion to recommit to be offered from the minority side.

Before proceeding to that matter, however, let me give you my considered judgment regarding the statement which was made yesterday during consideration of the rule by the gentleman from Nebraska [Mr. CURTIS].

As I remember his statement he found fault with the action of the committee in reporting the bill H. R. 6000 because the bill now before you, in his opinion, is a step in the direction of a welfare state. We have heard an awful lot in recent months about the development of a welfare state. It is significant that we hear that charge every time any legislation is presented to the Congress which has to do with the welfare of an individual. I challenge the statement that the creation of machinery providing security against need in old age constitutes a welfare state or is in the direction of a welfare state.

If we should adopt some of these grandiose schemes which have been submitted to the House in the form of a bill providing for the payment of pensions to individuals who have reached the age of 65, whether they need those benefits or not, as some of our colleagues have signed a discharge petition to do, we might be proceeding in the direction of a welfare state. But when we call upon the individual during his productive years to lay aside, in the form of a contribution, out of his wages and earnings an amount of money which will enable an agency of the Government to provide him with benefits after he becomes 65 years of age, or when he becomes disabled at less than 65 years of age, how can it be said that we are doing something for that individual for nothing?

Certainly he is at least entitled to say he is buying and paying for that security against need in his old age.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. I do not believe the gentleman intends to convey that impression that those people who are presently making contributions at the present rate are paying the cost of the benefits they are receiving as long as they are paying a tax under 6.15 percent.

Mr. MILLS. The gentleman calls the attention of the House to a very important matter. It is true that the existing social-security program is estimated to cost on a net level-premium basis about 4.45 percent of pay roll. I am guilty myself, as is the gentleman, and as are most of his colleagues on the left of the present speaker, and some on the right, of doing what now appears to be a very ill-advised thing over the years, not permitting the original tax rate provided in the 1935 and 1939 acts to go into effect, but continuing to agree with the Senate that it should be frozen at 1 percent of pay roll each on employer and employee. This bill reestablishes a rate of taxation which makes this program as sound as actuaries can estimate soundness to be, because the rate of taxation under the bill would eventually go in excess of the level premium cost of the program of 6.15 percent of pay roll. The present program is not sound, and the present rate of taxation provided to maintain that program is not sound, and the gentleman understands that it is not sound. As evidence of the fact that it is not sound, the Congress adopted the so-called Murray amendment a few years ago. In lieu of permitting the tax rate to go up, we adopted the Murray amendment providing that, in the event there were not sufficient funds in this trust fund to pay these insurance benefits, we take such amounts as are needed out of the Federal Treasury and supplement the funds of the trust fund. The gentleman realizes completely that this bill, H. R. 6000, now before you repeals that provision, so that now the benefits earned and due under the program, after this bill is adopted, will be paid exclusively out of the trust fund.

Mr. BYRNES of Wisconsin. The gentleman is not contending that the program is actuarially sound?

Mr. MILLS. The present program is not actuarially sound.

Mr. BYRNES of Wisconsin. But even the program contemplated by H. R. 6000 is not actuarially sound?

Mr. MILLS. The gentleman is contending just exactly that, that it is actuarially sound. The gentleman will admit that the program provided in the motion to recommit is likewise as sound as actuaries can estimate a program to be, in that it provides an over-all rate of tax which will go into effect in the future, equivalent to the level-premium cost of the program as estimated by actuaries. But let me proceed.

Mr ROGERS of Florida. Mr. Chairman, will the gentleman yield for a question?

Mr. MILLS. I yield.

Mr. ROGERS of Florida. You say that this program for old-age and survivors insurance is continued. Is there any additional cost to the Treasury of the United States on that account?

Mr. MILLS. The bill does not contemplate any cost out of the Federal Treasury for the operation of old-age, survivors, and disability insurance.

Mr. ROGERS of Florida. Also this new phase of taking care of men permanently disabled does not come out of the Treasury of the United States?

Mr. MILLS. As far as the provision in title II of the Social Security Act is concerned, it does not. The gentleman may rest assured, if he votes for H. R. 6000 on final passage, that he is not entering upon a program, as far as the bill itself is concerned and the action of the Congress today is concerned, that will cost the Federal Treasury one penny in support of these benefits.

Mr. ROGERS of Florida. The gentleman is certainly making a good statement.

One other question. What will be the additional cost of the program under this bill over what it is costing at the present time?

Mr. MILLS. Does the gentleman mean the present program under old-age and survivors insurance or the public-assistance program?

Mr. ROGERS of Florida. Public assistance.

Mr. MILLS. The public-assistance program right now is costing, for the aged, dependent children, and blind of the country, approximately $1,000,000,000 of Federal money annually. That is public assistance paid by the States and the Federal Government.

Mr. ROGERS of Florida. Then the additional coverage of the 11,000,000 people that was mentioned?

Mr. MILLS. That has nothing to do with public assistance. The 11,000,000 people are people who are covered under old-age and survivors insurance. They are the 11,000,000 additional people who will make contributions to this fund. They are buying protection and paying money for it. They are the people against whom this tax will be levied.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. COOPER. I think what the gentleman from Florida has in mind is the additional cost there may be to the Federal Government outside of old-age and survivors insurance.

Mr. MILLS. That would be $256,000,000 annually. That is the additional cost in the bill, under public assistance.

I call the gentleman's attention, however, to this point at this time: The motion to recommit will also include a cost of $256,000,000 for public assistance out of the general funds of the Treasury. We had in mind, however, I may say to the gentleman from Florida, that this action, as stated in my question to the gentleman from New Jersey, of taking additional people into the old-age and survivors insurance program is calculated in the long run to safeguard against larger expenditure out of the general fund—that is, for old-age assistance. I share the view expressed by the gentleman from New Jersey that in time you and I may see the situation where we shall no longer be paying funds out of the general Treasury under the public-assistance program; this will occur because of these retirement benefits and disability payments that we are now talking about which will be paid out of this fund into which workers are making contributions in the form of a tax.

That is the hope of the committee. If it were not the hope of the committee, the committee would not have spent these hours, days, weeks, and months in sifting these people that are now outside the program and deciding which should come in; we would have provided one program for $60 a month or $30 a month for everybody and pay for it out of the general funds if we had not had the hope that this program we are talking about now would avoid the necessity of continuing public assistance in the future. We will never, of course, do away with public assistance, but we at least hope that maybe the recipients in the future who would otherwise have been eligible for public assistance, under this program will have established enough credit that benefits will be paid out of the insurance plan.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. JONAS. I am not much concerned about the argument as to whether we have to dip into the Treasury to make good some of these benefits, because I think under the present bill that it is much more profitable for this Government to spend the money on the aged and decrepit and those who are indigent here presently even if we run short of income, rather than to spend it the way we are doing now in some foreign jurisdictions.

The point I am concerned with primarily now is one that perhaps the gentleman from Arkansas can answer: In the original bill there was a provision that these funds were to be considered trust funds regardless of how they were allocated; is there any change in this bill to which the gentleman has just referred by number, with reference to the allocation of those funds that takes them out of the trust-fund category regardless of these different features to which the gentleman has alluded in the program? Is there any difference in the status of these funds? In other words, will the Secretary of the Treasury be the trustee of the funds and will they be considered trust funds, and will they be invested as trust funds?

Mr. MILLS. No change is made of any existing law regarding the care of these funds. The gentleman understands that these funds are under a board of trustees, and he knows that the Secretary of the Treasury is one of the trustees under existing law. There is no change with respect to the trustees of the fund. They invest the proceeds of the trust fund in Government bonds, just as any insurance company today may invest its assets in Government bonds. We make no change in that.

Mr. JONAS. Will that apply to the total and permanent disability fund?

Mr. MILLS. Yes; to all moneys paid into this program; they will all be handled in the same manner.

Now let me proceed to a discusison of the bill H. R. 6297, which will be the motion to recommit. If the Members will turn to page 158 of the report they will find a summary of the recommendations of the minority members of the Ways and Means Committee. These recommendations are included in the bill introduced by the gentleman from New Jersey [Mr. KEAN], H. R. 6297. Let us see what the differences are between the positions of the majority and minority on the committee.

The very first suggestion of the minority has to do with the wage base, that is the amount that an individual earns, whether he is an employee or a self-employed individual, that will be subject to the tax and benefit provisions in the bill. In 1935 and during the intervening years, the Congress has seen fit to maintain that tax base of $3,000 of earnings. That is to say, if an individual under covered employment makes $4,200 a year, only $3,000 of that income will be taxed for social security purposes. In 1935 when that action was taken by the Congress 97 percent of the people covered under social security had less than $3,000 a year of earnings. Today, if we had followed the minority recommendation to maintain the tax base at $3,000, only 76 percent of the employed individuals covered will be earning less than $3,000.

I need not dwell upon the reason for that, Mr. Chairman. The membership of this committee realizes full well the great increase that has occurred in wages in the past few years and the reason why these statistics are correct. If we increase this tax base from $3,000 to $3,600, as the majority has suggested in H. R. 6000, then 86 percent of the workers covered under title II will be making less than $3,600. There will still be 14 percent of the employed individuals covered by title II of the Social Security Act who earn wages in excess of $3,600. You can see that if we created the same situation today that existed in 1935 and had 97 percent of the workers of the country covered by title II earning less than the tax base provided in the bill, the base would have to be approximately $4,800.

We had the urgent request from the administration for increasing the wage base to $4,800, and this was embodied in the bill introduced by the chairman of our committee for study and consideration of our committee. We had the Advisory Council on Social Security to the Senate Finance Committee, staffed by some of the most eminent men in the country outside of the Government, eminent in the field of social security, business, labor, and farming, a cross-section of the various occupations in the United States, recommending and urging that the tax base be raised to $4,200. In the interest of establishing harmony within the committee and in an effort to bring out a bill against which no one could have objection, the committee compromised the viewpoint of the minority. A majority of the members of our committee, a great majority of the members of our committee, desired that we increase this tax base to $4,200. But we went along with the urgings of others on the committee that it be increased only to $3,600.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I may say that the leadership expressed a strong hope that it be increased to $4,200.

Mr. MILLS. I can agree with my distinguished leader. I know of the many times he talked to me about the matter. But if we maintain our tax base at $3,000 the program would cost two-tenths of 1 percent more of pay-roll money. One percent of pay roll means $1,250,000,000 per year on a level-premium basis.

Two-tenths of 1 percent of pay roll is not a small amount.

Let us pass then to the next matter in dispute between the majority and the minority, and that has to do, if you are reading on page 158, with this matter of automatic yearly increase in the benefit. We call it increment. Under existing law, we provided that a man shall have his benefit, after it has been determined under the formula, increased by 1 percent for each year he is under covered employment; that means, under existing law, if a man is under covered employment for 20 years and his benefit is figured out at $40 under the formula, you give him an extra 20 percent of that benefit, or $8, making his benefit $48 instead of $40. The bill H. R. 6000, by the way, reduces that increment, and this is another compromise made, from 1 percent for each year in covered employment to one-half percent for each year in covered employment.

Let me point out to the committee why, in my opinion, that is necessary. First of all, we have adopted a formula for determining benefits which is extremely weighted for the benefit of those with low incomes. For example, a man who has $100 a month average wage, we give him a monthly basic benefit of $50, but if that man's wage is $150 we only increase his benefit by $5, or to $55. Under the bill, if a man has made $3,600 a year over all of these years as against the other fellow's $1,200 over all of these years, he only gets $70 benefit as against $50. There is only a spread of $20 of benefit there based upon $2,400 of additional earnings. So you can see that under the bill we have heavily weighted that formula for the benefit of this individual who makes the least on down through the future in average wage.

Mr. KEAN. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New Jersey.

Mr. KEAN. The gentleman placed much stock in discussing the $3,000 item on the opinion of the Senate Advisory Committee. Would the gentleman advise the House what the Senate Advisory Committee advised with reference to the increment?

Mr. MILLS. Yes. The Senate Advisory Committee advised that we eliminate increment, as did all the spokesmen who appeared before the committee representing the big insurance companies of the United States. I will tell you why in a minute, but I think the gentleman well knows. If we do not continue this matter of increment on the basis of the committee's recommendation, here is what you come to—and this involves also the third suggestion by the minority: Say that this individual began work in 1941 in a defense plant; he had not worked any place else before that; he received high wages in the gentleman's State of California; he will be permitted to hold that job until 1951 on those high wages; many of those years he was being paid overtime and double time for working on Sundays. So that he built up a tremendously high rate of earnings over those 10 years compared to the earnings prior to that and after that. But so long as he remains in covered employment earning $400 a year, under the minority's recommendation, all in the world he ever has to keep in mind is those 10 years of earnings, because his average wage will be based upon the 10 highest consecutive years of employment. That costs more money than what the committee wants to do.

They charge us with trying to fix this bill for the benefit of an individual who is fully and regularly employed at a high wage, but I charge them with eliminating the increment because they could not have increment in this bill and maintain this 10 highest years for the benefit of these people who have worked in these war plants and who may not enjoy their high wage in the future.

Yes, we need this increment for this reason, that that very individual who worked during those 10 years may build up the maximum wage base during that 10 years, but he may never pay again in the future because he may retire in 1951. He may never pay in the future into the fund, but we are going to give him the same benefit for 10 years of coverage that we are going to give under the minority recommendation to the individual who had paid into the fund for 40 years at the maximum rate.

How in the world can you go out to workingmen throughout the country and tell them to continue to pay this tax into this trust fund even though it does not accrue to their benefit after 10 years of payment? Why, the entire program will break down. You will find untold resistance in the future to any automatic increase in the tax rate provided by this bill. Certainly you will. If you want to destroy the social-security program, in my humble opinion, you vote for the minority's motion to recommit this bill to eliminate increment.

The gentleman from New Jersey points out that it saves eight-tenths of 1 percent of pay roll in the future to eliminate increment. That is true. It reduces the cost of the program. But the important thing is to maintain a willingness on the part of the people covered by this program to accept these automatic tax-rate increases. Otherwise, the program will be destroyed. Whatever difference there is between the amount of money in the fund and the benefits then due will certainly have to be paid for out of the Federal Treasury of the United States, and that may well amount to more than $1,250,000,000 a year.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. I wonder if the gentleman would be fair enough to the Members particularly on his side to advise them what the administration recommendation was in this regard.

Mr. MILLS. I will be glad to. I am trying to be as fair as I can. The administration desired an entirely different formula from that which the committee adopted.

Mr. BYRNES of Wisconsin. They recommended the five best years, did they not?

Mr. MILLS. The Social Security Administration recommended the five best years. You have something like that in civil-service retirement. We thought the sounder approach, because it cost less money to the fund, was to relate the man's benefit more directly to the amount of the tax that he had paid into the fund. Under the bill, you take a man's average wage, all of his earnings over all of the years of his covered employment, and then offer him the alternative of considering that wage from 1937 or 1950, whichever is more favorable, but you relate the benefit directly to the number of years of coverage and the amount of wages he has paid tax on, and you do not pass out these great gratuities because an individual had an extremely high wage rate for a 10-year period.

Mr. BYRNES of Wisconsin. The gentleman talks about the extremely high wages. Of course he appreciates that the highest we can go, even under the bill H. R. 6000, is $3,600. That is the highest wage we recognize as an average wage. Under the bill of the minority it would be a $3,000 base. That is the highest rate that would be recognized.

Mr. MILLS. The gentleman from Arkansas understands quite well that this provision of 10 consecutive years was put in here to catch somebody who would not go along on the other provisions of the motion to recommit.

The gentleman from Arkansas knows that the labor unions of the country prefer to have a 10-year average as compared to the provision in the House bill.

Mr. BYRNES of Wisconsin. They would prefer to have a 5-year provision, too, would they not?

Mr. MILLS. Yes.

Mr. BYRNES of Wisconsin. Then this bill is the administration policy, is it not?

Mr. MILLS. The gentleman from Wisconsin knows, as well as I do that this it not a bill drawn up by the Social Security Administration. This is not the President's bill. This is not a CIO or an A. F. of L. bill. This was a bill on which every member on the Committee on Ways and Means has made his contribution. The gentleman from Wisconsin worked and served diligently on the committee and made many contributions. The gentleman from Nebraska—all the other members of the minority—worked hard. They made contributions to this bill and as evidence of that fact when the time comes to vote on the final passage of the bill, I still believe that the 22 members who voted to report the bill out, out of the 25 on the committee, will vote for final passage.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. EBERHARTER. One of the considerations which weighed very heavily with the committee in arriving at the decision it did was the situation of the veterans.

Mr. MILLS. Absolutely.

Mr. EBERHARTER. We have veterans who were in the war for 5, 7, or 10 years. We allowed them a credit of $160 a month. If you were to adopt this 10-year formula you would be discriminating against the veterans who served in the war, because the boys who stayed at home and worked in war plants would get a credit of perhaps $250 a month for the wages that they earned during that time. So that is a consideration which entered into the decision which was made.

Mr. SABATH. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. SABATH. I am really amazed that both of you gentlemen, the gentleman from Pennsylvania and the able gentleman who now has the floor, should waste so much time on the gentleman from Wisconsin. The gentleman from Wisconsin is against the bill and it matters not what kind of a bill you bring in—he is against social security. There is none so blind as he who will not see, and he will see nothing. He does not care. He will pay no attention to your explanations. He is against the principle and against the bill as I understand and as he stated before the Committee on Rules.

Mr. MILLS. The gentleman from Arkansas has such a deep feeling for the gentleman from Wisconsin that I am trying to get him straight and get him to go along on the bill.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. JENKINS. I do not like to hear the distinguished gentleman from Illinois castigate my good young friend, the gentleman from Wisconsin [Mr. BYRNES]. I want to say to him that he is one of the most intelligent young men who has come to the House of Representatives in the last 10 years. He is one of the outstanding authorities on this subject, regardless of what anybody else might have to say.

Mr. MILLS. I certainly agree with the gentleman from Ohio regarding the fine character and outstanding ability of the gentleman from Wisconsin. I still have hopes, however, of getting him straightened out on this bill.

Mr. SABATH. Nevertheless a man with the intelligence of the gentleman from Wisconsin does not seem to have enough intelligence to vote for this bill which his party and the country and the people generally demand and urge and plead for.

Mr. MILLS. I think the trouble with the gentleman from Wisconsin is that he has not been fully apprised of the fact that the great majority of the American people really want this bill H. R. 6000.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. JENKINS. The gentleman from Wisconsin votes for what he believes and what he knows and what he thinks and not what somebody tells him.

Mr. MILLS. Yes, that is correct.

Mr. SABATH. That shows that he does not know what the people want.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. SIMPSON of Pennsylvania. If I heard correctly, I understood the gentleman to say a little while ago that this matter of increment was placed in the bill in order to attract a certain vote; is that correct?

Mr. MILLS. No, no; the gentleman misunderstood me entirely. I had in mind the suspicion that this provision for the 10 best years as to average wage was placed here to attract the attention of certain people.

Mr. SIMPSON of Pennsylvania. I know nothing about that. But I do know I heard the gentleman from Arkansas argue most effectively and successfully at one time in the committee and persuaded the committee that the increment provision should be removed from the bill.

Mr. MILLS. The gentleman from Arkansas is doing something which I had hoped the gentleman from Pennsylvania would do. After the gentleman from Arkansas was licked in the committee on so many occasions he made up his mind that the majority opinion of the committee—not the majority opinion of the committee as expressed on a party basis, but simply the majority opinion, was certainly superior to any individual opinion that the gentleman from Arkansas might have.

In a spirit of compromise, the gentleman from Arkansas went along with many things about the bill that he did not particularly like, but none of these things were of sufficient importance for the gentleman from Arkansas, after having succeeded in getting one or two things over, to fall out with the majority because he did not get everything he wanted. The gentleman from Pennsylvania argued as strongly as anybody could argue, and the committee placed in the bill a provision permitting the State of Pennsylvania, because of the influence of the gentleman from Pennsylvania [Mr. EBERHARTER] and the gentleman from Pennsylvania [Mr. SIMPSON] in the committee, requiring the Federal Government to pay to the State of Pennsylvania funds for the blind, even though the State of Pennsylvania does not confine its own payments to needy blind. We did that because we felt it was fair and justified. I certainly hope that the gentleman from Pennsylvania [Mr. SIMPSON], before he votes for the motion to recommit, will ascertain that the gentleman from New Jersey [Mr. KEAN] has included that provision in his bill, because I would not want him to do something that would not be in the interest of the people of Pennsylvania.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. SIMPSON of Pennsylvania. I think the gentleman from Arkansas is extremely fair, and I am pleased to have him admit that he is not in accord with this matter of increment, other than as a matter of compromise.

Mr. MILLS. No. The gentleman from Arkansas has not said that. He said there were certain things about the bill that he did not like.

Mr. SIMPSON of Pennsylvania. Do you believe in the matter of increment as a matter of policy?

Mr. MILLS. I believe in the one-half percent increment contained in this bill as a matter of policy, yes. And I have explained why I think it is absolutely essential to the perpetuation of this program.

Now let me go to this matter of Puerto Rico, which seems to concern some people.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. WHITTINGTON. Will you discuss the matter of the definition contained in this motion to recommit?

Mr. MILLS. Yes. I will be glad to go to that right now.

The bill offered by the gentleman from New Jersey [Mr. KEAN] provides a definition for the term "employee," which includes the first three paragraphs of the committee bill. However, it leaves out the fourth paragraph of the committee bill.

If the gentleman from Mississippi will turn to that definition on page 49, he will find in the third paragraph the language which is written in Mr. KEAN'S bill, beginning on line 13, page 49 of the committee bill. It would be interesting for the gentleman from Mississippi to consider those 500,000 to 750,000 cases in the borderline or twilight zone, which would have come under Social Security had the Treasury, during the Eightieth Congress, been permitted to institute the regulations that it had promulgated, following the Silk case in the Supreme Court. These are not common-law employees, because you could not bring them in under any limited technical definition applied under common law. This provision in Mr. KEAN'S bill gives us the additive approach to include more than just common law, and it is our information, given to the committee in executive session, that 90 percent of those 500,000 to 750,000 people who would be brought in under the third and fourth paragraphs of the committee definition would still be brought in under the third paragraph in Mr. KEAN'S bill. You are squabbling over this definition of the term "employee" when there are only 50,000 to 75,000 people involved in the difference between the two definitions.

Now, why did we decide that we needed more than the Gearhart resolution? Let me plead guilty to the charge that will be made that I supported the Gearhart resolution in the committee last year; that I urged its adoption by the House; that I voted to over-ride the veto of the President when the bill came back here; and if I had it to do over again I would do it again under the circumstances. I took that approach at that time because of the fact that I resented as much as I could the constant effort to take people under social security by regulation instead of by law. I felt that under that definition of employee under the law as it stood at that time where the term was not defined, when the Supreme Court put into the Silk case all the dicta about basing employment upon economic reality, and the Treasury was about to promulgate these regulations, there would have been great confusion.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman from Arkansas five additional minutes.

Mr. MILLS. I would not have reversed my position had I had that opportunity in that particular instance. We do not have that situation involved in this definition of employee in H. R. 6000. We are not, however, talking about taking people under title II by using this definition; that is not what is involved here at all. If an individual is not an employee, if he is, on the other hand, a self-employed individual, he will come in under other provisions of the bill. All in the world that is involved here in this definition is whether or not some person who has a relationship with another individual will pay the social security tax on that individual's pay, or whether he will be permitted to avoid that tax payment that is being paid by other individuals when the factual situation is the same. The gentleman is a lawyer and he knows that in the various Federal jurisdictions the courts have proceeded to adopt different basic principles of the common-law rule. Some of them, the State of New York, for instance, and my own State of Arkansas have been very liberal in applying the common-law rule. They have in their jurisdictions gone under the common law to some extent and disagreed with the Supreme Court in the Silk case; but in other jurisdictions courts have not been liberal; they had adopted a very conservative viewpoint. We had one case where under a contract even—there was no question about the common-law rule applying and the individual being an employee—the court looked beyond the contract, was not willing to base a tax upon a contract, but looked beyond the contract and found that even though there was a right of control it was not exercised, therefore, the man was not an employee. Now, we are taking care of the situation. We do not feel that it is incumbent upon the Treasury Department in collecting

taxes to have to look beyond the contract. If a man wants to enter into a contract that makes someone else his employee he should have to meet the consequence of that action tax wise. There are only between 50,000 and 70,000 individuals involved in this proposition between the minority position and the majority position; and I will contend with the gentleman from Mississippi or anyone else that this fourth paragraph of this definition is as understandable to any lawyer who wants to advise a client as the common law rule which has been followed heretofore in the various jurisdictions, because that lawyer does not know until he goes into court whether he is going to apply the common-law rule of the State of Michigan or the State of Arkansas where it may be liberal or where it may be conservative. What we are trying to do in paragraph 4, I may say to the gentleman from Mississippi, [Mr. WHITTINGTON], is to get away from the legal technicality as to whether an employee is an employee or not and base it upon the factual relationship between the individuals.

We have written the bill and the committee report so those people who are to administer the program in the Treasury Department may well know this is not a blank check we are giving to the Treasury to let social security cover any individual whom they may desire to do so. This is a tax matter and tax laws should not be based upon the common-law rule. Taxes should be uniform and applied to all alike in the same fashion regardless of what Federal jurisdiction they live in. I trust I have answered the gentleman's inquiry.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Ohio.

Mr. JENKINS. Does not the gentleman believe that this being a legal matter and the Constitution placing all legal disputes in the courts for decision it would be safer for the courts to decide this than a few bureaucrats?

Mr. MILLS. The gentleman from Ohio made that contention yesterday and in committee. With all due respect to the gentleman, for whom I have the deepest affection, he is trying to convey the impression to this House that this is a tax matter of some other type than the normal-tax proposition where any taxpayer who is aggrieved over the levying of a tax may go to the Federal court. The gentleman knows that under this definition anybody who wants to go to court and fight the levying of this excise tax on him as an employer may do so. The gentleman from Pennsylvania wants to say that the poor man cannot do it; however, the gentleman from Pennsylvania knows that that poor taxpayer has the same right under this that he has when the internal revenue agent comes around and tells him he owes $50 more in taxes.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Pennsylvania.

Mr. SIMPSON of Pennsylvania. The gentleman does not know the thought I had in mind. I did not ask what the poor man was going to do who cannot go into court. To all practical intents and purposes what the gentleman is saying is that not the courts but Mr. Altmeyer will tell the little man in my district whether or not he is an employer or an employee and the little man then cannot go into court because he does not have the money.

Mr. MILLS. The gentleman knows full well that is not what I am saying. The gentleman from Pennsylvania who worked for 6 months very diligently in committee on this matter knows that is not the situation. He knows that under this bill we are not conferring on the Social Security Administration the collection of this tax. The gentleman who participated in the minority report recognizes that the tax will be collected by the Treasury Department just as any other tax will be collected by that Department and that the Social Security Administration will not have a thing in the world to do under this program except to pay the beneficiaries under this definition.

Mr. SIMPSON of Pennsylvania. With respect to the present law there were some 750,000 people who Mr. Altmeyer said were under social security, the Treasury Department said they were not, but finally said they were.

Mr. MILLS. The issue involved here is entirely different from the issue involved in the Gearhart resolution because then it was a matter of coverage. The court was passing on the term and bringing in as many people as possible. That is not necessary on the court's part today. If we did not have this definition, it would not be necessary because this bill and your motion to recommit takes in all these people under the law. The court does not have anything more to do with it.

Mr. Chairman, let me pass on to Puerto Rico and the Virgin Islands. I have heard a lot here about this being a bad bill because it extends the provisions of title II to the Virgin Islands and to Puerto Rico—250,000 covered persons in Puerto Rico might be eligible some time in the future when they comply with the requirements of this bill for some type of benefit to be paid out of the trust fund established by title II of this act. There might be as many as 5,000 people in the Virgin Islands who would become eligible for similar treatment. There are about 2,000,000 people altogether in Puerto Rico, and about 30,000 or 35,000 people on the three islands that constitute the Virgin Islands. The gentlemen on my left over here in their motion to recommit want to be generous. They want to take care of Puerto Rico; yes, they want to take care of the Virgin Islands. They want to leave to the Virgin Islands and to Puerto Rico the administration of the needs of the people on those islands only under public assistance, and let the Federal Government pay one-half of those needs out of the Federal Treasury. That is what they want to do.

What do we propose to do? We propose to treat these people who are American citizens as American citizens. They are not foreigners. When we bought the Virgin Islands, and when we took over Puerto Rico, we took the responsibility of at least treating them with some degree of equality. We took that responsibility when we took possession of their homes. Now they say that even though these islands pay nothing into the Federal Treasury, we are going to dip into the Federal Treasury and take care of all of these demands through public assistance; just as many of these citizens are going to be disabled and just as many are going to be 65 years of age, whether or not we have an insurance program. We took the position that I thought those interested in economy would take. We say that instead of building up a staggering load of public assistance to be funneled out of the Federal Treasury, we are going to require those who are working in occupations covered by this bill to make a contribution out of their wages into this trust fund and be treated as any other American citizen when the benefits are handed out. If the wages are low in Puerto Rico, they will not get a high benefit; they will get an extremely low benefit, maybe the $25 minimum will be what they will get, but if they make $100 a month in Puerto Rico and they retire, they will get just the same amount that an individual making $100 and retiring in the United States would get.

The committee bill in that respect is much superior to that of the bill in the motion to recommit. The motion to recommit will also eliminate from the bill the total and permanent disability benefit provisions under the insurance system. Yet they do not eliminate that provision from the committee bill in regard to public assistance.

Ah, my friends, sometimes I wonder where in the world the milk of human kindness has flown to. Why, why do you want to force this individual who has worked a lifetime, to an age of 55 or 60 years, a substantial citizen in his community, who paid into this trust fund over those years—why, why, my friends, I say, do you desire to call upon that individual to go to the Federal Treasury to get assistance in the method of a dole? Now, can you justify by any argument that your position is more favorable than the position of the committee when the committee says, "Not out of the general funds will we pay that disability benefit to an individual, but we will pay him out of the very funds into which he has made his contribution"? You cannot get by if you say that we have to preserve this fund for the benefit of those who want to retire and for the benefit of the survivors of deceased workers. You cannot make that argument because the committee bill provides specifically that this total and permanent disability will not go into effect until January 1, 1951. At the same time an increase in the rate of taxation of one-half of 1 percent will occur for that specific purpose. We are levying that tax for that purpose.

We have made our bill sound. These few differences between us are only nine out of the thousands of differences that arose in the bill. They are entirely too small and too inconsequential to justify the membership of this House going along with these 10 Republicans who filed this minority report. Yes; the bill

should be passed. I hope that it will be passed so that that great deliberative body at the other end of the Capitol may have full and complete opportunity to pass it between new and next June.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. BRYSON. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

Mr. BRYSON. Mr. Chairman, with almost a decade and a half's practical experience it cannot now be successfully contended that social-security legislation, like that now on the statute books and to which extensions are proposed in the pending bill (H. R. 6000), is not practicable. When this legislation was first proposed in 1935, many doubted the wisdom of the venture. Now there is scarcely a person who will not admit that social security is essential.

To be sure, this measure is not perfect. In fact, few pieces of legislation, if any, could be considered perfect and thoroughly acceptable in every detail. You will recall that there was serious opposition to the adoption of the United States Constitution. Turn back, if you will, to the debates at the Constitutional Convention and read the accounts of the clash of minds in that august assembly. That matchless orator of all times, Patrick Henry, in speaking against the adoption of the Constitution, described its destructive power so realistically that the people unconsciously felt of their wrists and ankles for the shackles Henry said would be applied to them in the event the Constitution should be adopted. Through the years 21 amendments have been adopted to the Constitution, and still it is by no means perfect.

In voting for this bill, as I intend to do, I by no means indicate that I agree with all of its provisions. We must be realistic and practical. Should each Member of Congress vie for his or her own individual views, no legislation would ever be enacted.

An amazing thing about H. R. 6000 is the fact that of the 25 members of the Ways and Means Committee, 22 of them voted to report the measure to the House. Scarcely has there been another instance where major legislation as controversial as this has been approved by so substantial a majority.

As others have done, I, too, would pay a word of tribute to the members of the Ways and Means Committee. For the sake of brevity, I shall not attempt to name the members individually, although much could be said about each of them. I feel, however, that I must give special commendation to that outstanding sage and statesman the gentleman from North Carolina the Honorable ROBERT L. DOUGHTON, native son of my own State by birth, whose long and useful life has made many outstanding contributions to our country's good. Chairman DOUGHTON is a man of more than four-score years of age. Chairman DOUGHTON is a man of wisdom and sagacity, increasing in power with the passing of each year. Our committee gave more than 6 months' study to this measure. The record of its deliberations covers some 2,500 pages, wherein appears the testimony of 250 witnesses. The report on the bill consists of 200 pages. Thus it cannot be contended that full and complete hearings have not been available.

Mr. Chairman, as I have observed, if I were writing the bill, I would not have included some of the provisions contained therein; and I would have included other provisions not appearing in the present draft.

I have heretofore introduced amendments to the Social Security Act, reducing the minimum age at which old-age benefits would be payable from 65 years to 62 years of age. While I know that many such as our chairman and even the chairman of the Rules Committee remain quite active long after they are passed the age of 65, many others, especially those in industry and particularly women, wear out or lose their strength by the time they are 62. There is a precedent for this age in the law which provides for Members of Congress to receive benefits after 62 years of age. The committee in its wisdom did not attempt any change in this regard, but met the problem at least in part by providing for total and permanent disability benefits. This is a helpful provision and should be written into the law.

There has been great need to increase the benefits accruing to the beneficiaries. I am glad that this measure does increase the sums payable.

The most pitiful person of all is one who in old age has no security whatever. While I by no means favor compulsory insurance, this type of legislation lends every encouragement to an individual to provide for that day when he can no longer provide for himself.

As I have stated, the bill is not perfect. Subject matter as complicated as this, dealing with such a large number of individuals under so many different circumstances, could not be perfect. I sincerely hope, however, that the House passes this measure by a substantial margin, and that without delay.

Mr. MILLS. Mr. Chairman, I ask unanimous consent that the gentleman from New York [Mr. MARCANTONIO] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MARCANTONIO. Mr. Chairman, today, millions of American workers are living with fear in their hearts.

These men and women fear the economic insecurity that is the constant companion of every man who works in the mines, the mills, and the factories of this, the wealthiest land in the world today. And they fear the future—the prospect of being thrown on the dump heap some day like a worn-out piece of machinery, when younger and stronger men come along to replace them at their jobs.

It is this fear that is behind the crises that have developed in the steel-making and coal-mining industries.

Because their Government has not seen fit to establish an adequate system of old-age pensions and health insurance, workers, through their trade-unions, have been trying to obtain some kind of partial security on a company- or industry-wide basis.

That the initial responsibility for this crisis lies with the Congress, and primarily with the majority party, is clear beyond doubt. The Social Security Act has not been altered, except for the relatively minor amendments adopted in 1939, since its inception 13 years ago and except for the better-than-nothing bill before us today. As a matter of fact, when the steady shrinkage in the purchasing power of the dollar is considered, current benefits being provided, low as they are, are considerably less than even originally agreed to. But the leaders of the major parties seem too concerned about other problems to worry about the aged and the sick in our own land.

Although the House Ways and Means Committee has held hearings over an 8-month period in this session, it has reported this bill before us, recommending amendments to the Social Security Act. The recommendations are far below any adequate minimum program.

I am not optimistic as to what we can hope for. The dismal record already made by the Eighty-first Congress on legislation for the benefit of the people speaks for itself. But we shall see.

Meanwhile, what about steel and coal?

The steelworkers' union demanded of the industry a 30-cents-per-hour-package increase, made up of three parts; about 12½ cents for wages, 11¼ cents for pensions, and 6¼ cents for insurance and health and welfare.

The Presidential fact-finding board recommended absolutely nothing in wages; 4 cents for insurance, and 6 cents for pensions were recommended, to be paid for solely by the employers.

According to my reading of the report of the steel board, the insurance recommendation is less the cost of whatever insurance plans are already in operation. Probably the 4-cents-per-hour recommendation will average out to between 2 and 3 cents for the steel industry as a whole. Moreover, the pension provisions—6 cents per hour—if agreed to in collective bargaining will not go into effect until next spring. This is the total recommendation of the President's board; and this the steelworkers' union leaders accepted.

The men that work in the steel mills of America are among the hardest working in America. Their youth and their strength are drained away by the blast furnaces and the rolling mills of this industry. There is no question that these men should have an adequate pension and welfare program and a substantial wage increase as well.

But their union leaders have already renounced their wage demand and I deem this surrender tragic. As for the insurance and pension plans, about which real differences have since developed between the employers and the union, it would be well for the Members of this body to be informed in some detail.

Let us look at these demands once more. The steelworkers asked that the

industry contribute 11¼ cents per hour toward a pension scheme. This would provide for a pension of $125 per month, independent of the Federal old-age benefits, at the age of 65.

The steel board recommended 6 cents. And this would provide a pension of approximately $70 per month, which—increased by the Federal program—would provide $100 per month.

It is this pension scheme—noncontributory, the employers bearing the full cost—about which big steel is making such loud protests. "Revolutionary" was the word Benjamin Fairless, the head of United States Steel, used to describe this part of the board's proposal.

On insurance the union would have established a system of death benefits, sickness and disability insurance, costing 6¼ cents per hour. The board proposed that 4 cents be paid out for this, sharply cutting the coverage and benefits of this program as originally proposed.

That is what is involved in this dispute between the steelworkers and the tycoons who own and operate the industry.

The steel board said explicitly that it was about time the steel industry began paying as much attention to its workers as it did to its plant and machines. The responsibility of such employers to the men who work for them extends beyond the payment of the hourly or daily wage.

The board said:

> We think that all industry, in the absence of adequate Government programs, owes an obligation to workers to provide for maintenance of the human body in the form of medical and similar benefits and full depreciation in the form of old-age retirement—in the same way that it now does for plant and machinery.

There is much that any unbiased person would object to in the report of the steel board. For example, it is completely objectionable for this board, in dismissing completely the union's demand for a wage increase, to use the occasion to generalize to the effect that wage increases for other American workers are equally undesirable at this time as a national policy. This is the kind of obiter dicta which can have no other effect than to make it more difficult for other unions to win any kind of a wage increase in their collective bargaining.

Another departure by this board was the inclusion of Federal old-age insurance in computing the steelworkers' pension. The pensions due these men are due them from the industry in which they have sweated for many years; whatever other benefits they get from the Federal Government, they receive as all American citizens do. No one can defend this kind of an approach to a pension plan which would shift the cost from the steel companies to the Government.

The coal-miners' welfare fund provides substantially more than the program recommended for the steelworkers by the presidential board. The coal-miners' fund is also noncontributory; it was set up in 1946 and actually went into operation when the same Ben Fairless, who is refusing to agree to the fund for the steelworkers, signed an agreement with John L. Lewis in 1947.

The coal miners receive a pension of $100 per month, exclusive of Federal old-age insurance. This is about $30 a month more than the steelworkers would receive if the board's recommendations were put into effect. The coal program also provides disability payments, insurance, and other benefits on a more comprehensive scale than is contemplated under the steel plan.

The same fat, sleek men of big business who are balking at agreeing to even the admittedly inadequate pension and insurance program recommended for the steelworkers are among the dominant figures in the coal industry as well. We would be naive to ignore this dual role of these tycoons and not to see in the present situation a coordinated drive to dole out the smallest pensions possible in both industries and even wreck the miners' welfare plan by nonpayment, if possible.

The cynicism and hypocrisy of these men of big business has never been more completely exposed than by their reaction to the noncontributory pension and insurance proposals.

These have been described as socialistic and revolutionary. Editorials have been written blaring forth that American initiative will be destroyed if American workers receive a piddling pension of $25 per week toward which they make no contributions. Such a program would mean loss of freedom for the worker. Freedom for what—to die in the poorhouse?

But let us look at the record. This same Ben Fairless who recoils from the un-American proposal for a noncontributory pension, himself has a little pension program as an executive officer of United States Steel.

At the age of 65 Mr. Fairless will receive a pension of $50,000 per year toward which he has contributed not 1 cent. He also participates in a contributory plan under which he paid in $6,000 last year and the company $10,000. Last year Mr. Fairless received a $20,000 wage increase, more than three times his annual contribution to his second pension plan.

Bethlehem Steel also has a completely noncontributory-pension plan for executives. Pensions are the average compensation 10 years prior to retirement. A. B. Homer, president of Bethlehem, will be 65 in 1961. At his 1948 compensation of $263,280 a year he will receive a pension of $110,460 per year toward which he contributes not 1 cent. Three former officials of Bethlehem are now receiving pensions toward which they contributed not 1 cent—these are pensions of $25,668; $27,168; and $76,968 per year.

Need I add that Bethlehem joins United States Steel in opposing on principle noncontributory pensions for the men who work at the blast furnaces and in the mills?

Ben Moreell is the chairman and president of Jones & Laughlin Steel. If he retires in 1953, he will receive an annual pension of $25,000; if he continues to work until 1958, his pension will be $35,000 per year—all paid by the company. And Mr. Moreell, a former Navy admiral, I believe, has been with the company only 2 years.

The record goes on and on. And the case is clear.

Noncontributory-pension plans are fine for executives. They are revolutionary for workers.

The steel industry certainly understood and accepted without any reservations the rejection by the board of any wage increase for the steelworkers. And Philip Murray, president of the steelworkers' union, was acclaimed in the press as a labor statesman for acceding to the wage rejection.

But the steel industry claims it cannot understand and rejects the recommendation for noncontributory pension and social insurance plans.

Can there be any question upon whose shoulders the blame rests for the strike in steel? Can there be any question as to the motives behind the refusal of the individual coal miners to return to the pits until their welfare fund has been rehabilitated? Can there be any question that millons of workers in every other industry in the Nation will support the just demands of the coal and steel workers? They know that their pensions and future security are bound up with the strikes in coal and steel. Every worker in America stands behind them and will demand that this administration and Congress support them.

Mr. CLEMENTE. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CLEMENTE. Mr. Chairman, I have been deeply interested in old-age and disability security since the first day I became a Member of Congress.

I am going to vote for H. R. 6000 because the present coverage of social-security laws is altogether inadequate and the benefits payable thereunder are so low—the average of which is $25 a month—as to leave the recipients thereof with insufficient means to survive. I am going to vote for this measure for the reason that under the present social-security laws almost one-third of our workers are not covered, and for the additional reason that the physically disabled have not been taken care of under the present regulations.

History shows the great majority of the persons on the pay rolls of this atomic age is the young and vigorous, and the elderly citizens are shunted aside. As a result of this unfortunate situation we find increasing in numbers the aged, the unemployed; and so we must face the problem of surrounding the needs for livelihood of this large group with some measure of security. This is forced upon us by the ever-growing number of people over the age of 65 who are not protected by social security. Of 5,200,000 men now 65 or over—one-third are insured under the present program. Of 5,500,000 women 65 or over—one-fourth are insured, either individually or as the wives of insured workers.

The scale of monthly benefits under the old-age and survivors insurance system in effect today was set up over 10 years ago. Over 10 years of experience

now show that that scale was wholly inadequate. This experience has fully assessed the strength and weakness of the social-security system with relation to its place in our present economy. During this time many developments have occurred which showed a need for resurvey of the principles and objectives of the program as they relate to the current economic conditions. It also proved the reaffirmance of the basic principle that a contributory system in which both contributions and benefits are directly related to the individual's efforts prevents dependency.

It therefore becomes necessary, by reason of the fact that this social-security system is firmly established, to strengthen this system at once. It has been found that by reason of having paid into the system the member gains as a matter of right upon ceasing covered employment his benefits, and at the same time the worker's dignity and independence are preserved.

We should expand our social-security program in the size of benefits and the extent of coverage, so that the economic hardships due to unemployment, old age, sickness, and disability can be combated more forcibly. A very extensive study, evaluation, and correction of the old-age and survivors insurance provisions have been carefully considered with a pressing relationship to the problems of economic security and dependency.

In the hearings before the Committee on Ways and Means the overwhelming weight of testimony was for the broad proposition that the Social Security Act framework is solid ground upon which we can widen the scope and increase the protection afforded by both the old-age and survivors insurance and public-assistance program.

The Congress is now confronted with the tremendous decision of combating the serious threatening of our economic well-being. There is an immediate necessity to strengthen the foundation of the social-security system before it is undermined by the lack of proper protection and coverage.

Revision of the social-security law so that increased payments may be paid to beneficiaries is a matter of prime importance. It should be done without delay. The necessities of those who come with the law is immediate. Therefore, Congress should act immediately to relieve them. There is no good and sufficient reason to justify further delay. If it is not acted upon by Congress before it takes a recess, then this will mean that probably a year will elapse before any additional help will become available, assuming that the bill is passed, and I certainly hope it will be.

The correspondence which I receive leaves no doubt of the necessity of increasing benefits to the aged and other beneficiaries coming within the provisions of the present law. It is impossible for them to exist on any proper standard of living, with the meager benefits now being paid.

It has now been 10 years since there was any general overhauling of the law. Since that time the cost of living has reached unparalleled heights. The payments of the act now in force do not meet the need that exists. Furthermore, the limited amount the present law permits beneficiaries to earn to add to the insufficient amounts they receive is not sufficient. Certainly, we do not wish our aged to be required to live on a substandard basis. Our national wealth and resources have been literally poured out to aid those in less-favored countries who have experienced the ravages of war.

It is well that we should help them, but there is no reason that we should neglect or overlook the needy in our own land. It is our bounden duty to care for them in a way that will remove the actual distress they now experience.

The problems of old age are as old as the human race. Man lives by work and when his capacity for work decreases, or when profitable employment cannot be found, many individuals cannot purchase the bare necessities of life.

In ancient times when man wandered from place to place in search of game and other foods he had little time to care for the aged. He had less inclination to share his meager food supply with those no longer able to join in the chase. Old people were left to die alone by the side of the trail.

Under the influence of the Christian admonition to "Honor thy father and thy mother that thy days may be long upon the land which the Lord thy God giveth thee," the peoples of much of the world developed a new appreciation of older people.

The depression made our people conscious of the needs of older people. Widespread unemployment decreased wages, shrinkage of local taxes made it impossible for either individuals or local governments to support the older unemployed. State after State adopted laws to provide old-age pensions.

Finally, the Social Security Act was passed by Congress, and for the first time, the Federal Government had a plan whereby a portion of our people could lay up a reserve to be paid them in old age. Everyone realized that this act was only a step toward a full solution of the problem.

The House Ways and Means Committee voted out a major revision of the Social Security Act, H. R. 6000, boosting maximum family benefits from $85 to $150 a month and extending coverage to 11,000,000 new workers.

The bill was combined with one granting an additional $256,000,000 a year to help the needy. Under the bill the 2,600,000 persons now receiving old-age and survivors insurance benefits would get an average monthly increase in benefits of 70 percent.

The average primary benefit of about $26 a month would be increased to nearly $45.

The social-security tax would be raised from 1 to 1½ percent each for workers and employers during 1950, 2 percent from 1951 through 1959, and 3¼ percent by 1970.

The part of the worker's annual income subject to the tax would be raised from $3,000 to $3,600. This would raise the annual maximum tax for individuals next year from $30 to $54; and to $72 in 1951.

The number of persons covered by the social security would rise from the present 35,000,000 to 46,000,000.

Benefits in the revised plan are increased 150 percent for the lowest benefit groups and 50 percent for the highest. Persons now getting the minimum of $10 a month would get $25. A person now eligible to get $45 would get $64.

Lump-sum death payments would be made for all insured deaths. Such payments are now limited.

A new formula is provided for computing retirement benefits, almost doubling the average of benefits payable now.

Disability insurance would be extended to all persons covered by old-age and survivors insurance. Workers permanently and totally disabled would have their benefits computed on the same basis as for old-age benefits, but no payments would be made to dependents of such workers.

It would seem academic to me that this great country which has one-sixteenth of the world's population, one-sixth of its territory, enjoys seven-tenths of the world's trade, owns 85 percent of the world's automobiles, has 60 percent of the world's life insurance, has 59 percent of the steel capacity, owns 54 percent of all the telephones, 48 percent of all radios, 46 percent of the electric power, with the most schools and churches and the best health record in the world, should be willing to provide meager subsistence for the millions of aged.

Statistics will never present the mass of human tragedies among those men and women who have worked to make our country a great, wealthy nation, and who must now face the prospect of poverty in old age. Certainly this country can devise a realistic system to provide self-respecting security to those whose productive effort has contributed so much to our well-being.

The passage of H. R. 6000 will be one of the great forward steps taken to give financial security to the countless number of people that have made America possible.

Under the provisions of this measure veterans of World War II would be given wage credits under the old-age, survivors and disability insurance program of $160 per month for the time spent in military service between September 16, 1940, and July 24, 1947.

Under this new bill persons who establish their own businesses following a period of covered employment will continue to receive the same protection they formerly enjoyed, i. e., the garage mechanic who opens his own place of business following a period of time during which he was employed by someone else will still be covered by the Social Security Act. Under present regulations his coverage would be terminated at the time he established his own business.

About 3,800,000 employees of State and local governments will be afforded social-security coverage, if the State enters into a voluntary compact with the Federal Security Agency, provided that such employees who are under an existing retirement system shall be covered only if such employees and adult beneficiaries of the

retirement system shall so elect by a two-thirds majority.

I therefore earnestly plead with this House to give a moral lift to the people of the United States by passing H. R. 6000.

Mr. JENKINS. Mr. Chairman, I yield 10 minutes to the gentleman from Washington [Mr. HOLMES].

Mr. HOLMES. Mr. Chairman, the population of our country is growing older, and this increase in proportion of older people to our over-all population is one of the most important problems this country is facing.

From a more than casual study of this problem some startling facts come to the surface. Some 150 years ago one-half of our population was less than 16 years of age. Now the average age of our population is 30. By good authority, it is estimated the average age of our population by 1975 will be 35.

In 1900 3,000,000 of our population were 65 years of age or older. Today it is estimated there are 11,000,000 people 65 and over, and in 1975 it is estimated there will be 18,000,000. In other words, by 1975 the old will have become 5 or 6 times as numerous as they were in 1900.

Let us look at some of the reasons afforded by vital statistics why the average age of Americans is rising. In 1800 there were 1,342 children under 5 years of age per 1,000 women aged between the years of 20 and 44. By 1940 the number was only 419.

Again, Americans live longer. With the great improvement in sanitary conditions and the findings of medical science, our longevity has been increased. In 1900 life expectancy at best was approximately 50 years. By 1940 it was 62 years, and at present it is estimated to be a few years higher.

Again, the tenfold rise in the standard of living in the past 150 years has made possible advances in education, science, and medicine, which directly affect the length of life and in turn raise living standards.

These facts present us with a real problem, and it appears wise and necessary to meet the real problem realistically.

The bill before us, H. R. 6000, was a combination of the two bills H. R. 2892 and H. R. 2893, which were originally introduced as separate bills. They are now combined in one bill, H. R. 6000. H. R. 2892 took care of the public assistance program, namely, the public assistance to the aged, to dependent children, to the blind and to a new category, those permanently and totally disabled and in need. The original bill H. R. 2893 took care of the old-age and survivors insurance program.

I voted to report the bill H. R. 6000 out of the Ways and Means Committee and I shall vote for the final passage of the bill. I do believe, however, there are some defects in the bill that could be greatly improved by suggestions made in the minority report and by the Kean bill, namely, H. R. 6297. These are my reasons. The Kean bill contains the same increase in benefits for those now retired under old-age and survivors insurance as does the administration bill. It contains the same increase in benefits for those on the assistance program as does the administration bill.

It does, however, maintain a lower tax rate for the American people over a longer period of time, and hence I think, as an adjusted tax rate, it is more nearly in relation to reality. It is one thing to raise a tax and assume that this will get the necessary revenue. It is another thing to have a tax rate that will bring in that revenue to keep the trust fund in such condition and in such a financial position as to be able to meet the obligation of the benefits.

If this system gets to the point where it is not on a sound financial basis the benefits will be just paper values. The Kean bill would provide for higher benefits for those who are occasionally laid off by basing the amount of benefits on the best 10 consecutive years of their employment. This would provide for higher benefits for those occasionally laid off and for those who need it most. And in the face of fluctuating employment and unemployment I think it is an extremely important point.

H. R. 6297 would correct the provisions in the administration bill which gives to the Treasury Department and the Federal Security Administration the right to determine what rate of social security tax a person should pay by giving those agencies authority to determine who is self-employed and who is an employee. This is an important point, for employee and self-employed do not pay the same tax rate. This problem, I believe, can best be handled by using the approach of going over the various groups in the twilight zone where there can be arguments on both sides to determine specifically and clearly whether those groups are self-employed or employees.

I believe we should study the specific groups in the twilight zone and determine through normal parliamentary and committee procedure whether those specific groups should be classified as employees or employers. That is my interpretation of the additive approach and that is the interpretation I put on the approach undertaken in the Kean bill. I think this procedure would more clearly define the areas of disagreement and not leave it entirely to administrative regulation.

In other words, experts in social security use the additive approach just as much as experts in social security use the administrative approach. I think that the additive approach is a more clearly defined approach to the handling of this problem. I give you these reasons as one who is strongly in favor of broadening our social-security insurance program and increasing the benefits, for I believe it is the sound way of picking up savings during the earning power of a person's life to help to pay for adequate benefits at the retirement age of 65 or over. I also believe to go into permanent and total disability insurance is something that we should be extremely cautious about. The Advisory Council which has been given great weight by the people on the administrative side of the bill working with the Senate Finance Committee—not Senators, but experts in the field or social insurance—are very cautious about recommending total and permanent disability insurance first because of its history and because no one knows how much it will actually cost. It may be of such tremendous cost that it would jeopardize the entire program of social insurance.

The Kean bill does not disregard those totally and permanently disabled and in need, but handles them through the public-assistance provisions of the bill. I think it would be well to see how more conclusively the total- and permanent-disability program for those in need works out through the public-assistance approach than to go headlong into total and permanent disability insurance, in the face of its history and in the face of the cautious recommendations of the Advisory Council.

The CHAIRMAN. The time of the gentleman from Washington [Mr. HOLMES] has expired.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. HAND].

IMPROVEMENTS IN OUR SOCIAL INSURANCE PROGRAM

Mr. HAND. Mr. Chairman, during the 5 years that I have been in Congress, and even before, I have consistently and constantly advocated that our social-security system be broadened to cover millions not now protected, and that the payments under it be increased to meet the greatly increased costs of living.

In 1946 I spoke in the House in an attempt to get the Seventy-ninth Congress to act. I said then, in part:

> Mr. Speaker, sometimes it seems to me that there has developed an attitude that we can afford everything else except the care of our own people. Hundreds of millions, yes, billions, of American dollars have been spent in an attempt to bring some measure of health and security to peoples all over the world, but we hesitate about bringing a measure of health and security to our own people. If we can spend * * * for the necessities of life for foreign people, including our late enemies, we certainly should not quibble over adequate social security for loyal citizens here at home who have helped materially to bring this country to the great and strong position it now occupies.

For a long time Congress did little, or nothing, about the problem. The Democratic Seventy-ninth Congress passed one or two amendments of small consequence, and it must be confessed that the Eightieth Congress, while making some substantial improvements, did not really come to grips with the problem.

At last, we are given the opportunity to make some much-needed improvements in the system, and the bill before us does that.

Certainly, I do not approve of every provision in the pending legislation. In some respects it may go too far; in others it may not go far enough—but it is seldom possible that any bill before us meets with the complete approval of each of the 435 Members of the House.

Mr. Chairman, it is to be regretted that legislation of such great importance must be considered under a gag rule. It is true that 4 days of debate have been allowed, but it is equally true that there is no sense in providing all that time for debate when Members are precluded from offering any amendments. There is nothing sacred about this particular bill which is reported by the committee, and it is wrong in principle that the

Members of the House are prevented from offering their own ideas on this subject. It was for this reason, of course, that I voted against the gag rule, but since it was adopted by the majority controlled by the administration, we have no real alternative than to take this bill as it is, or reject it entirely. I prefer to take the bill.

It includes many provisions of the utmost importance. Very briefly, it does this:

First. It extends coverage to approximately 11,000,000 new persons not now covered. It brings under the protection of the act self-employed persons other than certain professional groups, who did not wish to be included. It covers employees of State and local governments, but only if the State enters into an agreement with the Federal Government, and then only if the employees vote to be included by two-thirds majority. It covers domestic servants, and altogether, as I have indicated, it extends the protection of this important social insurance to about 11,000,000 additional Americans.

The act does include certain salesmen and independent activities which are not employment. I think this is a mistake, which I trust may be cured before the final law is adopted.

Second. It liberalizes payments. About 2,500,000 persons will have their payments increased 70 percent on an average. In the lowest benefit groups, payments are increased by 150 percent.

Third. It removes the limitation of $14.99 on earnings. This is, perhaps, one of the most important features of the bill. Heretofore, if a beneficiary earned as much as $15 per month, he was excluded from the benefits of coverage. Now, one may earn up to $50 per month without losing the benefits.

Fourth. It protects veterans. Prior to this bill, World War II veterans were not given wage credits for their time necessarily spent in the service. Under this bill, World War II veterans are given an arbitrary wage credit of $160 per month for all time spent in military service from September 16, 1940, to July 24, 1947.

Mr. Chairman, I hope I can take some measure of personal pride in this provision because it is an incorporation of my own bill introduced in the Seventy-ninth Congress some 4 years ago, and I have been working on it ever since. Veterans, without this provision, were discriminated against, because the interruption of their employment due to the war was certainly no fault of theirs. The bill cures this discrimination.

Fifth. Permanent disability benefits. The bill provides for the first time that all persons covered by this insurance program will be protected against the hazard of enforced retirement by reason of permanent and total disability.

All in all the bill presents us with a notable broadening and improvement of the social-security system, and is the end of a long fight for this purpose.

I again express my regret that we are obliged to consider the measure under a gag rule and on a take-it-or-leave-it basis. I regret that the membership has not had the opportunity of presenting amendments or other plans as an alternative to the pending legislation. Nevertheless, I am wholly unwilling to reject the improvements that are offered, and I shall certainly support the bill.

Mr. LYNCH. Mr. Chairman, I yield such time as he may desire to the gentleman from Minnesota [Mr. McCARTHY].

Mr. McCARTHY. Mr. Chairman, in his social-security message to the Eightieth Congress, President Truman asked that Congress increase benefits under the old-age and survivors insurance program by at least 50 percent. The President asked that the insurance system be extended "as rapidly as possible" to the 20,000,000 persons then excluded from coverage under the act. He recommended that our social-insurance system be broadened to include insurance against loss of earnings due to disability. He asked that the wage base for contributions and benefits be raised from the first $3,000 to the first $4,800 of the worker's total annual earnings. He urged that the date for increasing the tax rate from 1 percent to 1½ percent should be moved forward from January 1, 1950, to January 1, 1949.

And which of you, if he ask his father bread, will he give him a stone? (Luke 11: 11.)

President Truman asked the Eightieth Congress for bread. Bread for those who under the law were receiving an average of about $25 per month under old-age and survivors insurance. What was he given by the Eightieth Congress? The Eightieth Congress answered by passing two bills over the President's veto. Public Law 492 excluded certain newspaper vendors from the coverage of the program.

Public Law 642 amended the definition of employee so as to take out from under the coverage of the law those who were not employees under the old common-law rules—approximately 750,000 persons were affected.

Or a fish, will he for a fish give him a scorpion? (Luke 11: 11.)

Instead of broadening social security as the President requested, coverage was cut back. Instead of increasing the percentage payments, as the President recommended, and as the original Social Security Act of 1935 provided, the contribution rate was again frozen at 1 percent through 1949. No provision was made for disability insurance, for increase of benefits under the old-age and survivors insurance program, nor was the wage base for contributions raised.

On January 5, 1949, the President spoke again, this time to the Eighty-first Congress. He asked for an extension of social-security coverage. He asked for increased benefits and for aid to the disabled. H. R. 6000 is the answer of the House of Representatives. The President has asked for bread and we are giving him bread. Perhaps not a whole loaf, but in the measure that is practicable and possible at this time. By this bill coverage is extended over approximately 11,000,000 more American people. Benefits are raised by about 70 percent from an average monthly payment of approximately $26 to an average monthly payment of about $44. The permanently and totally disabled are provided for. The income allowed before deduction is increased from $15 per month to $50 per month. The financial base of the whole program is greatly strengthened first by increasing the taxable base from $3,000 to $3,600 and by providing for an increase in the rate of social-security tax.

The passage of this act will mark a very definite step forward in the movement to provide a minimum of economic security for the aged and disabled. It will further reduce the danger of economic insecurity and reduce the force of the threat of poverty.

Mr. LYNCH. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. McGRATH].

Mr. McGRATH. Mr. Chairman, today the hopes of the American men and women are raised higher. Today the fears for the future are allayed. H. R. 6000 continues the constant and steady march of legislation to make happy and pleasant the days of the working men and women that were once fraught with fear.

Nothing is so unwise as hasty and rash legislation. Nothing is more conducive to a sound America than a gradual and persistent program to aid those whom unemployment, ill health, or disability has touched.

Contrast the features in H. R. 6000 with the concept of legislative duty that was accepted about 25 years ago. When the first measure for old-age security was introduced in the State legislature at Albany, the sponsor, recognizing that he could receive practically no support from the floor and only ridicule from his colleagues, elected to sing "Over the Hill to the Poorhouse." This action brought down the wrath of the Speaker, but it did dramatize that the only place for American citizens who had labored long and faithfully in the industrial vineyards was the road to the poorhouse. Our social concepts have since been awakened. Today the almshouses that spelled doom and disaster and in many instances meant the separation of husband and wife, are today, thank God, almost extinct. Families are kept together in the twilight of their lives because of the benefits of social security. The individual States blazoned the way in many instances and in 1935 our Federal Government enacted a system of old-age insurance for persons working in industry as a safeguard against the occurrences of old-age dependency. In 1939 Congress broadened considerably the protection given to our citizens and in the following years gradually the act was extended. But today we march forward and with H. R. 6000 bring the act up to date, correct some of its difficulties, strengthen it, and present the most comprehensive and sound social program that thus far has been written in our Nation's annals.

Social or general justice is recognized and put into dynamic action. This measure adds over 11,000,000 people to its coverage. In almost every State and Territory when this bill is enacted into law, these 11,000,000 people will no longer have the fear and the dread that has hung over them during the years in which they wondered what would become of them if an economic emergency arose.

In many homesteads people have been complaining that they could not live

upon the receipts of social security. The increase under this act gives to these American citizens faith in our American system.

But no piece of legislation, no matter how carefully drawn, executes itself. Into the hands of those to whom this program is entrusted Congress will expect and demand a sympathetic understanding of the problems of the people for whom this legislation was enacted.

This bill is not perfect but it does approximate the very best that can be written at this time. Subsequent amendments should keep our social-security program up to date and alive to the wishes of the electorate. Many who are always ready to point out the isolated errors in democracy must now recognize in the growth and development of social legislation that democracy does work.

During the fall of last year, many in this Chamber pledged their solemn word that Congress would pass a comprehensive social-security act. Those of us in the House of Representatives have kept our word. The administration has lived up to its promises and we all look forward to the enactment of H. R. 6000 into the law of our land.

Mr. LYNCH. Mr. Chairman, I yield 15 minutes to the gentleman from Georgia [Mr. CAMP].

PERMANENT AND TOTAL DISABILITY INSURANCE

Mr. CAMP. Mr. Chairman, loss of earnings from permanent and total disability is a major economic hazard to which all gainful workers are exposed. On an average day, 2,000,000 persons are unable to work because of disabilities which have continued for more than 6 months. These persons not only suffer loss of earnings, but they must also meet the additional costs of medical care, with the resulting economic hardship to themselves and their families often being greater than that from old age and death. Yet, no protection is now afforded to the permanently and totally disabled under our social-security system. In fact, the system today actually penalizes the disabled worker by reducing, or extinguishing, his right to old-age and survivor benefits.

Under existing law, if a worker in covered employment becomes permanently and totally disabled even for a brief period of time, his average wage is reduced and in turn his old-age benefit is decreased. Serious as such a result may be for a worker and his dependents, the extreme hardship cases occur, however, when workers become permanently and totally disabled before they have obtained sufficient quarters of coverage to acquire a permanently insured status. Under these circumstances, a worker not only suffers the loss of income because of his disability but also the loss of his old-age benefits at age 65 and survivor protection for his dependents, as well as the contributions he has made to the system over the years. Such is the gross injustice that now results for the average worker if he has less than 10 years of coverage under the system.

H. R. 6000 would not only protect the old-age and survivor benefit rights of the average worker, if he becomes permanently and totally disabled, but would also provide him disability benefit payments. In general, a person who works for wages or is self-employed and has contributed to the system continuously for 5 years prior to his disablement would be eligible for monthly benefit payments. Thus, protection would be afforded to most of the workers covered by the system who through no fault of their own are unable to continue as members of the labor force. Benefits would be paid, when a worker needs them most, to supplement his savings or other assets, in meeting the extraordinary expenses that are always present when serious illness strikes or a major accident occurs.

I firmly believe that a social insurance system should provide for the payment of cash benefits to workers who are permanently and totally disabled as well as to those who suffer income loss because of old age, premature death, or unemployment. For the average worker and his family, a disability which permanently excludes him from the labor market is a catastrophic event. State workmen's compensation laws provide protection against the loss of income from work-connected disabilities, but only about 5 percent of all permanent and total disability cases are of work-connected origin. Diseases of the heart and arteries, cancer, rheumatism, arthritis, kidney diseases, and other chronic ailments have become the major causes of permanent disability and death. Little or no protection is available to the ordinary workingman against income loss due to these and other serious illnesses. When a worker becomes permanently disabled he must exhaust his own resources, borrow from relatives and friends, and in a high percentage of cases out of necessity he finally, as a last resort, must turn to public assistance.

The common man who earns his living as an employee or who has a small business has not and cannot provide his own protection against permanent and total disability. Who is able to accumulate sufficient savings to meet the total cost of the basic necessities of life over a period of disablement that may extend 10, or 20, or 30 years, or longer? Few persons are able to purchase private insurance to protect themselves against the loss of income from prolonged disability. The cost of such insurance is high and the terms on which it is sold are restrictive.

The minority members of the Committee on Ways and Means and the spokesmen for the insurance companies who testified at the hearings held by the committee oppose a social insurance program covering permanent and total disability. They cite the experience of the insurance companies during the depression of the thirties in support of their opposition to the permanent and total disability provisions of the bill. None of them, however has contended that the loss of income due to prolonged disability is adequately protected today by private insurance policies held by the workers of America. They acknowledge that private insurance contracts are not available to the average workingman at a cost which would enable him to obtain his own protection against this major economic hazard. Regardless of this fact, they offer public assistance, based on the means test approach, as the only method of providing payments to permanently and totally disabled individuals.

The Committee on Ways and Means has been fully cognizant of the importance of the experience of the insurance companies in this field and has given careful consideration to such experience in formulating the permanent and total disability program provided for in H. R. 6000. There are many differences, however, between private and social insurance and the experience under one is not always applicable to the other. Let us take the time to examine the experience of the insurance companies in writing disability policies and see what some of these differences are.

First, a considerable portion of the insurance companies' difficulties arose from over-insurance or, in other words, the granting of so much potential disability income, such as $300 to $5000 a month, that the insured individual could well afford to retire on the payments available to him. Under the program proposed in the bill, only a basic floor of protection would be provided, ranging from $25 to less than $70 per month in the early years of the system. Even after 40 years of operation, a worker who had earned $3,600 or more per year in covered employment for this period of time would receive only $84 per month. Certainly these amounts will not serve as incentives for people to leave their jobs and to seek early retirement.

Second, the eligibility conditions under insurance contracts were far more liberal than those proposed in H. R. 6000. Many policies provided benefits payable 3 months after the date of disability and none had a longer period than 6 months. The average waiting period under H. R. 6000 would be 7½ months and in no instance could the waiting period be less than 7 months. Moreover, some policies provided retroactive benefit payments for the entire period of disability, and in other instances provided increased payments after an insured individual had been on the benefit rolls for a specified period of time. Both of these factors tended to encourage claims presentation by insured individuals.

Third, private insurance had a much less strict definition of disability than is contained in the bill. In general, the policies covered presumptive disability so that once an individual was disabled for the waiting period, he was presumed to be totally and permanently disabled. Under the definition in H. R. 6000 an insured individual must not only be disabled for the entire waiting period but at the end of that time he must be permanently and totally disabled. He would not be eligible for disability benefits if the medical prognosis showed that within a short period of time he would be able to engage in substantially gainful activity. For instance, an individual with a broken leg might be disabled for 10 months and under an insurance policy draw disability benefits for 4 months after a 6 months' waiting period. Under the provisions of the bill, however, no disability benefits would be paid, as it

would be obvious that this individual was not permanently disabled.

Fourth, the insurance companies did not have administrative machinery comparable to that which is now available to the Federal Government, to ascertain the activities of claimants of disability benefits. It was relatively easy for beneficiaries of private disability insurance to conceal employment while receiving benefits. Such would not be the case under the social-insurance system proposed in the bill. Wage reports and self-employment income reports would have to be furnished the Federal Government and even if an insured individual might be classified as permanently and totally disabled from a medical standpoint, no benefits would be paid if he had significant earnings.

Fifth, many of the difficulties that insurance companies encountered when they were writing liberal disability insurance policies arose because of the high-pressure tactics employed by the agents selling this type of insurance and the competitive practices engaged in by the companies themselves. During the boom period of the 1920's, insurance companies liberalized their contracts so as to meet competition, and as a result many unsound provisions and overly liberal practices developed.

Because of the differences in private insurance methods and those of a properly administered social-insurance system, it is the opinion of the majority of the Committee on Ways and Means that the unfavorable experience of insurance companies in writing disability insurance in the 1920's, although important, is not conclusive evidence that a contributory social-insurance system cannot function satisfactorily. The members of the committee who signed the majority report accompanying the bill are aware of the problems that will arise in administering a permanent and total disability program. We know that the determination of disability is not as simple as the determination of death and the attainment of age 65 and, because of this, safeguards to restrict the costs of the program are provided for in the bill.

Although from a social point of view it would be desirable to pay higher benefits to disabled persons who have dependents, the committee did not recommend payments for dependents of workers in order to keep the cost of the system low. This provision was also recommended by the Advisory Council on Social Security to the Senate Committee on Finance when it proposed a permanent and total disability insurance program in 1948. (See Senate Document No. 208, Eightieth Congress, second session, for this and other recommendations of the council relating to permanent and total disability insurance.) Moreover, under the bill the insured status requirements for disability benefits would be more stringent than for benefits payable upon retirement or death. To be eligible for disability benefits a worker would have to have at least 20 quarters of coverage out of the 40 calendar quarter period ending with the quarter of disablement and, for the purpose of testing recent attachment to the labor market, he would be required to have 6 quarters of coverage out of the 13-quarter period ending with the quarter of disablement. This latter provision will exclude persons such as voluntarily retired housewives and other workers, who become disabled after they withdraw from the labor force and are no longer dependent upon their own earning capacity.

The level premium cost of the permanent and total disability provisions of the bill is estimated by the committee's actuary as one-half of 1 percent of pay roll. The minority members of the committee do not directly attack this estimate, but they set forth in the minority report what they term to be a fair estimate of the maturing cost of the program. This so-called fair estimate does not exceed eight-tenths of 1 percent of pay roll even in the year 2000. In my opinion, the estimate of the committee's actuary is the more accurate but even if we assume that the minority's estimate is correct, surely there does not exist a formidable enough difference, measured in terms of covered pay roll, to deter the Congress from providing protection to the workers of America against the loss of income from the major economic hazard of permanent and total disability.

The opposition of the minority to permanent and total disability insurance is reminiscent of 1935 when a contributory social-insurance system for payment of benefits to aged retired workers was first enacted into law. The efforts exerted then to withhold protection against want in old age failed. I am confident that the attempts to prevent the establishment of a permanent and total disability program will also fail. No one can fairly deny the American worker protection against the economic hazard of permanent and total disability through social insurance.

Mr. Chairman, allow me to read from a sample of letters received by Members of Congress to show concretely the necessity for disability protection.

———, TEX., *February 16, 1949.*

As you probably know, I have a personal interest in this bill, because I have paid social security for a period of 12 years in the past and had a heart attack on November 27, 1947, since which time I have not been able to do any work at all, and the best of doctors have advised me that I will be unable to work again. I am 50 years of age. This leaves me without any source of income whatever, and, frankly, it seems very unfair to me that I have paid social security this long and can't draw any.

* * * Under my condition, it is not likely that I will ever be able to draw any of this money that I have paid in and if this condition will be of any benefit to you to encourage the passage of such bill, I will be more than happy for you to use it, not just for my benefit, but for the benefit of others who suffer such similar misfortunes.

I want to commend you for your action in connection with this matter because no one knows any better than I do how a person personally *feels* about such situation. I urge you to do everything you can to secure the passage of the bill, and if I can be of any service in that connection, I will be happy to do so.

With best wishes and kindest personal regards, I am,

Sincerely.

———, N. J., *January 3, 1949.*

I am writing to ask you to support a change in the social-security laws.

At the age of 55 I became handicapped by blindness after paying social-security benefits from the time the law went into effect.

My contention now is that a person handicapped by blindness should receive social-security benefits at that time instead of having to wait until they become 65 years old.

I have been handicapped almost 6 years and shall have 4 years before I am 65 and then heaven only knows whether I will be entitled to any benefits as it will have been 10 years that I did not have deductions made from my pay envelope.

I think you can readily see what such a change in the law would mean to those becoming handicapped by blindness in the future.

Thanking you for taking time to read this letter and that you may see your way to advise and support such a change.

Very truly.

———

CHICAGO, ILL.

Being citizens of this country, I, as a citizen, would express my opinion on benefits of the Social Security Act. Due to an illness of almost a period of 1½ years, I find myself in a State where I cannot collect anything. My illness of a stroke permits me never to work again for the rest of my life. I am now at an age where I cannot collect old-age pension for another 6 years. Now, Mr. President, couldn't there be a law passed where people could collect disability pension? In case of illness I believe its highly necessary in this country to pass a law which would help people support themselves in one way or another.

It would be greatly appreciated if some law like that could be passed. Under this Social Security Act, I might find myself in a state where I could never collect that, in case of death. Don't you think it would be greatly appreciated by me as a citizen, and in a case like mine, to collect while I am living? I worked for over a period of 20 years in this wonderful country of ours, and now I find myself, not being able to work, ever, paying for this social security and not being able to get anything out of it, Mr. President. It would be greatly appreciated if you could pass such a law where you could collect disability pension for people who are so willing to support their families and cannot because of illness. I thank you, Mr. President.

Sincerely yours.

———

———, GA., *February 4, 1949.*

* * * * * *

Mr. ——— is my father, and is suffering with a severe heart ailment; as a matter of fact there is a grissel growing through his heart and though it grows slow, he isn't able to work and cannot draw his social security because he isn't 65. Dad is only 58 and looks 80; he has had social security taken out on him since social security came in effect.

* * * * * *

We don't want charity. When he worked for the money, the social-security organization has got of his, and he needs it now; you see we children have done everything we could to support dad, mother, and sister, and now that my husband is laid off from his job, and my youngest brother, something has got to be done, and we don't want charity if we can help it.

With all the children married and having heavy overhead expenses, dad feels like he is a burden and grieves himself sick. With his heart trouble he is likely to pass out sooner than he would if he was independent.

Knowing he has social security that is rightfully owing to him (which they didn't hesitate to take out), he feels like there

should be someone somewhere who could help him get it. My dad has pride even though his health is gone.

* * * * *

Sincerely.

———, OREG., *October 12, 1948.*

The social-security laws are at present on the list for expansion. As one who feels the present laws are inadequate, I hope by writing to you that with your assistance some change may be made that will make it possible to give aid to a great many deserving persons.

The experience I am about to tell you of has probably happened to many and I feel it is unjust. My husband who was employed for all but 15 months of the 10-year period paid into social security from an average $180-a-month salary. In 1945 because of a series of strokes suffered from high blood pressure, he was totally disabled. This was only 5 quarters away from security coverage. As we understand the law there is no security benefits because he was forced to lose this employment. My husband is only 54 years old at present, unable to ever be employed again and in need of my constant assistance, which prevents me from being employed. Now even if he is permitted to live until he is 65 he can claim no benefits from the premiums deducted from his salary. Yet many men and women 65 who are strong and well have retired and are receiving assistance from the fund which many of the disabled have helped to build. A friend of ours now 65 was totally disabled from a serious heart ailment only a short time before he would have completed his 40 quarters. He is not entitled to any security assistance for which he paid.

There are probably thousands of these individuals, some near 65, others who have only been under the system for a very short time.

I do so hope that by mentioning this to you that you may have something to offer the security committee when they begin expansion. It does seem that some system of percentage assistance could be worked out to benefit those who are totally disabled regardless of their age if they have had deductions made from their pay.

Sincerely yours.

———, WASH., *January 4, 1949.*

* * * * *

The matter I have in mind in connection with the social security law is this: What happens to the man who becomes totally disabled before he reaches the age of 65 years.

For example we have here in the hospital a man 48 years of age, who has been employed in an industry subject to the law since its inception up to the present time. It looks very much as though this man may be declared permanently disabled and not be able to return to his work. He has three dependents besides himself with very little income for future use. Under the present social-security law as I understand it he will have to reach age 65 years before he can receive any benefits.

It may not be possible under the present social-security law to provide for cases as stated above but it certainly would be a wonderful addition to the present law if such a provision could be added to the law.

* * * * *

Respectfully yours.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield to the gentleman from Michigan.

Mr. CRAWFORD. The gentleman is from a great farming State and I am also interested in farmers. Would he give us for the purpose of the record the reason why the committee did not cover farmers as such and farm labor?

Mr. CAMP. We considered that subject perhaps as long as any other question that came before us. There were two or three compelling reasons. One is the fact that there is no demand by the farmers for it.

Mr. CRAWFORD. In my district I have had every indication that there is greater demand for this social-security coverage from people out in the farming districts than in any other part of my district.

Mr. CAMP. I mean by that, sir, nobody representing the farmers came before our committee during the hearings and expressed their unequivocal desire for compulsory coverage.

Another reason was the difficulty of collecting the taxes, not only from the farmer himself but from farm labor. The farmer nowadays does not keep such a good record of his business as other businesses. I hope in the future they will. Another reason was that farm labor to a large extent is transient. A man may hire a bunch of fruit pickers or cotton pickers and never see them again, and that was one of the reasons why farmers were left out. I think farmers should be included. I think that the farmers, when they understand this program, will want to be included.

Mr. CRAWFORD. I join with the gentleman in that, and I think eventually conditions will force them to come in. There will not be a question whether they want to come in; they will have to come in.

Mr. CAMP. Yes; I think so.

Mr. EATON. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield to the gentleman from New Jersey.

Mr. EATON. Newspapers have temporary correspondents scattered throughout the agricultural sections who write in a little story every so often. Are they described under this bill as employees and the employers subject to the tax?

Mr. CAMP. No. That was discussed in committee, and they are not included in the bill.

Mr. EATON. They are not included as employees under the definition in this bill.

Mr. CAMP. They are not employees; that is right.

Mr. PRESTON. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield to the gentleman from Georgia.

Mr. PRESTON. I, like some other Members, have received a good many letters from doctors about this bill, and I wonder how they became confused. I was informed from various sources that the doctors were not affected; that they were certainly exempted as professional people. I would like to ask the gentleman this question. Does the bill in any way affect the practice of medicine or affect doctors?

Mr. CAMP. In no way whatsoever. Doctors are exempt as other professional men are from social security. That was done because we found that doctors do not retire when they reach the age of 65. I would like to state that the average age of retirement for all workers now is 69 rather than 65. Many of them continue on and work after they are 65. But, we found that doctors, like lawyers and some other professional men, are not used to retiring at the age of 65, and that is why they were left out. I have already stated that there is nothing in this bill that has to do with the practice of medicine or with doctors or with what they call socialized medicine, and this is not the bill to which they are referring.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield to the gentleman from Arkansas.

Mr. MILLS. Is it not also true that one of the compelling reasons why the committee left out this recommendation in regard to medical care under public assistance was the argument made by the various State medical societies that they did not want it in the bill?

Mr. CAMP. That is right.

Mr. MILLS. I certainly agree with my distinguished friend from Georgia that there is nothing in this bill that would justify any opposition from doctors.

Mr. LANHAM. Mr. Chairman, if the gentleman will yield, have they not confused that with compulsory health insurance?

Mr. MILLS. If the gentleman will yield, I do not believe that doctors have confused this issue with compulsory health insurance. I think they were concerned about inclusion under title II and also the medical-care provisions of the public-assistance program as in H. R. 2893 introduced by the gentleman from North Carolina [Mr. DOUGHTON] by request.

Mr. CRAWFORD. Mr. Chairman, if the gentleman will yield further, I think the gentleman said something to the effect that at some future date we could raise these rates, if necessary. It appears that Mr. Altmeyer testified before the committee in February that there is an actuarial deficit of something like $7,000,000,000 at the present time under the 1 percent payment.

Mr. CAMP. That is right.

Mr. CRAWFORD. What is to happen insofar as H. R. 6000 is concerned on this question of raising rates? Are we raising the rates?

Mr. CAMP. We are raising the rates in this bill to an amount sufficient, according to the best advice we could obtain, to take care of the program in the future.

Mr. CRAWFORD. And those rates now will be what?

Mr. CAMP. They are stated in section 201 of the bill.

Mr. JENKINS. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. MURRAY].

Mr. MURRAY of Wisconsin. Mr. Chairman, I should like to get back to this matter of including the rural people in social security. As I understand, the National Grange and the Farmers Union went on record in favor of social security for farmers. May I ask the gentleman from Arkansas [Mr. MILLS] if that is not correct?

Mr. MILLS. During the course of the hearings both the Farmers Union and the National Grange were represented and recommended that farmers be included under title II, as well as farm labor. In fact, the Farm Bureau adopted

a resolution at a national convention recommending coverage for farm laborers when a workable program for this type of labor can be formulated, but did not take action on any recommendation with respect to farmers.

Mr. MURRAY of Wisconsin. The reason I bring that up is that on yesterday a colleague from New Jersey, from a more or less industrialized region, brought out the fact that the farmer is paying the freight, and I guess he is, because that is an old saying that is heard in the countryside. The farmer buys 40 percent of the manufactured goods of this country. As a matter of fact, he now has to pay a transportation tax on water. He has to pay it on his milk, and that is pretty nearly 90-percent water, so he is even paying a tax on water.

The thing I wish to have in the record is that this story that the farmers do not want social security just does not stand up. It does not stand up right here, because we have just heard that the National Grange and the Farmers Union both have asked that the farmers be included under the Social Security Act.

This is the picture, and I say this with no particular criticism of any individual or group. Out of one pocket we are promoting the family-sized farm through the Farm Home Administration, and over the years it has done a splendid piece of work, especially when you realize that in this country we are down to less than 20 percent of the people living on the farms of the United States. Yet out of the other pocket we are putting out funds to promote the commercial type farms that are putting the other type farms out of business. One large wheat grower has had a $250,000 subsidy and one large certain outfit has had over $800,000 in subsidies. If we are going to have $7,000,000 farms such as Clayton & Co. bought out in California within the last few weeks, and if we are going to have million dollar farms, and expect the family-sized farmer to compete with them, I should like to know how he is going to do it if he is not going to have any minimum wage nor any social security.

You notice they left the farmers out of that minimum wage bill. To be factual about it, we have a minimum wage in the Sugar Act, and that is fixed at such a low amount that it really does not amount to much. Under the Sugar Act, even though a member of the President's Cabinet has the authority to fix the minimum wage, he fixes it at 25 cents and at 29 cents and at 32 cents in Louisiana and 60 and 65 cents in Colorado and California.

American agriculture has to face two things. First is the situation where they do not have any minimum wage. A minimum wage in operation for agriculture would protect the man on the family-sized farm, because his time is worth somewhere near what the minimum wage is. Secondly, he is not going to be included under social security. It is just putting one more insult upon another.

I think the time has come when one class of people that should have been in this bill is the rural people, because not half the people in a lot of those rural districts come under social security. We have many districts like that in the United States. What do they have to look forward to? They can look forward to the time when they get old, and believe me, when you get to be 65 years old you are not going to do too much farming. All they have to look forward to is that they might have someone point a finger at them and call them a reliefer, and yet it all comes out of the same pot, more or less. There is no reason why rural people, not only the farmers, but the rural areas everywhere should not be included under the social-security program.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield.

Mr. MILLS. I desire to congratulate the gentleman on the position he has taken. I recognize the gentleman from Wisconsin as being as well informed as anybody in the House of Representatives on the desires of the farm people and what is best for farm people as far as legislation is concerned. I congratulate the gentleman. I trust the gentleman has made some investigation in his district and that he knows the people of his district are for coverage.

Mr. MURRAY of Wisconsin. I received but one letter that was opposed to social security for farmers. Of course, I do not know the man. I do not understand the circumstances, but I can see why no one wants to pay taxes. You realize that human nature is human nature. A man who has many people working for him probably does not like to put in his share of it. But that has nothing to do with it. I recognize that the rural people should be included and I hope the other body will include them.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield.

Mr. CRAWFORD. We are faced with what I think is a positively terrible situation, I mean economically speaking. The steel board has come out and unconditionally recommended that the employer pay the total amount for the employee. It says in substance "You people who have lived simply and exercised thrift and invested your savings in buildings, machinery, and tools, so that the employees might have a job, shall in addition be responsible for the employees' social welfare."

Industry is accepting that proposition, as cockeyed as it is, because industrial management knows that it will add that cost to the price of the goods to be sold to the farm people. It is not a simple thing to administer the collection of a tax for social security and make the rules and regulations apply to the farm labor and the farm people. I know that. But here is a group of people on the farms in this country where the top level men in this administration say "you must not be too much interested in protecting their wage, I mean the farm wage, because if you do you will overload the budget."

Everywhere you look the scheme is running contrary to the economic interest and protection of farm wages, the farm workers and the farm operators and the farm hired men. We are not on sound ground when we kick out 25 to 30,000,000 farm people and leave them hanging on a string which depends strictly on the whims of Congress so far as appropriations are concerned. I think we should assume the responsibility. I certainly would be a great deal friendlier to H. R. 6000 or the other bill if there was something in them which would give the farm people a chance to have a little security.

Mr. MURRAY of Wisconsin. I thank the gentleman. I am in hopes, I will say to my colleague from Michigan, knowing the interest he has in this problem, that the other body—I know we cannot do it here because this comes to us under a closed rule where we cannot amend the bill—I am in hopes that there will be enough interest there and that farm organizations who have appeared before our committee will also appear before the committee of the other body and will be able to have their position prevail.

I just believe that the great majority of the people will agree that that should be done in the other body.

Mr. HAYS of Arkansas. Mr. Chairman, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield.

Mr. HAYS of Arkansas. There is so much good in this bill that I expect to vote for it. But I do want to endorse what the gentleman from Wisconsin has just said about the gap that still remains in our social security program. Unless that gap is ultimately filled a great injustice is going to be done to the farm people of this country.

Mr. MURRAY of Wisconsin. Before we become a party to furnishing company pensions and Federal old-age security under the social-security laws we should at least be interested enough to put all our American people under the social security program.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. O'HARA].

Mr. O'HARA of Illinois. Mr. Chairman, I am happy that we in the House will pass the social-security bill before we adjourn. The sentiment of the country is so overwhelmingly behind the broadening of social security and the extension of its benefits that only 3 of the 10 members of the opposition party on the Ways and Means Committee saw proper to defy the popular will by voting against the reporting out of this measure.

Republican leadership yesterday sought to scuttle the broadening and extension of social security, not by a direct attack on social security, but by opening the door for a thousand amendments, which could not possibly be considered in the time of this session remaining, and thus the bill would die. I think the people of this country—the decent and honest men and women in the ordinary walks of life everywhere—by this time thoroughly understand the reactionary strategy of keeping the face of a friend while administering the poison of legislative paralysis.

In the two roll calls of yesterday the people of America—these men and women back home whom we represent—won a great and heartening victory. Had the

reactionary strategy succeeded, had the result of the roll calls been different, social-security legislation would have been as dead as death itself, and those responsible for its death would have filled the front pews at the funeral still wearing the faces of friends.

No fair-minded person can say that this bill is not a vast improvement on the present social-security law. Is there a man or woman anywhere in America who would say that a worker stricken, say, at 50 or 55, by an illness completely and permanently disabling him must struggle on penniless and neglected until he is 65 before he can receive 1 cent of the social-security benefit for which he paid regularly during all his working years prior to his disabling illness? I am happy that the bill we will pass today, when enacted by the Senate, will serve to pencil some sunshine into the dreary life of the worker stricken down in his prime. It is a human bill, and yet thoroughly and conservatively sound. The provision that I have mentioned—minor, considering that the number of persons stricken in their prime and permanently disabled is relatively small—reflects the spirit of the bill.

The distinguished chairman and the members of the Ways and Means Committee have rendered a great service to the Congress and to the country. We know how diligently they have worked—weeks and weeks, month after month, often their sessions lasting into the late hours of the night. I think the country should know a little better how much real hard, grinding work goes into a bill of the complicated and expansive nature of the one before us. Congressmen, I have found in my brief service here, are without exception hard workers, putting in long hours and getting practically no rest, even on week ends. We all will agree, I know, that the Members who have been called upon to do the hardest work in the Eighty-first Congress have been the chairman and the members of the committee which, as the result of its long months of public hearings and deep study, has brought to us for our approval the bill which today we will pass.

I have an especial pride in the accomplishment of this committee because one of its members is a great son of Illinois, my warm friend of many years and our distinguished colleague, the Honorable THOMAS J. O'BRIEN, whose long years of public service, always with an ear open to the voice of the common people, have endeared him to the people of Chicago and of Illinois.

As to the bill before us, I would have it go much further than it does go, but when I consider that it extends coverage to an excess of 11,000,000 of my countrymen, that it much broadens the benefits and that it is not forgetful even of the girl in domestic employment or the worker suffering a stroke in his prime, I am filled with happy satisfaction that I am here to give it my vote. When later the Senate has acted, and the bill has gone to conference, other provisions which I should like to see included I hope may receive favorable consideration.

I do hope the day will come, and I believe it will come as certainly as the dawn follows the night, when every man and woman in America reaching the age of 60 can retire with a sufficient compensation to provide for a comfortable existence for the remainder of their earthly years. I have never regretted that in the days of the original Townsend plan I gave it encouragement and support as being sound economically and as providing the answer to a plaguing question raised by an industrial order which consumed the youth and prime of the workers and left little opportunity for the aging. When a human being has worked hard during all the years doing a job to be done there is a better provision to be made for him than just putting him in a corner.

I am happy that in the broadening and extension of social security we are making progress, and I shall continue to support with all my heart the social-security program. I shall also continue in every way to help advance the day when every man and woman in America on reaching the age of 60 can retire with the assurance that the compensation to be received will be sufficient comfortably to meet all the requirements of the remaining days.

Mr. JENKINS. Mr. Chairman, I yield 5 minutes to the gentleman from Washington [Mr. MACK].

Mr. MACK of Washington. Mr. Chairman, old-age and survivors insurance, which is now before the Congress, is probably as complex and complicated as any legislative subject which will be considered by the Congress during the present session. Furthermore, its proper solution is as important as anything which will come before the Congress, with the exception of the matter of preserving world peace.

I became interested 2 years ago in social security when a group of public power district workers approached me in my home city and informed me that they previously had been employed for a period of 7 years by a private power company. Throughout that 7-year period they had paid old-age and survivors insurance withholding taxes. At the end of this 7 years this private utility was purchased by a public power company. Thereafter these people, because they now were public employees, were unable to pay any social-security taxes. Because they were prohibited from paying the withholding taxes, they could never acquire the additional credits they needed to qualify for an old-age pension at age 65. Their case appealed to me as constituting an injustice.

Then a man approached me who had been employed as a clerk in a shoe store for a period of 9 years and 9 months, 39 quarters. At the end of that time he was made a partner in the business. He became a self-employed person. This disqualified him from paying old-age and survivors withholding taxes. A young man must have 40 quarters, or 10 years, of withholding-tax payments before he can get a pension. This man could not pay withholding taxes, for the self-employed are barred under the present law from participation. Therefore, this man, who had paid taxes for 9 years and 9 months, was denied a chance to get a pension. The Government, furthermore, was going to keep all the premiums he had paid in, amounting to $570. That was not fair.

Then I was approached by a group of foreign wars veterans, who called my attention to the fact that World War II veterans are not given any credit for the period they served in the armed services during World War II. Since they were given no credit for that period, they might not accumulate the necessary 40 quarters of credits necessary to secure a pension.

These three problems engrossed my attention, and in seeking to find a remedy for these three injustices to these three groups, I started some research with the social-security department and the Library of Congress. Then, in the spring of 1948 during the Eightieth Congress, after considerable research, I introduced a social-security bill, four provisions of which, or ones very similar to them, are contained in the bill now under consideration. I reintroduced that bill on the first day of the present session of the Eighty-first Congress. My bill was given the number H. R. 258. That bill provides for coverage almost identical to that provided in the committee bill. It provides for pensions but on a slightly different formula to that contained in the committee bill. The formula for pension grants in my bill is so close to that of the committee bill that under my bill a $250-a-month worker, at the end of 40 continuous years of coverage, would receive $77 a month, whereas under the committee bill he would receive $78. The difference is only $1 or a difference of less than 2 percent. My bill provided that the $14.99 limit on what a pensioner may earn in covered employment without forfeiting his pension for that month be increased to $50. There is an identical provision in the committee bill.

My bill also provided that World War II veterans shall have $160 a month credit for the period they were in the armed services during World War II, which is practically the same as a provision contained in the committee bill.

While some are prone to criticize the committee, I am inclined to believe that, on the whole, it has done a pretty good job with a most intricate and complicated piece of legislation.

I do not mean to infer that I agree with everything that is in the committee bill. I do not. There are provisions in the committee bill which I do not believe should be contained in it.

The definitions as to who are employees and who are employers are not spelled out very carefully or satisfactorily in the committee bill. I hope the committee bill, when it goes to the Senate, will be corrected in this respect. On this point the Kean bill is much clearer and much more satisfactory in my opinion.

I think the provisions in this bill, as they relate to disability protection, should be carefully and searchingly studied particularly as to costs. Before any bill is finally adopted by both bodies it should be determined that the revenues to be derived from withholding taxes will be adequate to meet the costs of all provisions the legislation contains.

I am very much disapointed that a majority of this House voted to bring this

bill out under a "gag" rule that prohibits any amendments being made to this bill.

This "gag" rule prohibits and prevents taking out of this bill some provisions that are unfair, unjust, and defective.

For example, one provision of this bill excludes the publishers of 20,000 small weekly newspapers from enjoying the benefits of this legislation.

The publishers of daily newspapers are given the protection of the old-age and survivors insurance provided by this bill. The weekly publishers are not.

The butcher, the baker, the grocer, the laundry owner, the garage operator, and every other small-business man is brought under the benefits of this bill but the small weekly newspaper publisher is not. That is not right. This section ought to be stricken from the bill by the Senate so that weekly newspaper publishers who, in nearly all cases are small-business men, can enjoy the benefits of this legislation.

The daily newspaper publisher is covered because in most cases his business is incorporated. The owners of incorporated businesses are regarded under the law as employees, and as employees, are covered.

Few weekly newspaper operations are incorporated. The publishers, therefore, are self-employed persons and this bill specifically, on page 54, says, they are barred from participating in this insurance protection. This is a gross injustice to the 20,000 weekly publishers of the Nation. I am sure that if I offered an amendment to allow weekly publishers this insurance it would be overwhelmingly adopted. I cannot, however, offer such an amendment because the "gag" rule which has been adopted prevents me or anyone else from offering any amendment.

RAILROAD WORKER INJUSTICE

This injustice to the 20,000 weekly newspaper publishers of America is not the only inadequacy in this bill. There are many others and, except for this "gag" rule, we could offer amendments and correct these injustices.

One of my constituents worked as a locomotive engineer 4 years for a private logging railroad. For those 4 years he was under social security and paid withholding taxes into the old-age and survivors insurance fund. For the next 4 years he worked as a locomotive engineer on the main line of the Northern Pacific Railroad. During those 4 years he paid withholding taxes into the railroad retirement fund which is also administered by the Federal Government. Then, for 4 years, he worked as a post office janitor and for those 4 years paid withholding taxes into the Federal employees' retirement fund, which, like the other two funds, is administered by the Federal Government.

Now, this worker finds, that although he has paid withholding taxes for 12 years into three different Government pension funds, all federally administered, that he is not entitled to any pension under any of these funds because he has not been under any one of these systems long enough to qualify under any of them.

This bill does not correct the injustice done this man and it ought to. We could have corrected that injustice, which undoubtedly has been done to thousands like him, if this bill had not come out under a "gag" rule that prohibits amendments.

APPLE PACKER INJUSTICE

I know of a man who has worked in a fruit packing plant for many years. He has worked in the same plant, in the same town and for the same employer all of these years. He spends half his time making up apple boxes and half of it putting apples into the boxes.

Under the present law the time he spent putting apples into the box is defined as agricultural work and is not covered by social security. The time he spent making apple boxes is classified as factory labor and does come under social security. As a result of this strange inconsistency this worker has been given 5 years of coverage and denied 5 years of other coverage on the ground that half of the time as an apple packer he was an agricultural worker and not eligible for coverage during that period. This was an injustice that could have been corrected, I feel, had the House been given an opportunity to amend this bill.

These are but a few examples of injustices and inadequacies that could and would be amended except for the "gag" rule which prohibits amendments.

INCREASED BENEFITS NEEDED

I favor increased benefits for those who are covered by social security. I favor them because the old folk need them. I favor increased benefits also because old-age pensions are here, and here to stay, and we must develop a sound and enduring system, which I believe old-age and survivors insurance is.

Under old-age and survivors insurance the beneficiary, in the earning years of his youth, must pay withholding taxes—these might be called premiums on an insurance policy—every pay day. In return for these payments of withholding taxes, he will in his old age receive a monthly pension. In short, everyone will be paying for his own pension. They will not be getting something for nothing.

This is sound. It is sound because it provides for raising the money to pay the insurance benefits. Any old-age system that does not have a contributing feature, in my opinion, cannot and will not endure.

Old-age assistance administered by the States in the year that started last July 1 will cost the taxpayers, State and Federal, of this Nation, $1,980,000,000, or in round figures $2,000,000,000.

The number of persons attaining the age of 65 is increasing and, furthermore, thanks to our best-in-the-world American medical science, these oldsters are living long after 65. It is not unlikely that within the foreseeable future the cost of old-age assistance which is administered by the States, may become four, six, or eight billion dollars a year.

If we are going to keep our State and Federal Governments solvent we must develop on sound principles an old-age pension system under which everyone, or nearly everyone, will pay each pay day in the productive, earning years of his youth into a fund from which he will derive his pension in old age when his earning power declines or vanishes. Any other type of system is apt to fail and for old-age pensions to fail after having been so well established in this country would wreak great social, economic, and political harm on the country.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. JENKINS. Mr. Chairman, I yield to the gentleman from Ohio [Mr. McGREGOR] such time as he may desire.

Mr. McGREGOR. Mr. Chairman, social security is a much-needed program as it provides financial independence for old folks no longer able to work. Properly administered, it would do just that.

The social-security objective is excellent—the plan for financing it is deceptive.

Social-security taxes are paid to insure security in old age. Uncle Sam has collected $15,000,000,000 for that purpose, but he has spent every cent collected for current needs. It was spent as fast as it was collected. Instead of setting aside this money for future use to pay benefits when they come due, Uncle Sam spent it and put his I O U's in the vault where the cash collected should be. In other words, there is no cash reserve funds in the agency for social-security benefits.

The Federal Government's operating costs as of June 30, 1949, were $1,500,000,000 in the red for the first quarter of 1949. Congress and the people said "No" to President Truman's request for higher income taxes. Increasing the old-age security-insurance taxes will bring extra billions for current expenses. So, since President Truman refuses to cut Government expenses to balance the budget, he proposes to soak the poor to balance the budget through increased old-age security-insurance taxes.

I voted to bring this bill, H. R. 6000, on the floor of the House of Representatives for consideration under an open rule so that the bill could be amended, and the philosophy of financing could be corrected, as well as many other phases of the social-security law. However, by great pressure from the majority-party leadership, we find the "gag" rule governing our consideration of this legislation, and we have no chance whatsoever by way of amendments to make any changes. We have to take a lot of bad along with the good.

I am going to vote for H. R. 6000 because I believe in the principles involved, but I am very glad that I voted in opposition to the "gag" rule as I feel that we should have had the opportunity to correct the many injustices that are included in this legislation.

Mr. JENKINS. Mr. Chairman, I yield 3 minutes to the gentleman from New York [Mr. EDWIN ARTHUR HALL].

Mr. EDWIN ARTHUR HALL. Mr. Chairman, the fact that the Angell bill, H. R. 2136, is not presented here at this time sustains the 10-year frustration I have had ever since I have been in Congress by being unable to vote for the

type of pension legislation that I would like to.

The labor strife that is presently rampant throughout the country is caused by the very course we are following here today. The subject is old-age pensions, but organized labor is calling for it in piecemeal fashion just as the Congress is attempting to legislate now. I think it is a mistake. I think that old-age pensions should be universal and should include everybody, not just a few.

Why should a hundred thousand miners up in Scranton and elsewhere, because they are strong enough to have leaders like John L. Lewis and other men, be able to get what they want in Washington while they leave the rest of us out in the cold? Why should a million steelworkers, or two or three million Government workers, because they happen to be able to have a sympathetic ear either in the Congress or in the NLRB, or wherever their differences are threshed out, be able to obtain big pensions at the expense of the rest of us? I say the subject of old-age pensions should apply to every American citizen regardless of his race, creed, color, or his station in life. That is the position I have always maintained. It is a sincere position; it is an honest position.

We fail in our duty if we continue the piecemeal method; that is, by legislating into social security each year a few hundred thousand here or a million there until finally, after a century of progress, we get pensions for the whole body politic. For that reason I should like to see legislation passed today to include all citizens of the United States in a universal old-age, pay-as-you-go, reasonable pension. It certainly is less than fair to exclude the millions who are not yet taken in.

If you are one of the 9 out of every 10 you will not be able to make a living after you reach the unemployable age. Therefore you have three recourses: First, when you reach the age of 60, to retire to the poorhouse; second, to live on your children; and, third, to take a pauper's oath and sign over everything you have in the world to the public charity for what little you are able to get back. This is wrong, and we should certainly correct it.

Neither bill before us today will remedy such a deplorable situation.

Only by passing a pension measure to apply to everybody over 60 years of age can we be fair to the American people. Anything short of this will fail to meet the most challenging issue of our day, security in the lateness of life.

Why not prepare our older people for happiness in their declining years? Why not give them comfort and satisfaction in their remaining days?

Adequate old-age pensions for all will help our senior citizens to anticipate and to yearn for complete realization of the immortal words of Rabbi Ben Ezra in the lines of Browning's poem of that name:

> Grow old along with me,
> The best is yet to be,
> The last of life
> For which the first was made.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. LYNCH].

Mr. LYNCH. Mr. Chairman, I would feel remiss in my duty if I did not take this occasion to express my high regard for the patience, perseverance, and the persuasiveness of our distinguished chairman, the gentleman from North Carolina [Mr. DOUGHTON], in finally bringing this bill, H. R. 6000, to the floor of the House. That it is a good bill is evidenced by the fact that after 6 months of intensive study, after hearing scores of witnesses, after taking hundreds of pages of testimony and after long hours of deliberation in executive session, the committee reported out this bill by a vote of 22 to 3.

I say it is also a good bill as I look at the clock, because this bill has kept me here to try to help its passage through when the world's series is going on right in my district and I have two tickets for the game this afternoon. I cannot use them, but must be content with the radio reports and the hope that the Yankees, the team from my district, will win the game. Meanwhile I must content myself with trying to get them and the Dodgers old-age insurance.

Mr. NICHOLSON. Mr. Chairman, will the gentleman yield?

Mr. LYNCH. I yield to the gentleman from Massachusetts.

Mr. NICHOLSON. I wish the gentleman would have let me know. I would have taken them.

Mr. LYNCH. I will give the gentleman my ticket for today.

Mr. Chairman, this is a bill which in my judgment merits the support of every Member of the House and I make so bold as to predict that there will be very few votes in opposition to it on final passage. I was very well pleased to hear the distinguished gentleman from Washington [Mr. MACK] appraise the bill in the manner in which he did. We shall look forward to his joining us in the passage of the bill. Insofar as the editors and publishers of country newspapers are concerned, may I say to the gentleman from Washington I am sure that if we knew they were desirous of being covered by this bill we certainly would have had them in. Perhaps we can get them in on the other side of the Capitol when the bill goes over, if they are really anxious to be included.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. LYNCH. I yield to the gentleman from Michigan.

Mr. MICHENER. Did the gentleman's committee give consideration to the administration of the bill if farmers were included? I voted for the original bill and I voted for every amendment. My understanding has always been the only reason farmers were not included was a matter of administration, that administration would be almost impossible.

Mr. LYNCH. In answer to the inquiry of the gentleman from Michigan my understanding is that the problem of administration in the opinion of the Social Security Administration has been solved. For one, I am thoroughly in accord with the remarks made by the gentleman from Wisconsin [Mr. MURRAY], that farmers and farm labor should be covered. But our information was, and it is my distinct recollection, that originally the Grange came in and advocated coverage only on the theory of voluntary admission on the part of the farmer. Voluntary admission as such is not sound administratively. But if all farmers and farm laborers were brought in or if farm laborers only were brought in, this bill, in my opinion, would still be a better bill than it is today because I am convinced personally that just as the self-employed now are most desirous of being covered by social security so, too, would the farm operators be desirous of being covered by social security once their farm laborers were covered and they understood the benefits of social security perhaps a little better than I am told they understand it at this time.

The real reason they are not covered in this bill is that there was no great demand from the farmers, according to our understanding, or from the farm laborers. We had men on the committee who came from rural communities and who are familiar with the situation. We bowed to the better judgment of those members.

My distinguished friend and colleague on the committee the gentleman from Pennsylvania complained about the tax that was being imposed. He called it an income tax. Of course, it is an income tax to a certain extent on the employees and insofar as the employer is concerned I suppose it could be called an excise tax. But, in any event, we must have a tax to cover this social security, and the thing that amazes me so much is that our distinguished friend from Pennsylvania was one of those who helped most in getting the bill out. So, I would be inclined to ask him whether or not he is actually in favor of social security, and if he is in favor of social security is he actually in favor of increased benefits and increased coverage? We give increased benefits and we give increased coverage under this bill, and in the year 1950, next year, we do not raise the tax. The tax was raised by the Eightieth Congress, if you will recall, when they fixed the tax for 1950 at 1½ percent. Insofar as the Kean bill is concerned, both the Kean bill and our bill impose a 2-percent tax in 1951. We do not differ in the amount of the tax until we get to 1960, and H. R. 6000 goes up to 2½ percent, and a few years later the Kean bill goes up to 2½ percent. So it goes until we reach 3¼ percent in 1970 and the Kean bill reaches 3 percent in 1980.

From the debate that has previously ensued one might conclude that labor was not in favor of this bill because it does not cover the five best wage years of an employee to determine his average wage. So that there may be no misunderstanding of the position of labor on this bill, let me read a telegram that was received only a few hours ago by the gentleman from North Carolina [Mr. DOUGHTON], chairman of our committee, from William Green, president of the American Federation of Labor,

who is at the annual convention of his organization held this year in St. Paul, Minn.:

Hon. ROBERT L. DOUGHTON,
Chairman Committee on Ways and Means,
House of Representatives,
Washington, D. C.:

The convention of the American Federation of Labor in session in St. Paul, Minn., departing from the regular order of business this afternoon considered the proposals for liberalizing social security contained in H. R. 6000. The convention, representing 8,000,000 workers and their families, unanimously endorsed this bill and in response to the convention action I am asking you to urge the United States House of Representatives to act favorably on this important measure. The millions of elderly retired workers and workers' survivors look to Congress to act on their behalf. Many more millions of working people look to Congress to remove the constant fear of dependent old age and physical disability. The passage of H. R. 6000 will be a long step in that direction.

WILLIAM GREEN,
President, American Federation of Labor.

That should settle all doubt as to how labor stands on this bill.

Those are the points that I desire to make with respect to the contrast between this bill and the bill which will be offered in the motion to recommit. There is no doubt in my mind that H. R. 6000 is the bill that is most desired by the people.

In order to speed the day when contributory social insurance will replace public assistance as the primary method of providing basic protection against the economic hazards of old age, disability, and death, it is essential that the coverage of the insurance system be broadened without further delay.

Too large a part of the labor force of America must work in employment not covered by social insurance. Of the 80,000,000 individuals with old-age and survivors insurance wage credits, only 43,000,000 are fully or currently insured. Thirty-seven million individuals with wage credits do not have an insured status in spite of the fact that to be currently insured a worker need have only six calendar quarters of coverage out of the last 12 quarters.

Some workers make no contributions to the system and, of course, never become eligible for benefits. Many others, as indicated by these figures, shift between covered and noncovered jobs, and although they pay taxes on their wages from covered employment, they often not only fail to obtain sufficient quarters of coverage for benefit purposes but also suffer the loss of their contributions. Moreover, time spent in noncovered employment reduces the amount of the benefits paid a worker and his dependents when he has been in covered employment for the necessary period of time to obtain an insured status.

COVERAGE PROVISIONS OF H. R. 6000

H. R. 6000 would extend the Federal social-insurance system to about 11,000,000 jobs now excluded. This would eliminate many of the inequities and anomalies which arise when workers shift between covered and noncovered employment, and would bring millions of workers under the system for the first time so that they would be afforded an opportunity to obtain the basic protection that it provides.

The bill would extend coverage to eight groups of workers and also make the Federal social-insurance system available to Puerto Rico and the Virgin Islands. These groups are (1) self-employed persons other than farmers and certain professional groups, (2) employees of State and local governments, (3) employees of nonprofit organizations, (4) domestic servants employed on a regular basis in other than farm homes, (5) employees performing borderline agricultural services that are essentially commercial and industrial, (6) certain Federal employees not covered under any other retirement system, (7) American citizens employed outside the United States by American employers, and (8) salesmen, industrial home workers, driver-lessees of taxicabs, and other persons who are technically not employees at common law.

The individuals who make up these eight groups are dependent upon income from work and they need the basic protection that would be afforded them under the bill as much as, and in some instances more than, those already covered. Failure to provide social insurance coverage for these individuals would mean that many of them would be forced to rely on public assistance to meet their needs in old age or in case they become permanently and totally disabled.

THE NONFARM SELF-EMPLOYED

About 4,500,000 nonfarm self-employed would be covered during an average week. Between 35 and 40 percent of this number are storekeepers and other retailers, including, for example, proprietors of unincorporated shoe stores, clothing stores, grocery stores, restaurants, and filling stations. Approximately 20 to 25 percent are proprietors of such service establishments as hotels, boarding houses, garages, laundries, barber shops, and places of amusement. From 12 to 15 percent are engaged in the construction industry, including small-scale plumbing, painting, and electrical contractors. The remaining 25 to 30 percent is made up of wholesale merchants, agents and brokers, small-scale manufacturers, independent taxicab owners, and proprietors of real-estate and insurance enterprises. The following professional groups, which represent about 400,000 individuals, would continue to be excluded; that is, doctors, dentists, osteopaths, chiropractors, Christian Scientist practitioners, optometrists, veterinarians, lawyers, publishers, and aeronautical, chemical, civil, electrical, mechanical, metallurgical, and mining engineers.

It is because those people had employees for whom they were paying the tax that they became acquainted with the benefits of social security. When they see the benefits of social security they desire to be covered likewise. In further answer to the gentleman from Michigan [Mr. MICHENER], I think that once farm labor is covered the farmers themselves will understand what social security is and will desire to have further protection for themselves.

The desirability of extending old-age and survivors coverage to the urban self-employed, as provided in the bill, has long been generally acknowledged. Many operators of small-business establishments have requested that they be brought under the system. Many of you have been told by storekeepers, barbers, plumbers, and others in business for themselves of the injustice they suffer under the existing system which requires them to contribute to social-security protection for their employees while being denied the same protection for themselves. We must remember that many small businesses are run by the owner with the aid of his family or by employing one or two other persons to assist him. Often the operator of a small business is just as much in need of social-insurance protection as is his employee, and many times in later life more entitled to coverage. Moreover, we must remember that the mechanic working in a garage, or the clerk in a retail store, or the barber working for wages, all of whom are covered by the system, frequently become operators of their own business establishments in true American fashion. Without extension of coverage to the self-employed, wage earners are penalized when they leave covered employment to start businesses of their own for they either lose the insured status they obtained as employees or retain eligibility for small benefits only.

Under H. R. 6000 we try to keep them covered by this provision for coverage of the self-employed, so that if a man has been employed in a garage for a period of say 5 or 7 years, and has secured wage credits during that period of time, and then goes out and opens his own garage, he will not in the future, as he does under present law, forfeit his benefits or have his benefits diminished by reason of the fact that he has left covered employment to go into business for himself.

The exclusion of the urban self-employed from the old-age and survivors insurance system by the past Congresses was based primarily on the expectation that there would be administrative difficulties in collecting contributions and in obtaining wage reports. The administrative agencies have had 13 years of successful experience with coverage of employees in industry and commerce. This experience, coupled with the fact that most self-employed persons now have to file income-tax returns, makes the original reason for withholding coverage inapplicable to the extension of coverage as proposed in H. R. 6000. A self-employed individual would report his income for social-security purposes by transferring information from his income-tax return to a simple supplementary form, or an additional item might be provided on the income-tax return. Unless his net earnings from self-employment amount to $400 or more a year, he pays no self-employment tax, thereby eliminating the collection of inconsequential amounts.

Under H. R. 6000 we intend to cover the employees of State and local governments, who number about 3,800,000, who are not now in any established pension fund or pension system.

Except for certain workers who formerly were employed by privately owned transit companies, coverage of State and local government employees would be effected by voluntary compacts between the States and the Federal Government.

I believe that these workers need the basic protection afforded by the Federal social-security system. Their average earnings are less than those in private industry. The average monthly salary during October 1948 was $185 for nonschool employees and $225 for school employees as compared with an average wage of $235 in manufacturing industries.

Only about 65 percent of State and local workers are under a retirement system and these systems are designed primarily for employees who remain with the employing unit of government until retirement. Employees who leave government jobs before attaining retirement age usually must forfeit their rights to retirement benefits. A large number of workers are affected by this provision in State and local retirement plans because many of them shift between one governmental unit to another, or between government and private industry. The extent of the shift in employment by State and local workers is indicated by these figures—in 1948 there was a total of 5,000,000 persons employed by State and local units of government while the average number employed in the year was less than 4,000,000.

The bill would not permit the extension of the Federal social-security system to State and local workers covered by another retirement system unless these employees and the beneficiaries of such a system elected coverage by a two-thirds majority vote in a written referendum. This provision would enable those who have a direct interest in an adequate retirement system to safeguard their rights. The decision as to whether or not the protection afforded by the Federal program is desirable is left to them. Many employees in private industry have the protection of both the Federal system and private pension plans and a similar arrangement may benefit State and local employees. The Federal program may provide types of protection not available under a State or local plan and, in all instances, can serve as a basic protection to employees who shift between public and private employment.

PUBLIC TRANSPORTATION WORKERS

The bill includes special provisions for extending coverage to employees of public transportation systems if these employees were employed by a privately owned transportation system taken over by a political unit of a State. These provisions are designed to correct the unfairness of the present law which penalizes the employees of a privately owned transportation system which becomes a publicly owned system.

Wages earned by employees of the private companies are subject to the old-age and survivors insurance pay-roll tax. When the private system becomes a publicly owned system, of course, these same workers no longer are under social security. The result is that they either suffer the loss of all rights to old-age and survivors insurance benefits or a reduction in the amount of benefits they would receive if they had remained in covered employment.

It is gross injustice to take away or decrease a worker's old-age and survivors insurance protection solely because he works for a new employer that happens to be a political unit or instrumentality of a State. The worker usually performs the same daily tasks for the public transportation system that he performed for the private company. For him, nothing may be changed except that his pay check is signed by an officer of another corporation. He may continue to drive the same bus, travel the same route, use the same schedule, and report to the same supervisor.

The bill would distinguish between employees of a transportation system that was taken over by a governmental unit after 1936 but before 1950, and the employees of a system acquired after 1949. In the first case—where the transportation system was acquired between 1936 and 1950—coverage would be extended to the workers that were employed by the private company on the date it was taken over, unless the employing governmental unit elects against such coverage. In the case where the transportation company is acquired by the governmental unit after 1949, coverage of the employees taken over from the private employer would continue to be compulsory.

This distinction between employees of private transportation companies taken over by a governmental unit prior to 1950 and those taken over subsequently is made because where the private company has been acquired by a governmental unit in the past, arrangements may have been made for coverage of the employees under an existing retirement plan.

We have seen instances in New York, Boston, Chicago, and other large cities where men have for years been working for private transportation companies. These companies have subsequently been taken over by the city or State and the men have found themselves deprived of their social security and compelled to enter municipal or State pension systems at an age which gives them extremely small pensions when they reach retirement.

I have hundreds of such workers in my own district. In New York City today we have certain private bus transportation lines. The tendency is, in New York City at least, and I believe elsewhere, to have all the transportation city-owned and operated. I have no doubt that within a short time all our local transportation lines will be owned and operated by New York City. As the years go on the position of the employees of these private lines, insofar as retirement is concerned, will become more precarious because they will have more money paid into social security, and the benefits which they would receive, will either be lost or substantially reduced, if the private lines for which they work are taken over by New York City. This situation cannot longer be tolerated. These men must be protected in their retirement. It is not sufficient that at their advanced years they be given the opportunity of entering a city-pension fund, to which they must pay a higher percent of their earnings and receive less in benefits.

This bill would protect their retirement in the event that the transportation lines are taken over by the city by compelling the city to continue them in social security if the city takes over the transportation line after December 31, 1949.

EMPLOYEES OF NONPROFIT ORGANIZATIONS

The bill would extend coverage to employees of religious, charitable, and other nonprofit organizations except members of the clergy and religious orders. About 600,000 such employees would be covered in the course of an average week.

There is almost unanimous agreement among leaders of religious, charitable, scientific, and educational agencies as to the desirability of providing social security protection to employees of these institutions. Major disagreement has arisen in the past, however, over the method of affording this protection. Some have advocated compulsory coverage of these employees on the same basis as if they worked for a private employer engaged in business for profit. Others have advocated that coverage should be on a voluntary basis so the institution desiring coverage for its employees could enter into an agreement with the Federal Government to obtain such coverage.

In my opinion, neither of these proposals is as satisfactory as the one contained in the bill. The first infringes on the traditionally tax-exempt status of these nonprofit institutions. The second gives no basic social-security protection to employees of institutions that fail to elect to come under the system. The bill would not only safeguard the tax-exempt status of all religious, charitable, and other nonprofit organizations but would afford basic protection to all employees of such institutions except members of the clergy and religious orders.

The result would be accomplished under the provisions of the bill by continuing the exemption from the employer tax, unless an organization elects to pay the employer tax by waiving the exemption, although the regular compulsory contribution would be imposed on the employees. If an organization elects to pay the employers' tax, the employees receive full credit toward benefits on their wages. Otherwise only one-half of their wages would be credited for benefit purposes.

Although employees of a nonprofit institution that does not elect to pay the employers' tax would receive a reduction in benefits they would still be afforded substantial protection under the old-age disability and survivors insurance program. Even though the employees' wage credits would be reduced by one-half, the amount of benefits payable to them or their dependents would not be decreased a like amount. The benefit formula in the bill is weighted in favor of low-paid employees and this weighting would also help the employees of a nonprofit institution that did not assume the

employees' share of the tax. For example, the base benefit amount for a retired worker with wage credits of $300 per month would be $70 but if the worker's wage credits were only $150 per month the base benefit amount would be $55.

I believe that practically all nonprofit agencies will elect to give their employees the full benefits under the social-security system and that the payment of benefits based on one-half wage credits will be rare. Nonetheless, even in the few instances in which a nonprofit agency may not waive its tax-exempt status, it is important to have the benefit level sufficiently high to provide these workers with a basic floor of protection. Many employees of nonprofit institutions are nonprofessional workers, such as janitors, charwomen, and clerks, for whom a reasonable level of benefits is necessary to avoid dependency upon public assistance in their old age or in case they become totally and permanently disabled.

I think the bill provides the best method that can be devised for extending coverage to employees of religious, charitable, and other nonprofit organizations. Neither the rights of the employer nor the rights of the employees are violated.

DOMESTIC SERVANTS

The bill would extend coverage to nearly 1,000,000 domestic workers employed on a regular basis. Domestics employed on farms operated for profit would continue to be excluded from coverage.

In order for domestic workers in private homes to be classified as regularly employed they must be employed by one employer for at least 26 days in a calendar quarter and be paid $25 or more in cash wages during the quarter period. Under this definition most domestic workers who are employed on a weekly or monthly basis would be afforded the protection of the program, but most part-time workers, and all casual or intermittent workers would be excluded from coverage.

Practically everyone has recognized that domestic servants need social insurance protection fully as much as any group covered by the program. The overwhelming majority of household workers are women. A relatively large number of them are widowed or divorced or separated from their husbands and are more dependent upon their own earnings than women workers in general. Nonetheless domestic servants in private homes have been excluded from coverage in the past, because of the special administrative problems created by many of the characteristics of their employment.

The provisions of H. R. 6000 are designed to reduce administrative procedures to a minimum. Intermittent and casual domestic service would be excluded from coverage in order to simplify procedures for collecting contributions and the reporting of wages.

I regret the continued exclusion of these intermittent and casual workers. I recognize, as did the majority of members of the Committee on Ways and Means, that it is difficult for them to lay aside sufficient funds from their earnings to avoid want in their old age or in case they become permanently and totally disabled. Moreover, their dependents are in need of the survivorship protection afforded by the social-security system. Before attempting to cover all domestic workers, however, I think the practical thing to do is to begin by extending coverage to those domestic servants who are regularly employed as defined by the bill. Social insurance coverage of household workers introduces new problems for the administrative agencies. Housewives generally do not keep records of expenditures for wages. Limited extension of coverage as proposed in the bill would assure the success of bringing social-insurance protection to nearly 1,000,000 workers. On the other hand, broader extension of coverage at this time may jeopardize continuous protection for this group. For this reason, I say let us proceed with caution and cover only the regularly employed domestic workers and thus afford the Treasury Department and the Social Security Administration actual administrative experience in this new coverage field. I am certain that this experience will prove invaluable in developing satisfactory methods for extending coverage to additional domestic workers within the next few years.

Before leaving the subject of coverage of domestic workers, I wish to point out that the bill would also extend coverage to nonstudent domestic workers of college clubs, fraternities, and sororities, whose remuneration is at least $100 in a calendar quarter. The coverage of this group of workers, of course, does not create any new administrative problems as the characteristics of their employment are similar to those of workers in industry or commerce. Students performing domestic work for such employers would continue to be excluded from coverage.

EMPLOYEES PERFORMING BORDER-LINE AGRICULTURAL SERVICES

Coverage would also be extended to 200,000 persons engaged in services now excluded as agricultural, whereas in reality they are essentially commercial and industrial. By redefining the term "agricultural labor" the bill would extend coverage to services performed off the farm in connection with the raising or harvesting of mushrooms, the hatching of poultry, and the operation or maintenance of irrigation ditches, and to services performed in the processing of maple sap into maple sirup or maple sugar—as distinguished from the gathering of maple sap. The persons performing these services do not consider that they are doing agricultural work. Moreover, there is neither justice nor logic in the present provisions of law that exclude a bookkeeper from coverage under social insurance when he leaves his job in a retail store and accepts work in a hatchery across the street. The bill would eliminate the inequities and anomalies which now occur in cases of this type.

Coverage would also be extended to individuals performing post-harvesting services in the employ of commercial handlers of fruit and vegetables, or in the employ of farmers' cooperatives, irrespective of the agricultural commodities in connection with which the services are performed.

If these services are performed for an operator of a farm or a group of operators of farms—other than a cooperative organization they would continue to be excluded from coverage. Thus, if the services are actually performed as a part of farming operations, they would be concluded to be such; otherwise they would be classified to be what they really are—commercial—and, therefore, covered by the social-insurance system.

FEDERAL EMPLOYEES NOT COVERED BY A RETIREMENT SYSTEM

The bill would extend coverage to about 100,000 civilian employees of the Federal Government and its instrumentalities. Employees who are under a federally established retirement system, employees of the legislative branch and elected officials in the executive branch of the Government would not be included. Certain other Federal employees would also continue to be excluded from social-security coverage even though they are not under a retirement system. These are, in general, (1) employees who work for short periods of time, such as, those engaged by the Department of Commerce in taking a census or by the Post Office Department during the holiday season, and (2) employees who are in positions that will eventually be covered under some other Federal retirement system. By their exclusions the nuisance of reporting inconsequential amounts would be avoided and contributions would not be collected from those who have or are likely to obtain protection under another Federal retirement system.

The limited coverage of Federal employees that would be provided by the bill meets an apparent need without interfering with other Federal retirement systems. Coverage would be extended to individuals who are regular members of the labor force and who are likely to shift between Federal and private employment and so lose or reduce any protection they might have under the social-security system. Coverage under the old-age, disability, and survivors insurance program while they are employed by the Federal Government will enable these workers to continue to be fully protected.

AMERICAN CITIZENS EMPLOYED OUTSIDE THE UNITED STATES

Coverage would be extended to about 150,000 American citizens who work outside the United States for American employers. Generally those workers have close personal ties with the United States and are a part of the American economy. Often their families remain here while they work in a foreign country for a year or two.

I believe it is only fair to protect the social insurance status of an American citizen who accepts work outside the United States for an American employer. The employment covered would be performed for employers already subject to the tax laws of this country so that no administrative difficulties are created and I know of no valid reason for continuing to exclude this group of American citizens.

The bill would also extend coverage to employment performed on American air-

craft outside the United States, under the conditions which apply under existing law to maritime service performed outside the United States. In other words, the personnel employed on an airplane would be given the same right to old-age, disability, and survivors protection as the personnel employed on a seagoing vessel.

SALESMEN, INDUSTRIAL HOME WORKERS, AND OTHERS TECHNICALLY NOT EMPLOYEES AT COMMON LAW

The bill would redefine "employee" and thereby restore coverage to from 500,000 to 750,000 salesmen, taxi drivers, industrial home workers, contract loggers, mine lessees, agent-drivers, commission drivers, and other persons technically not employees at common law who were deprived of employee status by Public Law 642, Eightieth Congress, the so-called Gearhart resolution. These workers who were taken out from under the social insurance program by the Eightieth Congress are dependent upon their earnings from work like other groups covered as employees under the bill.

It is our intention to bring under coverage those who were callously thrown out of social security by the Gearhart Act, and likewise to circumvent unscrupulous employers, who believe that by entering into contracts with agent-driver and commission-driver salesmen and similarly situated salesmen, stating that they are independent contractors, they can go behind the intent of the Social Security Act. Contract or no contract, we look at the nature of the whole deal without subterfuges. For example, the fact that a salesman owns his own automobile for the transportation of himself and the commodity he sells will not of itself make him an independent contractor, especially when he sells under the direction of the other contracting party, calls on specified customers in a certain area, and devotes the whole or greater part of his time selling the merchandise of the other contracting party. Many employers would like to have their salesmen designated "self-employed" and thus save their share of the tax. It is the intention of the bill to bring under coverage as many as can fairly be done so, without straining the point of employment on the one hand, and without permitting subterfuge on the other for the purpose of evading the tax.

I shall not discuss the definition of employee contained in the bill as it will be discussed in detail by other members of the Committee on Ways and Means. I do want to say, however, that the extension of old-age, disability, and survivors insurance to this group of workers, who are in reality employees, would correct the injustices done them by the Gearhart resolution adopted last year. I opposed the exclusion of these workers from the social-security system last year. My opinion has not changed and I am glad to support the extension of the old-age, disability, and survivors system to them as provided in the bill.

PUERTO RICO AND THE VIRGIN ISLANDS

Both the insurance and public-assistance programs would be extended to the Virgin Islands and Puerto Rico under the provisions of H. R. 6000. However, the insurance program would not become effective in Puerto Rico until approved by its legislature.

Social-security legislation already covers Alaska and Hawaii, and the committee believes that it should be extended to these two other important possessions. These islands, with their limited economic resources, have been unable to raise sufficient funds to care for their needy people. At the same time their economies are becoming more and more closely intermeshed with that on the mainland and there is considerable migration, so that the provisions of the insurance system should become universal.

At present the Federal Government makes grants to both Puerto Rico and the Virgin Islands for public health and child welfare and to Puerto Rico for vocational rehabilitation, so that the extension of a public-assistance system seems reasonable. However, since Puerto Rico and the Virgin Islands have a somewhat lower level of economy than on the mainland, and since the programs are just being instituted, the committee believes that action taken in this direction should be conservative. Accordingly, the maximum dollar limitation on individual assistance established in the original Social Security Act in 1935 are provided for Puerto Rico and the Virgin Islands in the bill. Also it is provided that the Federal share of assistance costs shall be one-half of the total, rather than a higher proportion as for the various States.

In the field of old-age and survivors insurance, I feel that it is very desirable to include Puerto Rico and the Virgin Islands. Many workers there move back and forth from the mainland and so already have established credits in the system. Although their level of economy is below ours, the wage rates are sufficient so that the great majority of the workers will be able to qualify for benefits. For example in April 1948 the average weekly take-home pay was in excess of $16 for production workers in manufacturing industries and was over $10 for all of the various subdivisions of manufacturing industries and for virtually all of the other employment that would be covered. It will be noted that an average of $8 per week in covered employment is needed in order to become eligible for benefits. If the insurance system is not established, there will be a relatively heavy drain over the long run through the public-assistance provisions, and this is undesirable both from a fiscal and a social viewpoint.

H. R. 6000 provides that extension of old-age and survivors insurance to Puerto Rico shall be effective only if its legislature approves. The committee felt that this was desirable because of the somewhat autonomous position of Puerto Rico. However, it is certain that Puerto Rico will wish to participate in this program since a number of their high officials have made this statement.

About 5,000 persons would be covered in the Virgin Islands and about 250,000 in Puerto Rico during the course of an average week. The workers in these areas of our American economy are among those most in need of social insurance protection. Their wages average somewhat less than 50 percent of the average wage rates in the United States yet the over-all cost of living is not significantly lower. Thus it is even more difficult for them than for workers in the States to lay aside funds from current earnings to keep them or their dependents off the public-assistance rolls when the breadwinner becomes too old to work, becomes permanently and totally disabled, or dies. Moreover, an increasing number of the residents of these insular possessions are employed in the States. While they are here many of them are in jobs covered by the social-security program, and, therefore pay taxes on their wages but if they return to employment in their home communities they often lose all social-insurance protection as well as their contributions. By extending coverage of the Federal social-insurance program to services performed on the islands this unjust result would be avoided. I believe the workers of Puerto Rico and the Virgin Islands should be afforded the opportunity to secure protection for themselves and their dependents against the economic hazards of old age, disability, and death regardless of whether they work in the States or in their home communities. These workers want to earn this protection by making contributions from their earnings during their productive years and to receive benefit payments as an earned right. They, like other American workers, do not want to have to rely on public-assistance payments, made on the basis of a means test and paid from general revenues, for protection against loss of income due to these common hazards.

In summary, I believe that the extension of the social-security system to Puerto Rico and the Virgin Islands is long overdue. These islands are part of the United States and should be entitled to the advantages of social security.

Mr. Chairman, I repeat—this is a good bill. It will be the answer to the prayer of many an aged person who, as the years go by, is confronted with the terrorizing thought of depending on public charity. With the extended coverage under this bill of 11,000,000 more persons and with the increased benefits it provides, it will enable the 46,000,000 people covered under social security to look forward to their declining years with confidence that they will not become public charges, but will be able to live on the annuity payments which they purchased during the days of their employment.

I shall vote for the bill. I am confident of its passage.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. JAVITS].

Mr. JAVITS. Mr. Chairman, I shall support this bill. It is a necessary and prudent measure and well within our means. I have always favored the extension and expansion of the social-security system. I think it is especially noteworthy and I am very glad to see

that the self-employed have been included in the bill, as well as employees of State and local governments and employees of nonprofit institutions; although I would have liked to see the nonprofit institutions fully under the system like other employers. I am glad to note that the word "employee" is redefined to include salesmen and certain other employees, also that the benefits have been materially increased for those who are under the old-age and survivors insurance, and that the limitation on their monthly earnings is materially increased under this bill.

The fundamental economic basis provided for our society by the social-security system is of vital importance to domestic stability and to the strength of our position in the world. For this strength rests on a people confident of their capacity to produce, and to look to their future security and provide for it. The social-security system as a base is improved by this bill; real and further progress toward adequate security due to old age, sickness, or disability rests on the efforts of industry in all its component parts. This is one of the great challenges to our private-enterprise system, how to provide adequate security and to coordinate it with the social-security system for the best benefit of our people.

At the convention of the American Federation of Labor in Miami in February of this year, that union's executive council issued a statement which has special significance at this time. They said:

> To the extent that real social security is provided for the American people, the free-enterprise system will become correspondingly secure against ideological attacks.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. VAN ZANDT].

Mr. VAN ZANDT. Mr. Chairman, during my career in Congress which began in 1939 very little has been done toward amending the Social Security Act. Every effort made since 1939 was met with the excuse "there is a war to be won."

As a result no action was taken for 10 years despite the fact that there was need for revising the existing law. Each time we tried to do something we were told that a committee or a commission was engaged in studying the structure of the Social Security Act. The inference was that if we were patient long enough, Congress would receive recommendations for streamlining the Social Security Act.

Now we are considering H. R. 6000 which we are informed represents the efforts of the House Committee on Ways and Means over a period of 6 months.

The bill is not only disappointing in its provisions but it lacks features that should have been included in such a measure. To have waited 10 long years and then be handed a tailor-made bill without the right to amend it is a blow to the great American principles of fair play and justice.

We are considering a bill that affects the lives of over 50,000,000 persons and their families. We are taking such action at a time when the pension issue has invaded every segment of American life. We witness the pension issue being discussed freely in management and labor circles where it has become the focus point of collective-bargaining conferences.

The controversy over the need for universal pensions is so pronounced that the day is not far distant when such an objective will be realized.

Today, I am in utter dismay over the fact that this Congress is being asked to approve a bill in a "take it or leave it" atmosphere. This is especially disheartening when we are asked by such procedure to turn a deaf ear to the plight of the elderly citizens who helped build this great Nation.

According to the Bureau of the Census there were 16,799,000 persons in the United States aged 60 years and over on July 1, 1948. A large percentage of this number includes men and women who are unable to work or support themselves. It is this great class of citizens that we have completely ignored despite the fact that it is not their fault that they toiled and paid taxes when pensions and social security were but vague dreams.

It is a national disgrace to realize the tears we shed over displaced persons overseas while we give the "cold shoulder" to deserving American citizens who in the twilight of life have not enough material assistance to keep body and soul together. We send billions of dollars overseas and plan on sending billions more to help what are called the backward nations of the world. At the same time our only concern for the aged citizens of this Nation is the shedding of a few crocodile tears every time a political platform is adopted.

I cannot in good conscience remain silent any longer while this bill is lauded as being for the welfare of the American people. While I approve heartily of the increased benefits for those recipients who have earned them by contributions from their pay, it is a deplorable fact that the House Ways and Means Committee after 6 months of hearings and study failed to heed the anguished cries of the millions of elderly citizens who are left with no assurance that the present Congress intends to do anything for them but to continue to promise to consider their plight. Let us search our own conscience and face the fact that we are by our actions betraying millions of God-fearing American citizens.

I shall support this bill but I do so in a spirit of reluctance and with great disgust.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 7 minutes to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman, the whole plan of this bill is directed to those now employed whereby they can participate in payments to a fund upon which, later in life, they may draw. I have no fault to find with this theory. What I am concerned about is that class of people who, in their past lives, have had no opportunity to contribute to any fund upon which they can draw later in life. I refer to the aged, those 65 years of age or older; the crippled; the blind; and dependent children.

This bill has definitely overlooked this class and for that reason is a total disappointment.

In North Dakota as the old-age assistance has operated the Federal Government share in old-age assistance is as follows:

Government share of the first $20, three-fourths or	$15
Government share of the remaining payments up to a maximum of $50, one-half or	15
Total Government aid on a maximum of $50	30

The Government share of the first $25 is four-fifths, or $20; on the next $10 is one-half, or $5; on the next $15 is one-third, or $5.

In other words, the present bill does not change the maximum of $50 and the contribution of the Government is $30 out of $50 just exactly as it is in the present operating plan.

The only difference is that on the first $25 the Government assumes a larger share. This might help in some States where payments are small, but in North Dakota it will not help at all. The North Dakota law provides that these payments shall be $60 per month as a minimum. The Government share of this $60 payment is, therefore, $30, and the State of North Dakota will make up the difference, or $30 per month.

The committee makes the statement that it will cost the Federal Government $256,000,000 annually more than it did before. This statement should not have been made. After appropriating billions and billions for every country on earth, it does not sound statesmanlike to pounce upon this insignificant sum of $256,000,000 when we come to take care of our own aged, blind, crippled, and dependent children.

I voted against the rule on this bill because it denies any and every chance to amend the bill. We shall have to take it as it is or reject it. If we reject it, then a plan for those now working to participate in a fund in old age will be destroyed for the present. The movement that started this whole social-security program, the Townsend pension system, cannot even be discussed because no amendments are in order. This bill takes care of practically every class except farmers, and we can offer no amendment to correct this situation. The Ways and Means Committee and the Rules Committee have this legislation bottled up and the people's representatives are powerless to do anything about it—except talk. This procedure does not sound like democracy to me. I voted against any such rule.

Now that we are bottled up, hamstrung, and shackled, we can take the bill as it is or take nothing. The system of providing those now working with a little assurance later in life is worth saving, and for that reason I will vote for it.

I desire, however, to comment that it is a disgrace to this great democracy, the mightiest nation on earth, to deny to

the aged, the blind, the crippled, and dependent children, a decent standard of living. I hope those voting in committee for this rule will some day be in the class of those old people who try to live, pay rent, clothe themselves, buy the necessities of life on $50 per month. We should have made it possible for the aged in America to have meat twice a week instead of once. Where is one of the four freedoms—where has it gone in our philosophy of thinking? Have we forgotten it, or have we repealed it? Freedom from want—where is it in this great democracy?

Mr. JENSEN. Mr. Chairman, will the gentleman yield?

Mr. BURDICK. I yield to the gentleman from Iowa.

Mr. JENSEN. I am in hearty agreement with what the gentleman from North Dakota has just said about the aged, the blind, and the crippled. Certainly this Nation has been mighty niggardly to those people. I hang my head in shame, as I am sure the gentleman does, when an old person, who has through no fault of his own lost all the money he has had in many instances, then must take a pauper's oath in order to get a meager pension which is not sufficient to live decently on from one day to the next. I had hoped that this bill would be more liberal in that respect. I certainly want to compliment the gentleman from North Dakota for standing up here and fighting for the old folks, the blind, and the crippled, who cannot help themselves. Certainly we should, in either this session of Congress or very soon, do a lot more for those folks than we have done up to date.

Mr. BURDICK. The gentleman has made a very fine statement of the situation.

The CHAIRMAN. The time of the gentleman from North Dakota has expired.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. VURSELL].

Mr. VURSELL. Mr. Chairman, we are nearing the end of the debate in this House on social-security legislation. We are writing permanent law. We are establishing, in my judgment, without sufficient consideration, permanent policies with reference to social security which cannot be changed. In fact, we are writing and establishing into law a contract or compact with over 40,000,000 people which will doubtless continue in perpetuity.

In considering this legislation of such tremendous importance, full opportunity to consider and to amend it should be the privilege of all of the Members. This is not the case because the leaders of the administration, through its influence with the Rules Committee, brought this legislation to the floor of the House under instructions that no amendments could be offered or considered by any of the Members of this House. It was brought to the floor under what is termed a "closed rule" which will not permit its amending in any way. I think it is unfortunate that we, in the minority, who honestly believe that the legislation can be improved by nine important amendments, do not have an opportunity to offer these amendments and to debate them, allowing the 435 Members of this House to individually decide whether or not, under the weight of evidence, some or all of these amendments should be incorporated in the bill.

Out of the 25 members of the Ways and Means Committee, 10 or more were opposed to bringing this bill to the floor of the House under a "gag" or closed rule. Many of the members of this committee have expressed their desire that at least nine of the amendments suggested by the minority, which are contained in the Kean recommital motion which will later be made, should have been brought out on the floor of the House as amendments so that all of the Members of the House would have an opportunity to judge them on their merits.

We, who take this position, are placed in the position where we must vote against, on the final roll call, all of the benefits contained in H. R. 6000, or vote for parts of it which we heartily approve, along with provisions of the bill which we just as ardently oppose.

Practically all of us realize that social-security benefits should be increased and the coverage base broadened. In fact, Congressman KEAN's bill provides for increasing the benefits and broadening the coverage on the same ratio as does the administration bill. No one can justly say that any amendments desired to be offered which are denied us here on the floor of the House today under the closed rule seek, in any way, to give lesser benefits under old-age assistance and social security than does the administration bill. The benefits are practically the same in both bills but it is my contention that the policy of approach in the Kean bill will better protect the security trust fund and thereby the whole system of public assistance and social security, will not only pay equal benefits but will cost those paying into this trust fund, both the employee and the employer, over a term of years, less money.

Mr. Chairman, we will have only one opportunity to express our disapproval of the administration bill and that will come at the close of the debate on a motion to recommit. In other words, we must take the bill without amendments as reported to the House or leave it.

I submit that the bill should have been brought to the floor of the House under an open rule so that it could have been perfected and improved according to the judgment of the House.

If the motion to recommit provides that it be returned forthwith substituting the Kean bill, I shall support the motion to recommit.

Time will not permit a full discussion of all of the amendments. It is sufficient to say that the Kean bill would bring about a saving of about $1,000,000,000 a year. In addition, it would better protect the fund and would cost the poor people for which social security was set up to benefit, less money each year. Another amendment in the Kean bill would better define who is an employee and who is not. It would give the Congress the right to say who is an employee and employer, who should come under the scope of this bill rather than to place that power in the hands of the bureaucrats as the administration bill does. It would provide for total and permanent disability benefits but would place the obligation of payment of these benefits in the category of public assistance where they should be, rather than paying them out of the social security fund.

It would confine the operation of social security to payments up to $3,000 as is the established custom throughout the Nation, rather than to raise it to $3,600 as provided in the administration bill.

The original social-security law was intended to provide security for the poor people who were not able to provide their own security in old age. When it was established they set the limit of those employees and employers who should pay into the fund as those who were earning wages up to $3,000 a year. Now the administration bill will take the employee who comes in at $3,600 a year and place him under the Social Security Act. The added weight of the increase from $3,000 to $3,600 a year will work to the disadvantage of the poor people who have been paying in up to and under $3,000 a year.

Mr. Chairman, I am a firm believer in the necessity of increasing social-security benefits and broadening the social-security base. We all realize that the best possible provisions the economy of our Nation can stand must be provided for the older people who find it difficult to support themselves. In fact, I had representatives of the Social Security Administration come to my office last year for two long sessions when I was considering introducing a bill to increase such benefits. Realizing that it would require longer study in considering such legislation than time would permit, I deferred introducing a bill to provide for an increase in social-security benefits in the hope that full and complete study could be given to this broad subject which would enable us to write the best possible legislation in this session.

I do approve of many of the provisions of the administration bill but I feel certain that had the bill come to the floor under an open rule we could and would have written a better bill than the one we shall have to decide on here today.

I hope and believe that when this bill is passed today and goes to the Senate, that body will write into this bill when considering it next year, many of the provisions that we of the minority feel should be incorporated in this legislation. I regret that we are placed in a position where this great deliberative body of the House cannot better perfect this bill before it is sent to the Senate. I may support the bill if the Kean substitute is voted down, in the hope that many of the provisions we would like to write into this bill will have been written into it when it comes back to us from the Senate in 1950.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. HOLIFIELD].

Mr. HOLIFIELD. Mr. Chairman, I rise in support of H. R. 6000, the social-security bill now pending before this

Congress. I wish to commend the great Ways and Means Committee for bringing this bill up for consideration.

While I would like to see a bill passed which would cover all of the aged citizens of our country with a decent old-age pension, I realize that it is impossible to pass such a bill in this session of Congress. In a democracy we must proceed according to the will of the majority, and until the popular will is expressed so forcibly on the pension question that a majority of legislators feel as I do, until that time we must make progress to our goal in the best way possible.

H. R. 6000 is an important step forward in bringing social security to our people. As the years go by we will amend and improve our social-security laws until the fourth freedom, freedom from want, becomes a reality to our senior citizens.

Our Government acknowledged its responsibility to part of our people when it passed the first old-age insurance plan in 1935. Several amendments have been passed between 1935 and 1949 which broadened the coverage of the original act and clarified certain provisions contained therein.

At the present time 35,000,000 persons are receiving old-age and survivors insurance. The passage of H. R. 6000 will broaden this coverage immediately to approximately 46,000,000 people. This is an increase in coverage to over 11,000,000 new persons.

Not only is the coverage enlarged but the benefits are greatly increased. The average primary benefit is increased from $26 a month, for a retired insured worker, to $44 per month. The table printed below shows the increase in individual cases:

Present primary insurance benefit:	*New primary insurance amount*
$10	$25
$15	31
$20	36
$25	44
$30	51
$35	55
$40	60
$45	64

Persons who retire after 1949 can expect approximately double the average benefit they would receive under present law.

Another important provision of the pending bill is the increase on the earning limitation of beneficiaries. The amount a beneficiary may earn in covered employment without loss of benefits is increased from $14.99 to $50 per month. This will be a great boon to those individuals who are still able to obtain part-time earnings after they pass the age of 65 and have started drawing their social-security benefits.

Another important provision in the new bill is the extension of old-age benefits to those persons certified to be totally and permanently disabled, although they have not reached the age of 65. At the present time these unfortunate people, many of whom have contributed to the social-security program since its inception, and suddenly have become totally and permanently disabled, through sickness or accident, still are not eligible for accrued benefits because they have not reached the age level of 65 years. The pending bill corrects this defect, and with its passage such persons can be immediately certified for benefits.

The maximum family benefits are increased from $85 per month to $150 per month and the child-welfare services are doubled.

Almost a million salesmen who were deprived of social-security status and benefits by the Eightieth Congress are restored to participation in benefits.

One of the important improvements brought about by H. R. 6000 is the inclusion of the self-employed in the social-security program. This, in itself, corrects a grave defect in the present law. At the present time over 4,500,000 self-employed people are denied old-age insurance and dependency survivors' benefits. This group includes most of the small merchants, barbers, gasoline-station attendants, garage owners, and other small-business people. Many of these persons have a few employees for whom they have contributed the employer's share of social-security payments for many years. Yet heretofore they have been ineligible for personal protection. Under this bill, H. R. 6000, they will become eligible and their fears of an unprotected old age will be diminished.

In closing, Mr. Chairman, I want to say that I am going to vote for H. R. 6000 for many reasons, including the ones I have mentioned. I also want to point out that the problem of personal security and freedom from want among persons in the declining years of life will continue to be one of the great and only partially solved questions which face our great democratic society.

Social security is Government's most humane and ambitious attempt to date to solve this problem. Unfortunately, it is far from adequate. Private industry pensions present another approach with some merit but with great danger, both as to coverage and stability. Privately purchased annuities are also good for those who can afford such an approach. All of these methods are piecemeal attempts and they all fail to solve this problem of old-age security in a satisfactory manner. None of these methods can be abandoned, however, until a majority of our people can agree on a specific solution.

I firmly believe that a national old-age pension should be provided for our aged people. The amount should be determined and paid on a Nation-wide basis rather than by the individual States. This would be more equitable and would also prevent the present migration of persons from the low-pension States to the high-pension States.

Private industry pensions should be coordinated and eventually absorbed by the Federal pension. In my opinion, private industry pensions are dangerous from the standpoint of the hazards of bankruptcy and maladministration. Certainly private industry pensions should not be a subject of collective bargaining and subject to all the perils of labor-management differences. In addition to the above-mentioned defects, such pensions are in effect a special levy on industry customers for the benefit of a comparatively small part of our people.

A Federal pension paid from Federal taxes and administered on a equitable Nation-wide basis to all of our aged and disabled citizens is, in my opinion, the only complete and sensible goal for us to work toward. The passage of H. R. 6000 will be just one more step forward toward the realization of that goal.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. CHRISTOPHER].

Mr. CHRISTOPHER. Mr. Chairman, I want to begin by praising the Committee on Ways and Means for the diligent consideration they gave this measure and for the hard work they performed in preparing it, and for the conscientious effort and hard labor that they put into bringing this measure to the floor.

I also want to compliment the Committee on Rules on giving us the kind of a rule they did, and I want to compliment the House on accepting that rule and thereby preventing the enemies of this legislation—and I am sorry to say that it still has a few enemies—from picking out a piece here and pulling out a thread there and leaving us at the end of 2 or 3 days in this House with a measure which nobody could be proud of; a measure that we would either have to send back to the committee or go off shaking our heads and muttering on how we voted. This legislation is in the position at the present time that it ought to be, and it has had the work and the attention of our Committee on Ways and Means. While I disagree with it in some particulars, still it is a wonderful bill, and as great a piece of legislation as we could expect.

Like the gentleman from North Dakota [Mr. BURDICK] and some other gentlemen that spoke on the floor of this House, I am sorry that it does not include the 6,000,000 farmers and their families in the United States. But I am sure that in the near future those people will be included in this legislation.

Now I know that this bill can be criticized, anything can be criticized. You know, one time a fly alighted on Washington Monument out here; just a common house fly. The diameter of his vision was only 1 inch. He crawled up and down that monument. He was a critical fly. He said, "Why, this stone is not perfect. This joint is not laid as it ought to be. Here is an imperfection and there is a flaw. This is a very poor piece of masonry." But that fly's vision was only an inch in diameter.

When I came across the bridge there last winter and looked at that Washington Monument for the first time standing above this city I said, "What a wonderful triumph of masonry." I could see the whole monument. My vision was not restricted to 1 inch in diameter. You can be critical of anything if you want to pick it to pieces.

I want to compliment the people that were in this House 14 years ago and that passed the first piece of social-security

legislation. Some of the gentlemen are sitting right here on the floor of this House today who helped put that deal over. I see at least two of them, and I know there are more. They were plowing ground that had never been plowed before. They were traveling down a path that had never been traveled before, and they were receiving from some quarters mighty little encouragement.

I have before me here not a typewritten speech, but some quotations.

Mr. Fuller, Democrat, said, as is quoted in volume 79 on page 5861, the CONGRESSIONAL RECORD of 14 years ago:

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. 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."

Our majority leader, the gentleman from Massachusetts [Mr. MCCORMACK], at page 5872 had this to say regarding that first social-security measure:

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.

The gentleman from New York [Mr. TABER], a Republican, at page 6054 had this to say:

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 everyone 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 out those things that are absolutely vicious?

Again, on page 5547, the gentleman from New York [Mr. TABER] had the following to say:

Mr. Chairman, it seems to me that this tremendous tax should not be imposed upon 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 day of March 1933. I think we ought to stop these 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.

The gentleman from New Jersey [Mr. EATON], a Republican, at page 5581 of the same RECORD said:

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 Aladdin's lamp, and behold the millennium has come.

Again, on page 5581, the gentleman from New Jersey [Mr. EATON] said:

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. My beloved friend, O'Connor, 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 the Democratic Party, because we have none anymore. You have not been within shooting distance of your platform ever 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 in Washington. We have no Democratic Party.

That was the gentleman from New Jersey [Mr. EATON] 14 years ago.

Do you know what this legislation is which we are considering today? This legislation is the heart and soul of the New Deal. It is the practical application of the Sermon on the Mount.

Mr. MURRAY of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. CHRISTOPHER. I yield.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. JENKINS. Mr. Chairman, I yield the gentleman a half a minute to answer a question.

Mr. MURRAY of Wisconsin. I am certainly not in a position of being opposed to the Social Security Act or its extension or the broadening of its base. But I think it would be interesting if the gentleman would tell us why it is that the rural people are still alive, while they have not been under the Social Security Act up to this time.

Mr. CHRISTOPHER. Because it so happens they are in a position where they can milk the old cow and drink the milk and survive. That is the only reason. Back in 1932 the mortgages were taking the old cow and that privilege was being lost to them.

Mr. MCCORMACK. Mr. Chairman, will the gentleman yield?

Mr. CHRISTOPHER. I yield.

Mr. MCCORMACK. The Democratic Party is the party which put on the statute books legislation which saved agriculture.

Mr. CHRISTOPHER. Absolutely. And I am proud to be a Democrat because that is what we did.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. JENKINS. Mr. Chairman, I yield such time as he may require to the gentleman from Michigan [Mr. MICHENER].

Mr. MICHENER. Mr. Chairman, I voted for social security. I am still for it. I prefer the substitute bill, but I shall vote for the best bill which the House has.

Mr. Chairman, I have just been advised by members of the committee in charge of this bill that there is no particular desire on the part of the membership to debate this bill, and that it now looks as if the vote on final passage will come about 4 o'clock. I am not surprised at this. On yesterday, I called the attention of the House to the ridiculousness of the rule which granted 4 days' debate on this important legislation but without an opportunity to offer any amendments or any changes in the bill as reported by a majority of the Ways and Means Committee.

If the Ways and Means Committee were unanimous, as that committee often is, then it would not be so bad; however, here is a committee which has given months of intensive study to this all-important social-security bill and which is very much divided as to what the legislation should contain. I have gone through the 200-page committee report and there is much logic in the majority and in the minority arguments.

I strenuously resent having this bill jammed down the throat of the House by a majority vote without being permitted to vote on wholesome amendments. If the House votes these amendments down, then I am satisfied but I just naturally resent these strong-arm political methods. The procedure smacks too much of the type of elections Hitler held and Stalin holds. There ought to be at least some alternative to which those who do not agree with the details of the present proposal can turn. Well, the die has been cast, the majority has arbitrarily used its power, and the rest of us must take it or leave it in the form prescribed.

The gentleman from New Jersey [Mr. KEAN], a member of the committee, will offer a substitute bill. Again the House is precluded from amending the substitute and we must either take that or leave it as is. The only vote we can have is on a motion to recommit, which means to substitute the Kean bill for the House bill. I am satisfied with neither bill and I am in the same position, I believe, as the majority of the Members of the House. In these circumstances, I am compelled to vote for or against something, all of the details of which I do not approve. A vote against the bill in the final analysis will be construed as a vote against including other groups and perfecting that which is conceded to be a faulty social-security law. As the lesser of two evils, I shall vote to recommit the bill, which as a practical matter means to support the Kean bill.

I am sure the administration has enough votes to defeat this motion to recommit. Then I will be called upon to vote for or against the bill as introduced, and about which we have been permitted to talk for 4 days if we so desire without opportunity of perfecting it. I voted for the original social-security law and I want to make that law better. I do not want my action misconstrued. In consequence, after the motion to recommit is

defeated, I shall vote for the final passage of the bill. This will send the bill to the Senate where hearings will be held before the Senate committee and where opportunity to amend will be provided. After the Senate has operated on the bill, it will come back to the House for further consideration, and it is my hope the many imperfections will be corrected in the Senate to the end that a sane, reasonable and effective social-security bill may be written upon the statute books.

Our elderly people need and are entitled to greater consideration than accorded them under existing law. This bill does not go far enough and does not reach that class of people who, through no fault of their own, are most entitled to consideration.

In conclusion, may I express the hope that the majority leadership will learn its lesson from this experience and not force the House into this unusual position so far as legislation yet to come is concerned.

Mr. JENKINS. Mr. Chairman, I yield 20 minutes to the distinguished gentleman from Iowa [Mr. MARTIN].

Mr. MARTIN of Iowa. Mr. Chairman, the Committee on Ways and Means has completed a long, hard struggle in the study of the social-security law and the need for revision. It is my privilege to serve on that committee. I have taken particular pride in the diligent work of the committee in trying to meet issues which are manifest in this law.

The social-security law is in need of revision. I believe greater emphasis should be placed on the insurance title of this law so that the Federal Government may lead the people to care for themselves rather than look to the Government for their support when age or adversity overtakes them. The insurance provided in title II of the social-security law should be made available to all groups of people who desire such protection but it should not be forced upon any group of people against the prevailing views of that group.

EXTENSION OF COVERAGE

Thirty-five million persons are now covered during an average week, and H. R. 6000 will add about 11,000,000 new persons as follows:

(a) Nonfarm self-employed, 4,500,000, does not include physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, Christian Science practitioners, and aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineers whose net earnings from self-employment total $400 or more per year.

(b) State and local government employees, 3,800,000.

(c) Domestic servants who work 26 days or more per quarter, 750,000.

(d) Employees of nonprofit institutions, 600,000.

(e) Agricultural processing workers off the farm, 200,000.

(f) Federal employees not covered under any retirement system, 100,000.

(g) Americans employed outside the United States, 150,000.

(h) Employees and self-employed in Virgin Islands, 5,000.

(i) Employees and self-employed in Puerto Rico, 250,000.

(j) Salesmen, taxi drivers, industrial home workers, contract loggers, mine lessees, and other persons technically not employees at common law, 500,000.

Old age assistance as provided in title I of the social-security law takes care of needy persons who have no other recourse. No prior contribution is required of the beneficiary. I believe firmly that the expansion of the insurance program in title II to all groups desiring such insurance is a step in the right direction but the big problem always confronting Congress is to determine what groups really want this insurance. In my opinion, some of the groups covered by H. R. 6000 have been included without enough evidence proving their desire to be covered.

ACTUARIAL DEFICIT

The insurance provided in title II should be made actuarially sound. If it is not manitained on a sound actuarial base the insurance program can rapidly sink to the level of a political auction.

Social-security insurance is no different than most other insurance in that the costs in the early years are really light because few people are qualified as beneficiaries. As the insurance system approaches maturity, however, the costs increase as the number of qualified beneficiaries increases. The estimated cost of H. R. 6000 in percentage of pay roll starts at 1.40 in 1950 and increases to 8.01 by the year 2000. Unless an adequate reserve is accumulated in the early years there will be a serious deficit at the very time the beneficiaries are apt to need the insurance protection most. There is now accrued in the reserve fund approximatly $12,000,000,000 but that sum is $7,000,000,000 less than it should be if the insurance is to be self-supporting. H. R. 6000 liberalizes benefits to the beneficiaries already retired and I believe I am correct in saying that the overwhelming opinion of the members of the Committee on Ways and Means was in favor of such increase and the increase was established at approximately 70 percent to match the rise in the cost of living since 1939. Extension of the increase to persons already retired gives rise to an additional $3,000,000,000 deficit in the reserve fund making the total deficit $10,000,000,000.

The combined employers and employees tax provided in H. R. 6000 is, for the calendar year 1950, 3 percent; 1951–59, 4 percent; 1960–64, 5 percent; 1965–69, 6 percent; 1970 and following, 6½ percent. Notwithstanding these increases in the tax schedule, the reserve fund in 1990 will be about $77,000,000,000 less than required for actuarially sound insurance. Congress some day will be called upon to decide whether to require future workers to make up the deficit in addition to their own current costs or whether to use other Government funds to make up the deficit. The people who must make that decision have no vote today. I can imagine, however, what we would think here today if we had inherited a similar deficit from social-security insurance set in motion by our grandfathers.

INEQUITIES

First. Increment: H. R. 6000 provides an increase in benefits equal to one-half percent for each year the tax has been paid. The cost of this one item has been estimated at $1,000,000,000 per year. It is significant that this provision extends higher benefits to the steadily employed person than it does to those not regularly employed. In my opinion, it produces a serious inequity in the law at a very high price and no better way could be found to save the Government $1,000,000,000 per year than to strike out the increment factor.

Second. Highest 10 years: H. R. 6000 requires beneficiaries to average their wages throughout their entire period of eligibility for coverage. The minority members of the committee urged adoption of a plan to enable employees to take their highest 10-year average wage. This provision would strengthen the position of the irregularly employed person who is most likely to need more liberal benefits.

Third. Total and permanent disability: Much can be said in favor of granting insurance protection for total and permanent disability but the cost of such coverage can be very devastating to the reserve fund. The cost is also very unpredictable. Commercial insurance companies have a wealth of information along this line. I agree very strongly with the minority of the committee that protection against total and permanent disability should be taken out of the insurance title and retained in title I (old-age assistance) and title X (aid to the blind). Benefits paid under title I are measured according to need whereas benefits under title II have no such limitation.

Fourth. Domestic help: H. R. 6000 will extend insurance coverage to about 700,000 domestic workers but the requirement of 26 days employment per quarter to qualify has the effect of making approximately 1,300,000 domestic workers ineligible for benefits. Any line of demarcation that qualifies 700,000 and disqualifies 1,300,000 of people doing the same class of work is bound to give rise to a vast number of inequities and I predict that this point in H. R. 6000 will plague Congress and the Committee on Ways and Means until it is corrected. A tremendous number of domestic workers in the exclusive group will find themselves ineligible for benefits even though they have been taxed on their wages all the way up to 9¾ years. They will find also that they cannot get a refund of the taxes they have paid even though it has been entirely beyond their power to complete their qualification for benefits.

Fifth. Short-term self-employed: By way of contrast let us take the case of a wealthy man old enough to qualify for benefits in 5 years time as a self-employed person. This man can set up in business for himself and report earnings up to $3,600 per year for 5 years. In that time his tax as a self-employed person would total $513 for the 5 years at the rates provided in H. R. 6000 over the next 5 years time. At the end of 5 years this wealthy man can close his business and collect $72 per month from the Gov-

ernment the rest of his life. If he is married and his wife is 65 or over his Government check would be $108 per month. There is nothing in the social security law to disqualify him and his wife from receiving this benefit payment even though they continue to collect unlimited sums of unearned income. This wealthy person's estate will be enriched an additional $216 for his burial expense when he dies even though he has a vast amount of insurance payable at his death. The contrast between the wealthy self-employed person and the border line domestic worker who cannot quite make a 10-year record of 26 days per quarter employment can hardly be explained away by the statement that the insurance provided in H. R. 6000 is social insurance.

CONCLUSION

I strongly favor liberalizing the benefits provided in the social-security law. These benefits should be adequate to meet the needs of aged and needy persons as the cost of those needs increase with inflation. The cost of liberalizing benefits in the insurance title must be met by an adequate tax schedule if we are to be honest with our children and our children's children. Some consideration must be given also to the matter of refunding tax payments to persons who cannot qualify for benefits because of reasons beyond their control. On the other hand, some consideration should be given to unearned income and accumulated wealth as a disqualification for benefits under the insurance title. The enactment of H. R. 6000 into law will set a precedent in the recognition of inflation as a ground for liberalizing benefits. An interesting question will arise in event of deflation bringing the cost of living down. The question will be whether the benefit can be reduced on that ground under the insurance contract.

I am deeply sorry that H. R. 6000 has come before Congress under a closed rule which precludes consideration of any amendments striking at the inconsistencies and the inequities that have been discussed during the course of this debate. I will vote for the passage of H. R. 6000 because of the tremendous need for liberalizing benefits for those people dependent upon these benefits but Congress and the Committee on Ways and Means in particular still have much work ahead if we are to build a sound, equitable, and lasting social-security program.

Since the Kean bill, H. R. 6297, corrects most of the inequities in H. R. 6000, I will vote first to recommit H. R. 6000 in order to get the better revision of the social-security law that is provided in the Kean bill, H. R. 6297.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Washington [Mr. TOLLEFSON].

Mr. TOLLEFSON. Mr. Chairman, I strongly support the extension of coverage and the increase of benefits under social security. The original Social Security Act was passed in 1935. In 1939 the original act was revised by amendments which considerably broadened the protection of the old-age insurance system. Some supplementary benefits were provided for the eligible wife and children of a retired worker and for the surviving widow and children. Ten years have now lapsed since the last major revision of the Social Security Act established the scale of monthly benefits under the old-age and survivors insurance system in effect today. During that 10-year period a great deal of information and experience has been built up which clearly indicates the necessity for resurveying the principles and objectives of the social-security program as they relate to present conditions. I most certainly agree with the committee when it said in its report, "The Congress is faced with a vital decision which cannot long be postponed. Inadequacies in the old-age and survivors insurance program have resulted in trends which seriously threaten our economic well-being. The assistance program, instead of being reduced to a secondary position as was anticipated, still cares for a much larger number of people than the insurance program. Furthermore, the average payments under assistance have more than doubled in amount since 1939 while benefits under insurance have scarcely risen at all. There are indications that if the insurance program is not strengthened and expanded, the old-age assistance program may develop into a very costly and ill-advised system of noncontributory pensions, payable not only to the needy but to all individuals at or above retirement age who are no longer employed. Moreover, there are increasing pressures for special pensions for particular groups and particular hazards. Without an adequate and universally applicable basic social insurance system, the demands for security by segments of the population threaten to result in unbalanced, overlapping, and competing programs. The financing of such plans may become chaotic, their economic effects dangerous. There is a pressing need to strengthen the basic system at once before it is undermined by these forces. Once the basic system is firmly established, any remaining special needs of particular groups can be assessed and met in an orderly fashion. The time has come to reaffirm the basic principle that a contributory system of social insurance in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency. A contributory system in which both contributions and benefits are directly related to the individual's own productive efforts, prevents insecurity while preserving self-reliance and initiative. Under social insurance, benefits are computed individually in each case, on the basis of earnings in covered employment. Because benefits are related to average earnings and hence reflect the standard of living which an individual has achieved, ambition and effort are rewarded; since they are also related to length of service in covered work, individual productivity is encouraged and the Nation's total production is increased."

I think our experience with the social-security legislation shows that we can and ought to extend coverage to include several millions of additional people not now covered, and increase the monthly benefits paid to the recipients. Legislation which accomplishes this purpose is forward-looking. It carries out the platform pledges of both major political parties and is in keeping with the needs and the demands of the people.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Rhode Island [Mr. FORAND].

Mr. FORAND. Mr. Chairman, the bill (H. R. 6000) would strengthen and improve the existing old-age and survivors' insurance and the public-assistance and welfare programs. In addition, permanent and total disability insurance would be established, and Federal grants-in-aid to the States would be provided for a fourth category of public assistance, the permanently and totally disabled individuals who are in need.

Under the bill contributory social insurance would be the primary method of providing family income when the breadwinner becomes too old to work, is disabled, or dies. I believe that this is the proper role of contributory social insurance because the insurance system enables workers to earn rights to benefits that are related to their own productive efforts. On the other hand, public assistance is paid only to those who meet a prescribed needs test and therefore does not reinforce the self-reliance and initiative of the individual. Under contributory social insurance a worker knows that any assets he may accumulate during his working lifetime will not disqualify him and his dependents for benefits and so he is encouraged to make private savings in order to supplement his social-insurance benefits.

I want to acknowledge that social insurance is the most satisfactory way of affording protection against the common hazards of old age, disability, and death in order to make it clear that I favor the extension and improvement of the insurance system as provided in the bill. Today, however, I invite your attention to the public-assistance provisions of the bill.

At this phase of development of our social-security system, public assistance is still of great importance. Even after enactment of the old-age, disability, and survivors insurance in the bill, public assistance would continue to be necessary for needy persons who are not covered by the insurance program, for some persons with earnings in covered employment who have been unable because of illness or for other reasons to earn the required quarters of coverage for benefits, and for insurance beneficiaries with exceptional needs.

In the next decade public assistance must continue to play a larger role in providing social-security protection than will be necessary thereafter. H. R. 6000 has been drafted with this in mind. Basic social security would not only be provided to persons able to obtain insurance protection but also for needy persons who must rely on public assistance because of old-age, disability, or death of the wage earner.

PUBLIC ASSISTANCE AND WELFARE SERVICES PROVISIONS OF H. R. 6000

The provisions of the bill relating to public assistance and welfare services would provide (1) a revised method of determining the Federal share of assistance costs, (2) Federal grants to the States for aid to needy permanently and totally disabled persons, (3) increased medical care for recipients, (4) increased Federal funds for child-welfare services, (5) a revised method for determining need in aid to the blind, (6) extension of Federal grants-in-aid to Puerto Rico and the Virgin Islands, and (7) certain improvements in administrative requirements to be met by the State agencies operating the programs. I feel complimented because about 80 percent of the provisions of the public-welfare bill which I have sponsored during the past 6 years are included in H. R. 6000.

FEDERAL SHARE OF ASSISTANCE COSTS

Under existing law the Federal share of assistance payments for old-age assistance and aid to the blind is three-fourths of the first $20 of a State's average monthly payment plus one-half the remainder within individual maximum of $50. Thus a State receives $30 from Federal funds when it spends at least $20 from its own funds for an old-age assistance or aid-to-the-blind payment.

The bill would modify the matching formula so that the Federal share for old-age assistance, aid to the blind, and also for the aid to the permanently and totally disabled would be four-fifths of the first $25 of a State's average monthly payment, plus one-half of the next $10, plus one-third of the remainder within individual maximums of $50. Under this formula a State would continue to receive $30 from Federal funds if it spends $20 from its own funds for an individual payment. Even though the maximum Federal share of $30 a case would be retained, Federal funds to all States would be increased as all States make some payments to individuals in amounts of less than $50. The largest relative increase in Federal funds would go to States where the level of payments is low. These are, for the most part, the States with large numbers of persons not protected by social insurance.

The States with average matchable payments between $20 and $30 per month would be able to raise their payments $5 per recipient, provided they continue to spend the same amount per recipient from State and local funds. In July 1948, the average payments for old-age assistance were below $30 in 10 States and in 7 States aid to the blind payments were below $30.

The increase in States with higher average matchable payments, of course, would be less than $5 per recipient because of the reduction in the Federal share of assistance costs when average payments exceed $35. As I mentioned earlier, however, all States make some payments to individuals in amounts less than $50 and therefore all States would receive some additional Federal funds under the formula in the bill. A State with an average matchable payment of $35 would receive an increase from the Federal Government of $3.75 per month per recipient if it continued to expend the same amount per recipient in State and local funds; a State with an average payment of $40 would receive an increase of $2.50 per recipient, and one with a $45 average payment, an increase of $1.25 per recipient.

The bill would also provide additional Federal funds for all States for aid to dependent children. Under present law the Federal share of aid-to-dependent-children payments is three-fourths of $12 of the average monthly payment per child, plus one-half the remainder within individual maximums of $27 for the first child and $18 for each additional child in a family. Under the bill the Federal share would be four-fifths of the first $15 of the average monthly payment per recipient, plus one-half of the next $6, plus one-third of the next $6 within individual maximums of $27 for the relative with whom the children are living, $27 for the first child, and $18 for each additional child in a family.

Thus the formula in the bill would modify the method of allotting funds to the States for aid to dependent children in two ways. First, the Federal percentage is altered and second, the mother or other relative with whom the dependent children are living is classified as a recipient for Federal matching purposes.

The effect of the proposed formula would be to increase substantially the Federal funds provided for all States administering State-Federal aid to dependent children program. A large part of the increase in Federal funds would result from the inclusion of the relative with whom the children are living as a recipient for matching purposes. This provisions would correct the present anomalous situation which disregards the needs of the caretaker in aid to dependent children homes. Since the relative caring for the children must have food, clothing, and other essentials, amounts allotted to the children under present law must be used in part for this purpose if such relative does not have any income or is not provided aid from some other source.

The increase in Federal funds for aid to dependent children that would result under the formula in the bill, if a State continues to expend the same amount per family, is illustrated by the following examples: If a State's average payment for the 1-child families on the rolls is $25, the increase in Federal funds would be $12 per family; if the average is $45, the increase would be $17.50; if a State's average payment for the 3-child families on the rolls is $45, the increase in Federal funds would be $18 per family; if the average is $75, the increase would be $21.50.

I believe the revised matching formulas proposed in the bill for old-age assistance, aid to the blind, and aid to dependent children would be equitable for all States. Although relatively large increases in Federal funds would result for those States with low average payments, we must realize that these are, for the most part, the States least able to provide adequate public assistance payments.

I have a table which shows the estimated annual increase in costs to the Federal Government under the matching formulas in the bill for old-age assistance, aid to the blind, and aid to dependent children. The table is based on December 1948 data as that is the last month for which distribution of assistance payments by amounts is available for each State. The table is broken down by States and while it is based on December data it still will give you an approximation of the additional Federal funds that would be made available to each State for these three programs.

Increase in annual Federal cost for public-assistance provisions under H. R. 6000 [1] exclusive of new program of aid to the permanently and totally disabled, [2] by States

[Based on December 1948 case loads and payments [3]]

[000 omitted]

State	Old-age assistance	Aid to dependent children	Aid to the blind	Total
Continental United States	$74,912	$106,650	$1,899	$183,461
Alabama	4,158	2,006	59	6,223
Arizona	39	701	2	742
Arkansas	3,100	2,025	87	5,212
California	636	4,617	22	5,275
Colorado	43	1,229	(4)	1,272
Connecticut	280	735	2	1,017
Delaware	85	120	7	212
District of Columbia	73	432	5	510
Florida	1,921	3,722	79	5,722
Georgia	5,312	2,053	124	7,489
Idaho	247	478	4	729
Illinois	3,553	5,704	109	9,366
Indiana	2,407	1,793	76	4,276
Iowa	1,031	1,122	22	2,175
Kansas	1,151	1,180	22	2,353
Kentucky	3,230	3,146	99	6,475
Louisiana	1,029	4,651	12	5,692
Maine	620	742	26	1,388
Maryland	543	1,318	18	1,879
Massachusetts	1,086	2,596	13	3,695
Michigan	2,307	5,640	33	7,980
Minnesota	1,416	1,837	23	3,276
Mississippi	2,676	563	100	3,339
Missouri	2,892	4,356	(5)	7,248
Montana	169	461	6	636
Nebraska	631	804	12	1,447
Nevada	3	(5)	(5)	3
New Hampshire	204	315	8	527
New Jersey	698	1,205	16	1,919
New Mexico	471	1,118	19	1,608
New York	2,148	11,616	58	13,822
North Carolina	2,937	2,176	177	5,290
North Dakota	240	411	3	654
Ohio	2,091	2,788	50	4,929
Oklahoma	695	4,692	16	5,403
Oregon	552	693	8	1,253
Pennsylvania	3,122	10,276	(5)	13,398
Rhode Island	311	703	4	1,018
South Carolina	2,096	810	68	2,974
South Dakota	474	384	7	865
Tennessee	3,329	3,467	106	6,902
Texas	10,147	3,152	239	13,538
Utah	106	820	2	928
Vermont	297	175	7	479
Virginia	1,012	1,331	66	2,409
Washington	579	2,125	5	2,709
West Virginia	1,366	2,388	45	3,799
Wisconsin	1,372	1,860	32	3,264
Wyoming	27	114	1	142

[1] Old-age assistance, aid to the blind, and aid to the permanently and totally disabled: Federal funds shall equal ⅘ of the first $25 per recipient plus ½ the next $10 plus ⅓ the remainder within a maximum from Federal, State, and local funds of $50 on individual assistance payments.

Aid to dependent children: Federal funds shall equal ⅘ of the first $15 per recipient (including 1 adult in each family) plus ½ the next $6, plus ⅓ the remainder within maximums on individual assistance payments of $27 for the adult plus $27 for the first child plus $18 for each additional child in the family.

[2] Since this is a new program, estimates by States are not shown. The estimated annual cost for the entire country is estimated at about $66,000,000.

[3] Old-age assistance, aid to dependent children, and aid to the blind: Assuming that States will continue to spend from State and local funds each month as much as they spent from these funds in December 1948 and that additional Federal funds above the amount per recipient in December 1948 will be used to increase payments to recipients.

[4] Less than $500.

[5] No approved plan.

AID FOR NEEDY PERMANENTLY AND TOTALLY DISABLED PERSONS

The bill would provide grants-in-aid to the States for a fourth category of State-Federal public assistance for permanently and totally disabled individuals who are in need. As you know, the bill also would establish a permanent and total disability insurance. Thus similar protection would be afforded against the hazard of permanent and total disability as is now provided against the hazards of old age and death. Through the enactment of these two programs, the injustice now suffered by a person who is unfortunate enough to be permanently and totally disabled before age 65 would be eliminated. His right to insurance benefits or to the assistance payments would not depend upon the date on his birth certificate but rather on whether he is permanently and totally disabled and has the necessary quarters of coverage for insurance benefits, or meets the need requirements for assistance.

The aid to the needy permanently and totally disabled category provided in the bill, would enable the States to establish programs for this group of needy persons comparable to those established for the needy aged and blind. In most States, the needy disabled are on general relief, which is financed without Federal aid. Although some States with relatively large financial resources are able to finance adequate general relief programs, many States and localities have such meager funds available for this purpose that needy persons sometimes do not get the barest necessities. By establishing a fourth category of assistance, not only would the standards of assistance be raised for permanently and totally disabled persons who are in need, but States and localities would have a smaller financial burden for general relief. This should result in more adequate assistance for people dependent on general relief in those States and localities that are now unable to provide reasonable general relief standards. In December 1948, about 200,000 recipients of general relief had disabilities that classified them as permanently and totally disabled. Under the bill, the Federal Government would share in the cost of assistance to these persons on the same matching basis as for old-age assistance and aid to the blind.

The annual cost to the Federal Government for aid to the permanently and totally disabled is estimated to be $66,000,000. This figure may be exceeded in the next 4 or 5 years, but in the long run the costs will decrease because the companion insurance program will provide benefits for the great majority of workers who become permanently and totally disabled. This fact shows the soundness of the joint insurance and assistance approach of the bill. General revenues will finance the assistance program for needy permanently and totally disabled persons who have not had the opportunity to become eligible for insurance benefits, while the contributions of workers and their employers will finance the cost of the insurance system.

The minority members of the Committee on Ways and Means, in their supplementary views in the report accompanying the bill, advocate that public assistance be the only program available for permanently and totally disabled individuals. This approach is shortsighted. Instead of permitting the workers of America to earn disability insurance protection over their working lifetime and thereby provide a sound method of financing the costs, the minority view would let the total financial burden be borne from the general revenues. By establishing both insurance and assistance programs, as is provided in the bill, the contributions of the workers and their employers would finance the major costs. Insured workers, as well as needy persons not eligible for insurance benefits, would be aided in meeting the expenses arising from permanent and total disabilities.

MEDICAL CARE FOR RECIPIENTS

The inflexibility of provisions in the Social Security Act governing Federal financial participation in assistance payments has limited the States in aiding recipients to obtain medical care. The Federal Government does not share in the cost of payments made directly to medical practitioners or hospitals furnishing medical care to recipients of State-Federal public assistance. Neither can Federal funds be used to defray the expenses of needy persons residing in public institutions, even if they reside therein for the purpose of receiving medical care.

Under the bill, both restrictions would be eliminated. The Federal Government would share in payments made directly to the suppliers of medical care within the regular maximums. You will recall that these maximums are $50 per month for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, and $27 each for the caretaker and the first child, and $18 for each additional child in an aid-to-dependent-children family.

Although these maximums are low, many recipients receive lesser amounts, and in those instances the Federal Government would share in the cost of medical care regardless of the method of payment. Perhaps the most important benefit to result from this change would be that States could insure medical needs of recipients with such organizations as the Blue Cross and the Federal Government would share in the cost.

Recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled would be permitted to reside in public medical institutions other than those for tuberculosis or mental disease, and the Federal Government would share in the costs. Under present law, needy aged and blind individuals are eligible for aid if they reside in private institutions. This change would permit an individual to choose the facility within his financial reach that is best equipped to provide the care he needs.

In order to protect recipients of State-Federal assistance residing in public or private institutions, the States would be required to establish and maintain standards for such institutions. The tragic consequences of the failure of some institutions to provide adequate safeguards for the health and safety of aged residents have come to the attention of all. This provision in the bill permits each State to establish its own standards and make its own inspections of institutions. Nevertheless, it shows that the Congress is interested not only in making assistance payments available to needy eligible individuals, but is also interested in assuring the maintenance of reasonable health and safety standards for recipients in institutions through State responsibility.

CHILD WELFARE SERVICES

The bill would increase the authorization for grants to the States for child-welfare services from $3,500,000 to $7,000,000 for the purpose of assisting them in establishing, extending, and strengthening these services in rural areas and areas of special need. No change is made in the substantive provisions of the Social Security Act relating to child-welfare services except that the States are specifically authorized to use Federal funds for paying the cost of returning runaway children to their own communities in another State.

The committee was of the opinion that but for this one exception the basic provisions of the act relating to child-welfare services are sufficiently broad to permit the Childrens Bureau to continue to cooperate with the States and to develop the excellent programs that have been established in the States. With the increased funds that would be authorized by the bill all States could extend and improve services for the protection and care of homeless, dependent, and neglected children and children in danger of becoming delinquent.

DETERMINING NEED IN AID TO THE BLIND

In order to help the needy blind to attain a greater degree of security than is possible under the existing provisions of the Social Security Act the bill would permit the States to disregard income earned by a claimant of aid up to $50 per month. At present all income and resources of claimants of aid to the blind must be taken into consideration in determining eligibility for or the amount of assistance. If a blind person is resourceful enough to learn a craft that may bring him $15 or $20 a month, the net earnings from his work are deducted from his monthly assistance payment. In some instances this action deters a blind person from entering into a rehabilitation plan that is charted for him because he can see no immediate benefit to him for his efforts.

The present restriction is especially harmful to the well being of the needy blind in States that are not providing even a reasonable subsistence level of assistance payments. It may come as a surprise to some when I say that there are five States that now provide less than $26 per month on the average for their needy blind. Surely no one will contend that an average of less than $26 a month is a reasonable level of assistance. Yet even when because of lack of funds the standards of the State agency administering the program are below the level necessary to maintain decency and health, the net earnings of

a blind recipient must be deducted from his inadequate assistance payment.

I am happy to report that under the bill such a cruel and unjust result could be avoided. The States would be authorized to permit the needy blind to earn additional funds to supplement their meager assistance payments and thus stimulate their natural desire to become self-supporting citizens.

The liberalization of the aid-to-the-blind provisions of the act and the revised matching formula contained in the bill, which I mentioned earlier, will make life just a little easier and happier for those unfortunate enough to be both afflicted with blindness and in need.

FEDERAL GRANTS-IN-AID TO PUERTO RICO AND THE VIRGIN ISLANDS

The bill would extend both the insurance and public-assistance programs to Puerto Rico and the Virgin Islands. Through the insurance system the residents of these possessions of the United States would earn future protection against the economic hazards of old age, permanent and total disability, and death. The companion program of public assistance would fill an immediate need. At present Puerto Rico and the Virgin Islands, because of their limited resources, are unable to raise sufficient revenues to care for all eligible for assistance. Needy persons are subjected to long delays before assistance is granted.

The provisions in the bill to extend the public-assistance categories to these islands would make it possible for their governments to eliminate their waiting lists and to raise their standards of assistance to more reasonable levels.

The Committee on Ways and Means, after reviewing the facts that were presented at the hearings on social security and in the subsequent executive sessions, was convinced that there is urgent need to extend immediately the public assistance categories to Puerto Rico and the Virgin Islands. Accordingly the bill provides for such extension but not on the same basis as is provided for the States. For old-age assistance, aid to the blind, and aid to the permanently and totally disabled, the maximum limiting Federal participation in an individual monthly payment is $30 and for aid to dependent children $18 for the first child and $12 for each additional child in a family. These are the maximums established in the original Social Security Act in 1935. The Federal share would be one-half of the assistance costs within these maximums.

By limiting Federal participation in the public assistance programs in Puerto Rico and the Virgin Islands below what is provided for the States, of course, will reduce the Federal costs. It is estimated that the annual cost to the Federal Government will be $3,000,000 for Puerto Rico and about $75,000 for the Virgin Islands. More important, however, is that under this limited approach to the problem of granting immediate aid to these possessions, the Congress is assured it is not furnishing financial aid that would result in too liberal assistance standards. Perhaps the Federal share of the costs of the public assistance programs in Puerto Rico and the Virgin Islands should be greater, but I believe no change in the provisions in the bill should be made unless the need for change is established after a further study and review of the social and economic conditions of the islands is conducted.

IMPROVEMENTS IN ADMINISTRATIVE REQUIREMENTS

The public assistance programs in which the Federal Government shares in the costs are administered or supervised by the States. The Social Security Act provides minimum requirements for the operation of the programs by the States. The State-Federal partnership for aiding needy persons established in 1935 has functioned well. H. R. 6000 contains no provision to alter the basic relationship between the States and Federal Government. The changes that would be made in the Federal requirements by the bill are designed to improve administrative practices in the State with the view of affording more equitable treatment to the needy on the State-Federal assistance rolls.

One change in the Federal statutory requirements that I would like to comment on, because I think it is important, relates to providing assistance to all needy persons who are eligible for State-Federal assistance. In some States and localities, when funds are insufficient to provide for all eligible persons, applicants for aid are not granted assistance until persons already on the rolls die or cease to receive assistance for other reasons. Under the bill this discriminatory practice would be prohibited and the available funds would have to be divided among all eligible persons.

To strengthen this change in the Federal requirements the bill would amend the fair hearing provisions which now specifically provides for a review by the State agency when a claim for State-Federal assistance is denied. Under the proposed revision a fair hearing would have to be provided to applicants whose claims for assistance are not acted upon in a reasonable time as well as to those who are denied assistance.

Another change in Federal requirements that I want to take time to mention concerns the training of personnel. The importance of having competent staff administering public assistance is sometimes overlooked. Only if the employees of the public assistance agencies know their jobs and have the necessary skill to perform them properly can we expect the millions of people on the assistance rolls to receive courteous and fair treatment and the public, proper expenditures of funds.

It is a pleasure for me to acknowledge that most State agencies administering public assistance already have established training programs for their staff members. The provisions in the bill requiring that a State public assistance plan must provide for a training program for the personnel necessary to the administration of the plan would not alter present practices in these States. Each State would be left free to determine for itself the methods of training best suited to its needs. State agencies that do not have training programs, however, would be required to establish them in whatever form they deem will be most helpful in attaining more efficient administration of public assistance.

I shall not take the time to discuss the other changes in administrative requirements contained in the bill. They are discussed in the committee report, a copy of which was provided for each Member of the House. A careful reading of this report will show the care and thought with which the Committee on Ways and Means has proceeded in framing H. R. 6000.

I believe this is sound legislation. While the major emphasis is rightfully on social insurance so the workers of America will be able to earn social-security protection during their working years, the aged, the blind, the permanently disabled, and the dependent children who are in need are not forgotten. The public assistance provisions on the bill would assist four and one-half million needy people to obtain the necessities of life.

Mr. Chairman, I yield back the balance of my time.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. DONDERO].

Mr. DONDERO. Mr. Chairman, I intend to vote for H. R. 6000, a bill to expand the social-security system, including old-age assistance and other provisions.

Under the rule by which this bill is before the House, commonly called a gag rule or closed rule, no amendments are allowed. One must vote for the entire bill as reported to the House by the Committee on Ways and Means and accept all of its provisions or vote against the bill and reject all of its provisions.

I am in favor of many of the provisions of this bill such as old-age assistance and child welfare. On the other hand, I am opposed to other sections of the bill such as the provisions which discriminate against older workers and those who are employed irregularly.

I am opposed to the Federal Government launching on a program of a vast and costly disability insurance plan for 50,000,000 people, without first testing the effectiveness of a less costly grants-in-aid program. I am also opposed to the surrender to the Treasury Department and the Social Security Administration of the power of Congress to determine pay-roll taxes through regulations as to who is an employee and who is self-employed.

I am opposed to establishing a social security trust fund at least one-third larger than seems to be necessary. I am also opposed to extending social security to the Virgin Islands and Puerto Rico, which should have their own programs based upon their lower wage and living cost levels.

I am opposed to providing funeral benefits for 78,000,000 people who have already made such provisions through life-insurance policies.

The Kean substitute bill seems to provide a saner and more reasonable expansion of the social security program and I intend to vote for it when the mo-

tion comes before the House to recommit. If that fails, then I intend to vote for H. R. 6000.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Wisconsin [Mr. HULL].

Mr. HULL. Mr. Chairman, it is to be regretted that action of such importance as the consideration of the expansion of the social security program should be postponed until it can be brought up only in the closing hours of the session. It now comes before the House under a closed rule, which prevents amendment and forces the whole subject of debate to the measure which the Committee on Ways and Means has determined upon. It is not fair that such discrimination shall be applied to a matter of legislation in which not only the welfare of the Nation is concerned, but one in which a large percent of our population is vitally interested. It might well have been brought up and acted upon before the billions of dollars of additional funds were authorized to be spent upon the people of many foreign lands, most of whom are far more remote from our direct responsibilities than the aged people of our own Nation.

However, even at this late hour in the session, at least greater justice should be dealt out to those in our respective districts who for years have pressed upon Congress the necessity of a national law to protect those who have made their own big contribution to the upbuilding of our land. That contribution by years of labor and honest endeavor on the part of millions involved has made possible the wealth and prosperity which now is being flooded upon other lands.

In the 14 years since Congress passed the first social security law, the program has been before the public, and millions of people have evidenced their interest.

One explanation of the hurried action of the present is that various branches of our great industries are endangered by threats of strikes by many thousands of workers demanding old-age security. The larger part of those now under social security long have protested its insufficiency without avail. Even during the war days when the high cost of living had reached its peak, those provided for in part from the Federal Treasury, and the suffering and discomforts among those who endeavored to exist upon the meager allowance, failed to obtain proper results. The program has been expanded only poorly and insufficiently. States and counties so heavily drawn upon by rising costs and expenditures have found it impossible to cover their portions of assistance to meet the Federal aid.

The present bill is one of only partial subsistence allowances. It does increase the number who can be brought under the law. It does increase the allowances, though only in part. A slight addition has been made for Federal aid for assistance to the aged, the blind, and the minor dependent children. It covers also those totally disabled to a limited degree. It has some other features which scantily improve the situation as to many. In a general way, it helps a bit. But it will not avoid a further demand for justice for the Nation's unfortunate. Nor is it likely to avoid any strikes by those now demanding special old-age security from the proceeds of industry.

In the past 15 years, thousands of Townsend clubs have been organized in all the States. Townsend bills have been among the many pension measures introduced at every congressional session. Petitions signed by millions have poured in upon the Members asking for its consideration. At every recent session, Members of the House have laid upon the Clerk's desk official petitions to discharge the Ways and Means Committee from further consideration of the Townsend bills. At some sessions those official petitions have lacked only a few signatures to bring the measures to the floor for consideration. All such endeavors have availed nothing.

The adoption of the closed rule under which present consideration is given, no amendments become possible. It is a case of take or leave it. Even those of us who always have opposed gag rules were constrained to give our support to the action of the Rules Committee in bringing in such a rule. Without its adoption there could be no hope of any action in expanding the program at this session.

In the press comes notice that even the committee bill will not be brought up in the other branch of the National Legislature at this session. It will follow many other good measures to the pigeonholes of a committee until the January session. Again the rightful claims of those advocating better legislation for the aged, the blind, the totally disabled, and dependent children are to fail of consideration because of the legislative jam.

Were there not ample reasons for such claims and demands, the bill before us never would have come from the committee which framed it. The bill itself is an acknowledgment of its necessity. The closed rule barring amendments is further acknowledgment of its insufficiency. The delay in bringing the matter before the House until just before adjournment, when the other body will fail to act, proves again, as it has in the past, that the cause is just, that proper legislation is needed, and all hesitancy and evasion will serve only to strengthen the claims and demands for a national law big enough and broad enough to meet the conditions on which they are based.

Because the bill is an improvement over what we have, I shall vote for it under a sense of compulsion, just as I voted for the rule. It is this measure or nothing. I favor proper action, which surely will come.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. AUCHINCLOSS].

Mr. AUCHINCLOSS. Mr. Chairman, in thinking back over the 7 years of service which I have enjoyed as a Member of the House of Representatives I can remember many important problems and measures which were voted on in the interest of the country, but I cannot recall any more important problem than the great question of social security. I am not one of those who thinks that the enactment of an expanded social security program is a step toward a welfare state, but I believe that it is rather a step toward a better America and that it carries out the principles of our Declaration of Independence and the ideals of our Constitution. I am fearful, however, of many measures which have been introduced by the majority party, and I do not like the general trend of legislation which concentrates more and more the authority of the Federal Government in encroaching on the sovereignty of our separate States. We must guard against paternalism in government and there is no doubt in my mind that if we are to maintain the integrity of our credit, the cost of government must be materially reduced and such savings passed on to the relief of our heavily burdened taxpayers through a reduction in taxes. One of the first considerations of Congress in the near future should be the immediate elimination of the nuisance excise taxes which are now exacted from people generally.

In the consideration of legislation every right and courtesy toward the minority must be safeguarded or our legislative system will become a travesty of justice and sound thinking. Indeed, it is in the interests of the country that the minority have every opportunity to express their views and arguments for or against any legislation. This is particularly true when such important legislation as social security is to be considered, but I regret to have to say that it is my opinion that the Democratic Party, which is now in the majority, has given little consideration to the courtesy and rights entitled to by the Republicans, who are the minority party, in the consideration of this legislation. The rule which was reported out and adopted by a more or less strictly party vote, although it was heartening to note that some members of the majority did not approve of it, is what is known as a closed rule. A closed rule does not permit the introduction of any amendments to the legislation unless these amendments are submitted by the committee itself, and in that way the matters in disagreement cannot be considered by the full House. The Democratic members of the Ways and Means Committee wrote this bill and voted it out and the Democratic members of the Rules Committee adopted the closed rule under which this bill is being considered. It matters little to me what the precedents are or whether Republicans or Democrats in the past have been guilty in this respect; the fact remains that it is not right nor in accordance with the principles of our republican form of government that a gag rule be adopted in the consideration of such important legislation. I do not mean to imply that I would be in favor of a rule which would give every Member of Congress an opportunity to suggest an amendment. If that were so, it would take a long time for the adoption of any legislation and it would be a peculiar hodgepodge at the end, but I do think that a rule should have been granted which would have permitted the consideration of a few amendments to this legislation which had been debated in the committee and which were lost in the

committee by only one or two votes. That close vote was evidence of an honest difference of opinion and sounder legislation would result if the membership of the House were given an opporunity to consider these suggestions. It is for these reasons that I voted against the adoption of the rule, wanting a greater freedom of debate, and believing that it would be for the benefit of everyone concerned.

Any amendment to the Social Security Act as comprehensive as the provisions of this bill, is necessarily complicated. I would point out that the bill itself is 201 pages in length and the report accompanying the bill covers 207 pages of fine print, so anyone who wants to study this matter must take considerable time and have the benefit of expert advice. On the whole I think the bill reported by the committee, H. R. 6000, is a good bill, but I do think it could have been made a better bill in some respects and I would like to address a few remarks on one or two of the changes which I think would strengthen it. I am very much impressed with the arguments that the benefits payments should be based on the highest 10 consecutive years of earnings rather than on an average monthly wage determined by the entire working time of the individual. This would provide more adequate protection to many people owing to part-time employment, and periods of no employment whatever, because we must remember that this will only apply to those whose average wages are less than $3,600 a year. Such a policy has the support of the labor unions and was strongly endorsed by social security experts who were presumably unbiased and I would be glad to have had the opportunity to vote for such an amendment. I think that people such as teachers, firemen, and policemen who are already covered under their own retirement and pension systems should be thoroughly protected, and their present rights which they have enjoyed for many years should not be jeopardized. I would prefer that such people were excluded from the provisions of the act but I am denied the right to vote for such an amendment under the gag rule. This bill goes into the costly field of disability insurance and it would seem that it would be wiser to meet this problem through the Federal grants-in-aid program and I would have welcomed the opportunity to amend H. R. 6000 so that total and permanent disability payments should be confined to the public assistance program. There are other amendments which I believe would have not only increased the effectiveness of social security, but which would have materially reduced the public cost thereof. All these amendments which I favored were contained in a bill introduced by Congressman KEAN, of New Jersey, H. R. 6297, and I propose to support a motion to recommit H. R. 6000 with instructions that the committee report out H. R. 6297 for the consideration of the House. If this motion is not carried, however, I will support the bill in the hope that when it is considered in the Senate many improvements may be made in it. I do not like gag rule and I thoroughly believe it was not necessary in this instance but under the Democratic majority in the House we have to leave the task of perfecting this measure to the Senate, although I feel that the House is fully capable of doing it itself.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Iowa [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Chairman, I favor the passage of this bill because it is an improvement over the present law. It is now 14 years since social security was established. Up to the present it has been very unsatisfactory for many of our people. We should either repeal the law or make it worth while. Obviously, we cannot repeal it. Both the Republican and Democratic Parties have pledged themselves to extend and enlarge it. The bill before us is an improvement. It is necessary to liberalize benefits to help meet the increase in the cost of living.

I regret the bill came to us under a closed rule. The Members should have an opportunity to improve it with amendments. Professional people, such as lawyers, doctors, and engineers, should be included. It should be enlarged for the aged and infirm and those in low-income brackets. I hope the motion to recommit, which I understand is to be offered, will correct many of the deficiencies in the bill before us, known as H. R. 6000.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. GWINN].

THE SOCIAL SECURITY ILLUSION

Mr. GWINN. Mr. Chairman, the administration has ordered that Congress vote yes or no on its omnibus social security bill, without amendments. Congress must take it or leave it. Amendments are forbidden, so discussion is useless. Under such a gag rule, the vote should be a thundering no.

A reading of the bill shows that it is no social security bill except in its name. It will take in 11,000,000 additional taxpayers, to provide the administration with more spending money. The workers are paid in promises.

About 35,000,000 workers in this country have been paying social security taxes for as much as 13 years. How much money do they have saved up for the next depression or for the time when the number of aged begins to rise very greatly? We all know the answer. The answer, gentlemen, is "Not a thin dime."

There isn't a penny of real reserves anywhere in all the elaborate machinery we call the social insurance trust funds.

You know that all the money paid in by employers from their own funds, and from their workers' pay envelopes (except what is paid out currently) goes to the Federal Treasury. That is now about $23,000,000,0000. You know that every dollar of this has been spent by the Government in addition to the regular taxes it has collected.

Not a penny of hard money is ever put into any real insurance reserves. The workers today are paying rates that bring in about $2,000,000,000 a year above current outgo. But those $2,000,000,000 are not put aside for them. They are spent as fast as they come in.

The elaborate Rube Goldberg machinery of Federal social security is designed to hide the fact that when the Government spends this money it doesn't put anything in its place.

Technically the administration issues new United States bonds and puts them into the reserve funds. But what are these United States bonds? They are evidences of debt and not of savings. They are I O U's for which nothing was produced. No wealth was created to earn money for the workers. The Government used the money of the workers to buy eggs or potatoes that spoil, or for other subsidies, or for war.

The Government does not produce anything out of which the workers' pensions can be paid. If they are paid at all, the Government will force a new generation, with doubtful capacity, to pay the amounts due. The Government can promise to lay taxes on an unborn generation, but that unborn generation may refuse to pay them. Future Congresses may not be willing to act. Governments are likely to be unmoral toward old debts that added not a dime of new wealth to the present taxpayers.

That the administration needs this money if it is to go on spending and spending, hoping to buy more and more votes, is bad enough. To commit deception and fraud upon the workers is damnable.

Now we see why the administration wants to "extend the benefits" of its social security to 11,000,000 more people in the last hours of this session. They have just that many more people to rob of their wages in addition to the withholding tax, the excise taxes, and the rest. The benefits to the workers are mere promises of future performance. The present annual take from the workers is more than $2,000,000,000 spot cash, for our own variety of Socialist government experiments. This is a clever device by which the administration gets more revenue without the public protest that would be raised at once against a proposed revenue bill, that raised taxes another two billions.

Let us call the sponsors of the bill to witness. On page 35 of the report of the House committee, we find that benefits paid out under the new bill in 1950 will be $1,300,000,000 but collections will be $3,300,000,000. That still leaves two billions for the Government to spend.

The "trust fund" will double in 5 years. It will be $35,000,000,000 in 10 years—for old age and disability only. It will reach the incredible total of $91,000,000,000 in 40 working years, when today's young workers are ready to retire.

But what are these $90,000,000,000? They are only money the Government has spent. There are no reserves, no earnings, on which the workers can draw. There is but the possibility that future taxpayers will make good the embezzlement.

We are giving the administration the power to tax 11,000,000 farmers, domestic servants, writers and workers in nonprofit agencies, and to collect and spend $80,000,000,000 of their earnings without calling it a tax.

It would be hard to think of any good reason why a New Deal spending government should want anything better than this. Republicans or Democrats, why should we impose such a hidden tax on the employed people. Why take away all the responsibility for managing their own savings and hide from them what is being done with their money by a Government they still trust though with increasing suspicion?

When the aging of the 46,000,000 workers who are paying into the system requires that their pensions be paid, they will all have to be taxed again to pay themselves. Thus they will pay for their old-age security twice. First from their wages, and then from their taxes to pay the I O U's the Government dropped in the till for them.

When business depression comes, we know that wages and taxes will go down, and the numbers of sick people and the retired will go up. Then it is that reserves are absolutely necessary. But there are none. Where will we look for new taxes then?

Ladies and gentlemen of the committee, the day will come when you will bitterly regret having given this Socialist administration the chance to plunder the American workers savings.

Mr. JENKINS. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. LECOMPTE].

Mr. LECOMPTE. Mr. Chairman, the debate and the discussion so far on this bill has been splendid, and I think those of us who have listened to the debate, not being members of the committee, have obtained a pretty fair grasp of the legislation proposed in H. R. 6000, a bill of 201 pages.

I am very deeply disappointed that we must consider a bill of such major importance under a closed rule. I think by the adoption of a closed rule we are not adding to the prestige of the House throughout the United States. I think very sincerely that the people of the country expect the House of Representatives to consider legislation of a major character under an open rule, and permit a majority to work its will and perfect the legislation that is to be adopted. I believe we are injuring the prestige of the House of Representatives by proceeding under a closed rule. The mere fact that the House has had closed rules time and time again, and that this has been the custom of both parties, does not change the situation in the slightest degree. However, this is where we are now. Before the day is over we are going to vote either for or against this bill, without having an opportunity to offer any amendment or submit such amendment to the majority of this House, with the hope and purpose of improving the bill.

The great Ways and Means Committee is composed of 25 of our best and ablest legislators. Perhaps no better statement has been made today than is to be found in the remarks of my colleague the gentleman from Iowa [Mr. MARTIN]. I hope sincerely that the other body will consider this legislation without any restricting rule, and that some of the defects brought out in debate will be corrected.

I asked for this time so that I might submit to some of the members of the Ways and Means Committee a question that has been in my mind for some time. This situation occurs under existing law. In my State, and I presume in most of the other States, a small-business man goes through life, and at the end of his career has seldom saved a dollar. A large majority of small-time businessmen fail at least once, and many twice.

Yet since 1935 the small-business man has been deducting a pay-roll tax equal to 1 percent of the wages of all of his help, and has been matching that pay-roll tax out of his own pocket. Up to the present time he has not been able to come under social security. What will be the situation under this bill, if I may submit that question to some member of the committee?

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. LECOMPTE. I am glad to yield to my good friend from Arkansas, a member of the committee who came to Congress the same year I did.

Mr. MILLS. Under the bill, that individual, who is self-employed and operates his own business, would be compulsorily covered under title II of social security. He would pay one and one-half times the tax levied against the employee.

Mr. LECOMPTE. One and one-half times the tax levied for his employee?

Mr. MILLS. Yes, sir.

Mr. LECOMPTE. But what are you going to do in this bill about the amount of money that the small-town grocer—I have never known one who had a dollar when he got through—has been paying since 1935? Is he going to get any credit for that?

Mr. MILLS. The amount of the tax that the individual has been paying has been for the benefit of low-wage earners which included the people who worked for him. None of the money he has paid in heretofore has been for his own benefit.

Mr. LECOMPTE. You are not doing anything for the small-business man who has carried this load in the past.

Mr. MILLS. Nothing more than offering him the opportunity of coming in for the future.

Mr. LECOMPTE. I grant that, but there is nothing in this bill of a retroactive nature to give him any credit for the amount that he has paid in the past since the adoption of the social-security legislation in 1935.

Mr. MILLS. The gentleman is correct; and I might say that the bill introduced by the gentleman from New Jersey [Mr. KEAN] is in accord with the committee bill in that regard.

Mr. LECOMPTE. The Kean bill may be defective, too, but is this House, representing the entire United States, going to say that we are not doing anything for the small-business man?

Mr. MILLS. The gentleman misunderstands, I think, if I may have a moment of his time.

Mr. LECOMPTE. Certainly; I would like this matter cleared up.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. JENKINS. Mr. Chairman, I yield the gentleman one additional minute, but may I suggest in addition to the answer of the gentleman from Arkansas that all the small-business man has to do in the future to be entitled to come in is show an earning on his part of $400 a year.

Mr. MILLS. The gentleman from Iowa, as I understood him, was concerned because neither the committee bill nor the Kean substitute permitted the self-employed to get credit retroactively for the tax paid for the benefit of his employees heretofore.

Mr. LECOMPTE. It would seem to me that the small-business man has been hurt all the time by social security, and has not been benefited in any way. You are offering him benefits for the future, but perhaps he is 55 or 56 years old and will have to retire in a few years, will not be able to build up any benefits except for the 3 or 4 years. He gets no credit for all the money he has matched in years past.

Mr. MILLS. He will not get any credit for the amount of money he has paid in the past for his own employees, but to be eligible at age 65 the self-employed man must have been in the system only 5 years.

Mr. LECOMPTE. But he would get no credit for the sums he has matched on his pay roll throughout the past years.

Mr. MILLS. He would not himself receive wage credits retroactively.

Mr. LECOMPTE. I think the bill aims at enlarging and improving social security, but I believe it is defective in many respects and I regret that a gag rule was put through which prevented the submission of helpful amendments.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. WOLVERTON].

Mr. WOLVERTON. Mr. Chairman, I am gratified to finally have the opportunity of voting for a bill to improve our social-security law. For years it has been evident to me that the act should be improved, particularly by extending its coverage and increasing the amount to be paid to those entitled to benefits under the act.

However, I am disappointed that the amendments do not go further than they do. It is true that the number of persons to come within the provisions has been increased by approximately 11,000,000. While this is gratifying as far as it goes, yet, in my opinion, it should have gone further.

The fear of insecurity in old age is one that is ever present in the life of most persons. To remove that fear will add years and happiness to the life of everyone as they grow older. Time and again, innumerable times, I receive letters of the most pathetic character from old people fearful of what the future holds in store for them. These old people do not want to be a burden to the members of their families. They do not want to be dependent. They want to be independent. Those that are able are willing to work, but in this fast-moving industrial life of today, the demand is for younger men. Thus, the old and aged are placed

upon the shelf, and, therefore, the need by appropriate laws to enable the aged to live a self-respecting old age. I am now, and always have been, strongly in favor of all legislation to provide security in old age.

As I have previously said, I am gratified that additional persons to the number of 11,000,000 are brought within the terms of the act by the amendments proposed. There are other classes of our citizenship that should likewise have been brought within the act. It is disappointing that they are not. However, I look forward to the time, and I hope it is not distant, when all such will be brought within our social-security coverage.

Another amendment to the Social Security Act that is long overdue, but is being corrected or improved by the legislation before us relates to the amount of benefits received. The amounts being paid under the present law are so meager that they might well be considered an insult to the aged. In no instance are they sufficient to meet the high cost of living that now exists. The only defense that might be offered would be that the cost of living when the original act was adopted was not as high as it is now, and, furthermore, that the law was new and lessons had to be gained by experience. Whatever justification there may be for such in the past the fact remains that for a long time it has been apparent that justice to the aged requires that payments to them should be greatly increased.

The legislation, now before us, offers considerable improvement over present conditions by liberalization of benefits to be received under the act.

About 2,600,000 persons currently receiving old-age and survivors' insurance benefits would have their monthly benefits increased on the average by about 70 percent. Increases would range from 50 percent for highest benefit groups to as much as 150 percent for lowest benefit groups. The average primary benefit is now approximately $26 per month for a retired insured worker and under the bill it would be approximately $44. Illustrative figures for individual cases are shown in the table below:

Present primary insurance benefit:	*New primary insurance amount*
$10	$25
$15	31
$20	36
$25	44
$30	51
$35	55
$40	60
$45	64

Furthermore, and a very important matter, the bill will increase the amount that can be earned by a beneficiary without losing the monthly benefits to which he is entitled. Under the present law the amount a beneficiary is permitted to earn per month, after retirement and in addition to the monthly payment received is only $14.99. The amount is so trifling that in practice it is no real help at all. Under the bill now before us this situation is corrected. The amount a beneficiary may earn in covered employment without loss of benefits would be increased from $14.99 to $50 per month. After age 75, benefits would be payable regardless of amount of earnings from employment.

There are many other worth-while improvements and additions to the existing law that will prove highly beneficial to many thousands of people. For instance—

PERMANENT AND TOTAL DISABILITY INSURANCE

Coverage: All persons covered by the old-age and survivors insurance program will have protection against the hazard of enforced retirement and loss of earnings caused by permanent and total disability.

Benefits: Permanently and totally disabled workers will have their benefits and average wage computed on the same basis as for old-age benefits.

OLD-AGE AND SURVIVORS INSURANCE BENEFITS FOR WORLD WAR II VETERANS

World War II veterans will be given wage credits under the old-age, survivors, and disability insurance program of $160 per month for the time spent in military service between September 16, 1940, and July 24, 1947.

PUBLIC ASSISTANCE AND WELFARE SERVICES

Under extension of State-Federal public-assistance programs—aid will be extended to persons not now eligible for assistance, as follows:

Permanently and totally disabled needy persons will become eligible for State-Federal assistance by the establishment of a fourth category, with the Federal Government sharing in the costs in the same manner as for old-age assistance and aid to the blind.

The mother, or other adult relative with whom an eligible dependent child is living, would become eligible as a recipient under the aid-to-dependent-children program, and the Federal Government would share in the costs of the aid furnished such mother or relative.

Increase in Federal share of public-assistance costs: The bill will strengthen financing of public assistance in all States, and, particularly, will enable States with low-average payments to raise the level of payments to needy recipients under the State-Federal program. Federal funds will be made available to the States under the following matching formula:

(a) For old-age assistance, aid to the blind, and aid to the totally and permanently disabled, Federal funds will equal four-fifths of the first $25 per recipient plus one-half of the next $10 plus one-third of the next $15 with a maximum of $50 on individual assistance payments.

(b) For aid to dependent children, Federal funds will equal four-fifths of the first $15 per recipient, including one adult in each family, plus one-half of the next $6, plus one-third of the remainder, with maximums on individual assistance payments of $27 for the adult plus $27 for the first child plus $18 for each additional child in the family.

Public medical institutions: The Federal Government will share in the payments made by the States and localities to the needy, aged, blind, and permanently and totally disabled recipients residing in public medical institutions, instead of limiting Federal participation to payments made to recipients residing in private institutions as provided in present law.

Direct payment for medical care: States will be authorized to make direct payments to medical practitioners or institutions furnishing medical care to recipients of State-Federal public assistance. Under existing law the Federal Government does not participate in the cost of medical care for recipients unless payment for such care is made directly to the recipient.

Child-welfare services: Authorization for child-welfare services in rural areas or areas of special need will be increased from $3,500,000 per year to $7,000,000. The use of child-welfare funds would be authorized for purposes of returning interstate runaway children to their homes. Notwithstanding the good that is in the bill. there are some changes and additions that should have been made, but, unfortunately a gag rule prevented any amendments being offered. I think it was wrong to bring the bill before the House with such restriction on amendments.

The amendments to the Social Security Act which this bill seeks to make effective are necessary and worth while. While they may not cover every situation, or condition that needs to be rectified, yet, they do go a long way in making improvements to our social-security structure. I am pleased to give my support to the bill, and, I hope that it will have the approval of the House.

Mr. JENKINS. Mr. Chairman, I yield 15 minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, there is no question but what the easiest, probably the most popular position to take on this particular legislation would be to vote right down the line for everything; that is easy, and it probably would be politically popular for a number of reasons. I think the principal reason is that in this bill we do, in fact, give to some people something for nothing. It provides for benefits that will not be paid for by this generation; and, of course, whenever we can vote somebody something which at least as far as their conception is concerned is something for nothing, they like it, and it is politically popular.

Much has been said in the debate so far about the benefits involved, and some little has been said about the taxes involved. The contention is constantly made that the benefits to which these people become entitled under the bill and under the present law are benefits which they have bought and paid for. Just to be honest with ourselves and honest with the record, I think it should be pointed out that none of the benefits people are receiving today are equivalent to what they paid for; the benefits are much in excess of what has been paid or is being paid in taxes. It will be true in the future, it will be true until that time comes when the pay-roll taxes and the taxes on the self-employed will be equivalent to a rate of around 6½ percent. When that time comes those people who will be paying that rate I think we can honestly say will be paying for the benefits they will receive.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. What is the position of the self-employed businessman who goes into the fund, who pays into it apparently since it is compulsory, who stays in business as long as he lives and pays on the basis of $3,600 for 20 years? What is his status? Will his estate recover anything upon his death?

Mr. BYRNES of Wisconsin. His estate does not recover anything. All persons who have acquired an insurance status will receive a burial allowance. If he leaves a survivor that survivor will receive benefits. However, in that instance, probably even today and for the next 20 years, you may say that the small amount that he pays, which is comparatively small for the over-all benefits of retirement and survivor benefits, may be worth while. He probably is getting what he is paying for because he is paying at a very low rate. He is not paying at the insurance actuarial rate and he will not be until that time comes when the self-employed individual pays at the rate of 4⅞ percent. Then there will be a serious question as to whether or not he is paying for a lot of things that he will never get and does not desire to have. We must remember that many self-employed persons do not intend to retire, they do not intend to draw retirement benefits, and they will not draw retirement benefits. It is their purpose to continue drawing an income from their self-employment; therefore, of course, some of the benefits will be denied them because the big part of the program is a retirement program.

If the gentleman will permit, I would like to proceed with the thought I started out with.

Mr. AUGUST H. ANDRESEN. One more question. This little-business man does not volunteer going into this. He must go into it and is liable for the tax whether he likes it or not?

Mr. BYRNES of Wisconsin. That is absolutely correct. We are compelling him to contribute a certain percentage of his income to this so-called insurance program even though he may desire to buy some other kind of insurance with his funds. The Government, however, says to these self-employed people, "You have no alternative, you must come under a Government system. You must contribute this given percentage of your income in order to be covered in the way we think you must be covered." In other words, this bill takes all individual judgment and control over his individual savings and income away from him to the extent of the amount represented by the social-security tax.

Let me go back and continue what I think the Members should know, what I think the people should know, particularly the younger people, with regard to the system and with regard to what the future holds in store for them as far as the system is concerned. There can be no question whatever but what persons in this system now in advanced years will receive very sizable bargains. We are giving something for nothing to them. As I say, that probably adds considerably to the political expediency and the political desirability of the particular legislation before us.

A little example might give us an idea of what the situation is. There is a possibility, and I agree that it is an extreme case, that a person, who in 1940 was 65 years of age and had been under the system for 6 quarters, earning $50 a quarter, would have insured status, and he could retire in 1940 after $6 had been paid in. He would have paid in $3 and his employer would have paid in $3. That would have been the total cost to him and his employer for the benefits that he would receive. He would receive $10 per month; in other words, in 1 month's time he would receive from the Government, in a Government check, more than he and his employer had contributed, and he would continue to receive that $10 per month until he died. Under the new bill this same individual will receive $25 per month and would have contributed only $6 to the program. If he had a wife he would receive in benefit checks a total of $37.50 monthly.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. I am very much interested in the gentleman's presentation. What becomes of the man that accumulates a big fund, credit, and then dies without collecting anything? What becomes of that money?

Mr. BYRNES of Wisconsin. If he has not worked long enough to have an insured status, he receives nothing.

Mr. WHITE of Idaho. The Government gets that?

Mr. BYRNES of Wisconsin. The Government gets that. This points out some of the inequities that are bound to arise under the system that you have, and are continuing by bill H. R. 6000. Just take this person who is in for a year and a half. He gets the benefits just enumerated from the Government for the payment of $6. But, do you do anything for the person who has not been in long enough to have acquired insured status? No. What about the old person who today is over 65 years of age and never had a chance to work under the social-security system? Do you give him any payments? Oh, no. He goes on a needs basis. I am not complaining about the payments being made to this person who is 65 years of age and who is receiving or will receive $25 per month; I am not complaining about that. But, I do complain when you try to make the American people and everybody else feel that they have paid for what they are getting. It just is not honest and it is playing politics with the old people of this country. I think they should be taken care of, and I have no grievance whatever with title I of the social-security program, with the old-age assistance program as outlined in the bill. It must be pointed out, however, that compared with the benefits provided under title II, the provisions made for the aged in title I are most inadequate.

What I want to do, however, is to call attention of the committee to the fact that we are developing a system which we call insurance, but which is fictitious insurance. Let us look at the situation of the old people who did save and thought they had accumulated enough for their old age, and then the war and the inflation came along and wiped out those savings which they, by their frugality, thought would take care of them in their old age. I think the Government has a definite responsibility to those people, but I think they are just as much entitled to Government assistance as the person who qualifies under this so-called insurance program.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. WHITE of Idaho. The gentleman speaks of giving something for nothing. We are giving the veterans of the Spanish-American War $90 a month. How do they happen to get that? What entitles them to $90 a month?

Mr. BYRNES of Wisconsin. I think the veteran situation is entirely different from the situation here confronting us. In the case of the veteran we are trying to repay them in some small part for some of the sacrifices they made for us.

Mr. WHITE of Idaho. What about the man who builds the country? What about the man who puts in a lifetime of industry? Is he not entitled to something, as well as the man who defends what the other man put in a lifetime building? When a boy gets to be 21 years of age in this country he inherits citizenship, he inherits a birthright, he inherits the thing the generations ahead have given him. Is he not entitled to support in their declining years the people who have given him all this heritage?

Mr. BYRNES of Wisconsin. I am not going to get into a discussion today on the matter of veterans' pensions. I think the question we have before us is complicated enough in and of itself.

May I point out another example of what takes place today. Assume a person working in covered employment for 3 years at $3,000 a year. He and his employer will have paid in $180. He will have paid in $90 and the employer will have paid in $90. His benefits under the present law would be $41.20 per month, and he would get that until he died. A $180 premium does not pay for a $41 per month annuity. Under the bill and without any further contributions on his part, he will be paid $61. If he has a wife he will be paid $92 a month.

Again I say, I am not criticizing the increase in benefits. I think it is sound to increase the benefits of the older people, but I do call your attention very specifically to the fact that this idea that the program is actuarially sound is absolutely untrue. Any contention that the people today and the people from now until 1970 are paying for what they are going to get by way of benefits is absolutely an untruth, because until the tax becomes in the neighborhood of 6 percent you cannot say the people have paid for it.

There are two principal things I find make this bill, as it comes before us, objectionable. I think we are going into two fields which give me considerable concern and which I seriously question the advisability of going into. One is

the self-employed field, and the second is the field of total and permanent disability.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. JENKINS. Mr. Chairman, I yield five additional minutes to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I thank the gentleman, and I thank the members of the committee. I do not want to belabor the subject and lengthen this debate. I do not suppose there is very much to be gained by debating the legislation. It is going to be a matter of swallow it all or not take any of it, so there is not very much that I can gain, I suppose, by going into some of the details, except that I do think we should know and have some understanding of exactly what we are getting into.

I have no objection, in fact, I figure it is a most sound proposition to have a program like that outlined in the original social-security bill, and even like that outlined in the bill H. R. 6000, for the employed people, those who are outside the category of the self-employed. When this system was instituted it was based on the following principles: Employees, when they get to be 65, do not have complete control over whether they are going to continue working or not. They are not in the same position as a self-employed person who can, of his own accord, decide whether or not he is going to continue working.

We must recognize that employers quite generally release workers at 65. In many instances these employees are not able to provide for their future at that time. I think it is a proper charge upon industry and a proper charge upon the products of industry to provide some program for the care of workers in their old age.

But now we are going into an entirely new field, the field of the self-employed. The self-employed has control over whether he is going to continue working or not. Many self-employed people do not retire. Mark you this—you get no retirement benefits under this program just because you reach the age of 65. You must retire. You must have an income of less than $600 a year from self-employment. If you make $600 a year from self-employment, you receive no retirement benefits. So let us remember that fact. And yet you are imposing this system, by compulsion, upon self-employed people, many of whom have no desire to retire.

Take the case of the corner grocer. He probably owns his store—it is not his intention to retire when he reaches 65; he probably intends to take things a little easier after that age, but he does not intend to drop the business completely. Yet that is what he would have to do in order to receive benefits under the program and to get something back out of what he has contributed by the way of taxes. I say it is a dangerous thing to force a system on those people whether they like it or not and whether it is needed or not.

Mr. FORAND. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. FORAND. I trust my good friend is not trying to leave the impression that because as he says self-employed people do not retire they would not be eligible for benefits under this bill, because whether or not they retire before age 65 or at age 65 no one can foretell when they are going to die, and when they do die, survivors' insurance benefits are payable because of the amount of money they have contributed to the system.

Mr. BYRNES of Wisconsin. That is true, but the gentleman will admit, too, that the cost of that part of the program is a smaller part of what you are really paying for by your so-called premium. The big benefit that is anticipated and the big cost to the Government which is anticipated is the cost of retirement benefits. The gentleman will admit that, I am sure.

Mr. FORAND. But the fact still remains that survivors' benefits would help take care of the wife and children.

Mr. BYRNES of Wisconsin. There are some benefits; yes.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. MILLS. The gentleman from Wisconsin has made a very fine statement, but would the gentleman from Wisconsin agree that the objection which he finds to H. R. 6000 with respect to the self-employed is equally true of the motion to recommit?

Mr. BYRNES of Wisconsin. Yes, yes; I shall vote for the motion to recommit only because it does eliminate one of the very dangerous features contained in H. R. 6000. It does eliminate the permanent and total disability insurance but it still includes the self-employed. For that reason I shall vote for the motion to recommit and if that motion prevails, I shall vote against the bill on final passage.

Mr. MILLS. I know the gentleman is sincere, and I know the gentleman would tell us exactly the position he would take, and I know that he would oppose H. R. 6297 on final passage.

Mr. BYRNES of Wisconsin. Yes, indeed.

The thing that is more important than anything else is to try to answer this question, and I think it is a question that we should all ask questions: Would we vote for this bill today if it carried with it 6½ percent pay-roll tax, which is necessary to pay actually for the benefits going to be granted by it. If we are not willing to do that, if we are not willing to impose that tax, which is necessary to pay for these benefits, on ourselves and the present generation, how can we vote to place it on the next generation? Yet that is just what we will be doing in voting for this bill. We will be saying that we will charge this generation only 1 or 2 or 3 percent, but the next generation—and there will be no backing out of it—this is not something that you go into one day and back out the next—we will tax at the rate of 6½ percent. By voting for this bill you are voting taxes of at least 6½ percent on the next generation. That is one thing I have to consider. As I said in the beginning, it would be the easiest thing in the world to vote for this bill, because you are giving the beneficiaries who are now on the rolls and who will go on the rolls within the next 20 or 25 years something for nothing; but you are not giving something for nothing to future generations. Those future generations will pay for what you are giving away today for nothing. I just do not believe it is honest or sound to burden my children or your children on that basis. Remember we give them no voice whatever in what we are committing them to.

Mr. HALE. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. HALE. I would like to compliment the gentleman for what I think is an extraordinarily lucid and enlightening statement. I wonder if he can help me in a matter which has been presented to me by many of my constituents. That is on the question of the definition of "employee," particularly lumber and paper companies. Am I right in my understanding that a man may be an employee within the definition of this legislation and at the same time not be an employee within the definition of the wage-hour law?

Mr. BYRNES of Wisconsin. Oh, that is very true. You will have some people who will be considered employees under the social-security system who are not employees under other programs.

Mr. HALE. Is that not going to raise almost infinite difficulty?

Mr. BYRNES of Wisconsin. I think very definitely so. I think that what will eventually happen is that the broadened definition used in social security will be extended into those other fields. You will have confusion for a short time, but eventually pressure will be exerted to make the other laws comply with the definition under social security.

Mr. HALE. If you extend this definition of employment, are you not going to get yourself into the position where sooner or later, you are ging to have the ordinary tort liability for negligence as the negligence of an independent contractor?

Mr. BYRNES of Wisconsin. I am afraid I cannot answer that question. Certainly confusion is going to result.

The CHAIRMAN. The time of the gentleman from Wisconsin [Mr. BYRNES] has again expired.

Mr. MILLS. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. EBERHARTER].

Mr. EBERHARTER. Mr. Chairman, I was very much pleased when the gentleman from Wisconsin [Mr. BYRNES] was so frank and sincere in his answer to the question asked by the gentleman from Arkansas with respect to his position insofar as social-security extension is concerned. He is definitely opposed, as I understand it, to any change in the present law.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. EBERHARTER. Yes; I yield.

Mr. BYRNES of Wisconsin. I would not oppose legislation which was limited to an increase of benefits, and limiting coverage to employees.

Mr. EBERHARTER. The gentleman would not extend the coverage to any additional people.

Mr. BYRNES of Wisconsin. Only to bona fide employees.

Mr. EBERHARTER. The gentleman would have the tax load remain the same and the other conditions; in fact, the gentleman is not in favor of the improvement of the Social Security Act.

Mr. BYRNES of Wisconsin. The gentleman is not fair when he attributes such a philosophy to me.

Mr. EBERHARTER. It sort of emphasizes to me what has been going on here in the last 2 days. I have listened to practically all the speeches made by the members of the minority, and I do not find any one of them saying "I am very strongly in favor of the Kean bill," which is going to be embodied in the motion to recommit. All the speeches I have heard from the minority in the last 2 days have been speeches in opposition to the proposals contained in this bill that was reported by the Committee on Ways and Means, by the majority members.

Mr. CURTIS. Mr. Chairman, will the gentleman yield for a question?

Mr. EBERHARTER. I am glad to yield; certainly.

Mr. CURTIS. Is there anything in the Kean bill to which the gentleman is opposed?

Mr. EBERHARTER. Oh, definitely; I am opposed to practically everything contained in the Kean bill that differs from the bill H. R. 6000.

Mr. CURTIS. Mention just one provision, for instance.

Mr. EBERHARTER. There are nine such differences between the two bills, which I shall explain in a few minutes.

REPUBLICAN RECORD OF OPPOSITION TO SOCIAL SECURITY

Mr. Chairman, on page 158 of the committee report the minority lists nine recommendations as to how H. R. 6000 should be changed. These points are all incorporated in Mr. KEAN'S bill, H. R. 6297. I shall now point out why the Ways and Means Committee took the action that it did, but before doing this let us look at the record of the Republican Party in the past as to social security.

From the very beginning of consideration of social-security legislation, the Republicans have been opposed, either openly or somewhat surreptitiously. In regard to the original 1935 Social Security bill, the entire Republican membership of the Ways and Means Committee protested that the insurance titles were unconstitutional, and one of the Republican Members stated that the pay-roll taxes required to support the benefits would be bad economically for the Nation. The Republican platform of 1936 maintained this opposition, and their Presidential candidate ran a campaign emphasizing only the employee contributions, and misleadingly omitted any reference to the benefits that would be paid, or the taxes employers would pay for the benefit of the workers.

By 1940, however, the Republican Party changed its spots and half-heartedly favored extension of the program. In 1944 there was further expressed enthusiam, but when the Republicans assumed control of Congress in 1946, this enthusiasm was quietly ditched until it was dusted off again for the 1948 campaign. During the Republican control of the Eightieth Congress it was noteworthy that the only legislation passed in regard to the insurance program was of a negative character taking away coverage from thousands of persons for whom coverage would be restored by the bill now under consideration. This was the so-called Gearhart resolution which was passed over the veto of President Truman.

But let us turn now to the specific proposals of the minority. Let us give them the benefit of the very great doubt and assume that these proposals are made in good faith and sincerity.

WHAT IS WRONG WITH THE RECOMMENDATIONS OF THE MINORITY ON H. R. 6000

First. The minority recommends that the $3,000 per year maximum on the amount that can be credited toward benefits be retained rather than raised to $3,600 as in H. R. 6000. The $3,000 maximum was established in 1935 and has not been changed since that time despite the fact that wage rates and cost of living have almost doubled over the past decade. Accordingly, a mere 20 percent increase in the maximum-wage base is most conservative, and it could be well argued that the wage base should be raised to $4,200 as the Senate Finance Committee Advisory Council recommended last year, or even to $4,800.

Second. The minority recommends eliminating completely the increment in the benefit formula which increases benefits according to the number of years that the individual has contributed. Equity requires the rewarding of continuing contributions by giving higher benefits so that long-time contributors with high average wages will get full value for their contributions. Accordingly, it is necessary to retain the increment in some form.

Third. The minority recommends using an average monthly wage based on the highest 10 consecutive years of coverage rather than on all years of coverage as in the bill. Admittedly this recommendation is more liberal and would produce larger benefits, but it should be noted that it is made only in conjunction with the previous two recommendations which would reduce benefits. The committee considered very seriously using an average wage based on the highest 10 consecutive years of coverage. However, the additional cost involved precluded its adoption at this time, since it was felt that the moneys available could be used to better advantage for other benefit changes. This only goes to indicate that the committee has adopted a sound and conservative policy in regard to the financing of the system and has not reported a bill with benefits far more expensive than the financing of the program could bear.

Fourth. The minority recommends that the thorough and complete definition of "employee" be restricted by eliminating the fourth paragraph in the definition. This additional test based on general principles rather than on occupational labels is needed to assure equal treatment for individuals who are in substantially the same service relationship. The minority claims that a large number of persons will have no way of knowing whether they have coverage until the Treasury makes a determination. In rebuttal of this let me state that the factors are explained in lay rather than in legal language and will be clearly understandable to everybody. We have gone to great length in the committee report to show clearly the intention of Congress as to the meaning of this paragraph and have indicated both in general terms and in examples the way in which this definition would work out. The intent of Congress is clearly stated, and I am confident that there will not be any excess exercise of discretion by the administrating agencies. These agencies are directed both by the actual terms of the definition in the law and by congressional statement of intent in the committee report to guarantee they will reach results not in violation of common sense.

Fifth. The minority recommends greater coverage for household workers in that those who are less regularly employed would be included. In my opinion this is a good recommendation over the long range, but when we are first embarking on a program of covering domestic servants we should, for administrative reasons, cover only those whom we are absolutely certain can be successfully reached. In my own opinion, if this program is administratively successful in its limited form, as I am confident it will be, then later we can consider broadening the coverage in this field. At that time perhaps it will be feasible to adopt the recommendations of the minority, or go even further in the coverage of domestic servants.

Sixth. The minority recommends that teachers, firemen, and policemen with their own pension systems should have no opportunity of being covered by the old-age and survivors insurance system. Many of these groups feel that they have adequate plans already and are afraid that such plans might be abolished if the State or local government would bring them into social security. However, H. R. 6000 does include adequate safeguards against any occurrences like this, because it provides that before the State or local government can obtain social-security coverage for employees already in a retirement system, two-thirds of those employees must vote in favor of this. Under the minority recommendation there would be sort of a dog-in-the-manger attitude because there are, no doubt, some in existing retirement systems who would like to have social-security coverage as well, just as employees in many private industries have both social security and their own private pension plans. However, the minority recommendation would prohibit any such possibility. Certainly in a democratic society such as ours the individuals concerned should have the right to vote in these cases, whether or not they wish to participate in the social-security program. Even if most of those in retirement systems do not want to participate, this should not prevent any of the remainder from so doing.

Seventh. The minority recommends that Puerto Rico and the Virgin Islands should not be included in the old-age and survivors insurance system, but rather they should have an independent system.

The minority states that as a reason for this recommendation the benefits would be too high in these possessions in relation to earnings and standards of living, and that, therefore, it will involve an undue drain on the trust fund. I feel these two possessions should be brought into the social-security system because their citizens are citizens of the United States and their economies are quite closely integrated and interwoven with that here on the continent. Although their earnings are somewhat lower than the average on the continent, nevertheless, earnings are not uniform within the 48 States, and there never has been any talk about not having social security apply to the lowest wage areas of the 48 States. The Committee on Ways and Means very carefully considered this subject and found that the benefits provided would not be unduly large in relation to the cost of living, and that the financial and actuarial basis of the system would not be endangered. Moreover, if the insurance system is not extended, there will be larger Federal outlay for old-age assistance, and the minority does concur in that it should apply to these possessions. A separate system for these possessions would be administratively expensive in cost and would leave unsolved many problems arising from the steady migration between the mainland and these islands.

Eighth. The minority recommends that the lump-sum death payment should not be made available in the case of all insured deaths, but rather be continued as at present when it is made only for those families where no immediate monthly benefits are available. There are many anomalies in the present provisions. The cost of extending this small amount of burial insurance which averages perhaps about $150 is relatively small. In answer to the arguments that the Federal Government is encroaching in the private life-insurance field, it may be said that many of the lower-income families do not have any insurance anyway, and that this small amount uniformly available will not hurt the insurance business, but perhaps might make the covered persons more insurance-minded. This lump-sum death payment is intended, and certainly it should therefore be, to assist in providing for the unusual expenses that every family has to meet at time of death, available for all insured persons.

Ninth. The minority recommends elimination of the provision for total and permanent disability benefits under the insurance program, although it does recommend that these payments be made on a needs basis under the public-assistance provisions as is provided in H. R. 6000. The Ways and Means Committee believes that the insurance approach is much more preferable than the assistance approach, and accordingly strongly recommends that insurance benefits be paid to the worker who must leave the labor market because he is disabled before age 65. Of course, the public-assistance provision is still necessary to take care of those who are not under the insurance program.

The minority claims that this disability-insurance program will be tremendously costly and cannot be administered successfully, but I do not believe that this has any factual basis because similar programs are being administered successfully in this country by the civil-service retirement system, by the railroad retirement system, and under the life-insurance programs of the Veterans' Administration.

The disability-benefit provisions in H. R. 6000 have been written on a very modest and conservative basis with all possible safeguards so that there is no reason why the program will not be administratively successful. The workers of this country need protection against disability, and they need protection on a dignified basis of insurance—not on any charity basis if this can possibly be avoided. We cannot continue to leave the workers of this country without any protection against the economic hazard of disability against which it is virtually impossible for them to protect themselves through individual savings or insurance.

In summary, I have shown why the nine recommendations of the minority were not adopted by the committee. Most of them would deprive the workers of this country of social security. A few of them, it is true, would make more liberal protection available, but I have indicated why these changes, though desirable in the long run, are not practicable at the moment. At the same time let me again point out that the Ways and Means Committee has considered both sides of the coin, namely, the benefits and the contributions. We have not provided as liberal benefits as probably would be desirable, because of the necessity of setting the system up on a sound financial basis, whereby the contributions provided will definitely meet the obligations for benefits. As experience develops, and after we study the matter more, it may be possible to make further extensions and liberalizations of the program, but certainly at this time H. R. 6000 represents a tremendous step forward toward providing social-security protection for the workers of this country.

Mr. CURTIS. The gentleman is referring to things that are not in the Kean bill. I mean things that are in the bill.

Mr. EBERHARTER. I am opposed, of course, to retaining the $3,000 base. I am opposed in this bill to the formula which would use 10 years' consecutive highest wages as the base.

Mr. CURTIS. Would not that be of benefit to the workers?

Mr. EBERHARTER. It might be of benefit to the workers, but not in relation to the amount of taxation it will be necessary to impose on business and the employer both in order to carry that. There are other inequities.

Mr. CURTIS. Would not the Kean bill protect more domestic workers?

Mr. EBERHARTER. It might protect more domestic workers to some extent, but then, as we have done in previous years, in starting on a new program we always begin in a conservative manner. When we first passed the Social Security Act, we left out farmers, farm labor, domestics, and many other categories, because we did not know whether it could be properly administered. We are starting out to take in the domestic help on a rather conservative basis, on a basis that we think can be administered fairly and practically at the present time. If after we have had some experience we find we can include more of these so-called casual domestic workers, we want to do that. The bill as written, however, will not take care of migratory workers and a lot of casual workers, because we find it will be too difficult to do; so we are proceeding in a manner to insure that the system is sound and can be administered properly.

Mr. CURTIS. The gentleman is not opposed to any benefits contained in the Kean bill, is he?

Mr. EBERHARTER. I am not opposed to increasing the benefits. The bill which the committee reported out increased the benefits, practically doubled them, for those who are retired in the future, and increases the benefits to those who have already retired about 70 percent on the average.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. EBERHARTER. I yield to the gentleman gladly.

Mr. MILLS. Is not the gentleman actually opposed to the Kean substitute because the Kean substitute proposes lower benefits to those who will be covered under the program? The gentleman from New Jersey has said that his bill would cost less money than the committee bill. It can cost less money only because the benefits to the recipients will be less.

Mr. EBERHARTER. That is absolutely correct. I am glad the gentleman brought that to the attention of the Members.

The gentleman from Wisconsin made the statement here that this is not a sound program. I attended practically every hearing that was held on this bill since February 26. I did not hear testimony from any insurance expert, by any actuary, or any statement by the experts that were employed by the committee to the effect this would not be a sound financial system. All the insurance executives were in favor of a social-security system. There were some who did not like parts of it. They did not like the increase in the base to $3,600. They wanted it to remain at $3,000. Of course, they are afraid, perhaps, they will not be able to sell as much life insurance if we increase the base to $3,600.

The gentleman from Wisconsin also cited some extreme cases where certain people would perhaps get a very large benefit by the payment of a very small sum of money. Of course, that is inherent in any insurance system that has ever been devised. Sometimes a person carries fire insurance for many, many years and he never has a fire. He gets no benefits except what might be called protection. Many times a person will pay one premium on life insurance and his estate gets the full principal amount.

Those things are inherent in any insurance system that was ever devised. That is no argument against a sound social-security system such as we are proposing here.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. EBERHARTER. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Will the gentleman give me the name of an insurance company that sells annuities on that basis for retirement purposes because I would like to buy some of them?

Mr. EBERHARTER. On what basis?

Mr. BYRNES of Wisconsin. On the basis that you can buy an annuity for less than the actuarial cost.

Mr. EBERHARTER. The gentleman surely knows that the social-security-insurance system is on a different basis entirely than the regular annuity system.

Mr. BYRNES of Wisconsin. It is my claim that it is certainly different from fire insurance or life insurance to which the gentleman alludes.

Mr. EBERHARTER. None of the actuaries said 6½ percent was not sufficient to carry this program and keep it financially sound for the next 40 or 50 years.

Mr. BYRNES of Wisconsin. I do not want to quibble nor do I want to interrupt the gentleman's statement. I do believe he will agree with part of my statement. I intended to refer to the fact, when I said this system was not sound, that it was not actuarially sound. I will admit it is financially sound, that you can always tax the people enough to pay the benefits to be paid out. I think that is the point the gentleman has in mind, which I will concede. It is a financially sound program from that standpoint. Although it may seem to some Members it is quibbling, I assure them it is not my intention to quibble. Actuarial soundness is an entirely different matter.

Mr. EBERHARTER. Suffice it to say that there will not be any necessity under the program, the tax program in the bill, to take any money out of the Federal Treasury, out of the general funds, for the next 50 years in order to pay any of these benefits. So if you are looking forward to a financially sound system for the next 50 years that is as much as can be expected from this particular Congress.

Mr. Chairman, I just want to add one or two other things. We hear a lot about this definition of employer and employee. The reason all this fuss is being raised, in my opinion, about this definition is because there are a lot of employers in this country who, in the past, have been excused from paying pay-roll taxes for persons who are, in fact, real employees, and those are the persons who are raising this question about the definition of employer and employee. There are only a comparatively few industries involved. The committee has attempted to set out in clear and concise language as to what really constitutes an employee; that is, employee and employer status.

I want to say this also, Mr. Chairman, that the Treasury Department and the Social Security Administration have said definitely and unequivocally that under the language contained in this bill there will be no difference of opinion whatsoever as to the status of any person and that there will be no trouble whatsoever in arriving at a common-sense decision. They expect very few cases ever to go to court, so that we are lifting the veil of confusion by writing in this bill a definition of employee and employer.

Mr. Chairman, the minority party has never truly and sincerely supported social-security legislation. All of us who have read history and those who were in Congress in 1935 know that the Committee on Ways and Means minority members unanimously said that the measure was unconstitutional; they said it would be bad economically for the country to be suffering from a pay-roll tax. We know that the Republican presidential candidate in 1936 ran on a program opposed to social security. We know that practically every time measures came up for the liberalization and improvement of social-security legislation that they were opposed, just the same as they are opposing it today. They are not in favor of a motion to recommit as such. They just have the intention, Mr. Chairman, of defeating the bill which will really accomplish what the American people want. So, I hope that as you consider those factors and remember those matters that have been debated here, you will decide to vote against the motion to recommit and for the bill on final passage.

Mr. WHITE of California. Mr. Chairman, will the gentleman yield?

Mr. EBERHARTER. I yield to the gentleman from California.

Mr. WHITE of California. Did not the gentleman overlook mentioning the fact that in 1948 the Gearhart resolution removed 500,000 to 750,000 people from social-security coverage?

Mr. EBERHARTER. I thank the gentleman for calling that to my attention and the attention of the Members present. Yes, when the Supreme Court decided that it was the intention of Congress in 1935 to include perhaps anywhere from 500,000 to 750,000 employees, on the so-called border line, the Republican Congress immediately passed the Gearhart resolution nullifying the intention of Congress when they passed the social-security bill and voiding the decision of the Supreme Court of the United States. As a matter of fact in this present bill the committee has put those 500,000 to 750,000 people back under social-security coverage, in addition to extending coverage to 11,000,000 other people.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. EBERHARTER. I yield to the gentleman from Pennsylvania.

Mr. SIMPSON of Pennsylvania. Reference was made earlier in the day to a section in H. R. 6000 which is also found in a section of the Kean bill dealing with the question of the payment of blind pensions to pensioners in Pennsylvania. At the present time, as the gentleman knows, the State of Pennsylvania has not been receiving a Federal contribution toward the payment of blind pensions within that State. I would like the record to show that that is included in both H. R. 6000 and the Kean bill, and particularly that the gentleman from Pennsylvania was exceedingly active in having that amendment accepted by the committee in the social security bill H. R. 6000.

Mr. EBERHARTER. I thank the gentleman for that statement. I think that provision is a just and equitable one, providing for payment to the blind persons in Pennsylvania. It should have been in the law long, long ago, or the interpretation should have been made by the Social Security Board so that those payments would have been made. It would have been impossible to have that provision inserted if it had not been for the assistance of my able colleague on the minority side, the gentleman from Pennsylvania [Mr. SIMPSON]. He is entitled to the thanks not only of the blind persons of Pennsylvania but of the entire population of Pennsylvania.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Nebraska [Mr. MILLER].

Mr. MILLER of Nebraska. Mr. Chairman, I expect to vote for H. R. 6000. I have always believed in a sound social-security program. I am not happy about the way the present program is being administered. The idea of social security is sound and proper. It ought to be administered in a manner to command confidence.

The bill before us now has had 6 months of careful consideration by the Ways and Means Committee. I understand that a number of the controversial points were put into the bill by a 1-to-3 majority vote in the committee. The bill adds about 11,000,000 new persons to the 35,000,000 now covered during an average workweek. The bill provides that some 4,500,000 self-employed persons will come under the bill. There are a few exceptions, such as physicians, lawyers, dentists, Christian Science practitioners, and certain engineers. If a self-employed person earns more than $400 per year, he would be excluded. The contribution rate for the self-employed would be one and one-half times the rate for employees.

The bill is 200 pages long and complicated. The principle of the extension of social security was endorsed by both political parties in their 1948 platforms.

Under this bill there are two main divisions. The one called the old-age assistance or pension program is one in which the State and Federal Governments participate. It is designed to take care of those individuals who reach the age of 65 years and are in need. Many of these individuals have given their best to build America and now, through no fault of their own, are no longer able to provide for the necessities of life. There must be some way to provide for their care. I do wish it were possible to set up a yardstick, as it relates to the need of the individual, which would be the same in all States. It varies greatly. The payment in the different States ranges from less than $30 to near $90. I believe that eventually the individual who is in need will be able to receive a check directly from the Federal or State Government which will be the same for all who qualify. Certainly the individual who is in

need and can qualify gets just as hungry and just as sick when he is in Louisiana, Nebraska, or California. At the present time there is entirely too much red tape in the administration of this assistance program.

There have been too many grandiose promises made, not only to the old people but to those under the old-age and survivors insurance program. The latter program has been shamefully disappointing in results. Some deserving old people, under the assistance provision of the bill, have remained in need rather than go on assistance. Others become burdens on conscientious but poor children. There are others who hide their assets in order to qualify for the benefits. There have been some deserving oldsters who have no assets of any kind and have been forced to apply for assistance, but because of all the red tape and snooping it has broken their spirit and their independence. There ought to be a program available without the needs test to those who do not qualify because of age for the work-insurance feature, but yet they have worked just as hard and as faithfully as their neighbor who may qualify.

The other main phase of this social security bill relates to the old age and survivors' insurance. This program has been in operation since 1936. I would point out, Mr. Chairman, that the employer and the employee, through contributions and deductions from their pay check, have contributed to the Federal Government during this time, approximately $15,000,000,000. I would further point out that as this money comes to the Treasury, it is used to pay the current running expenses of government. It is not based on sound actuarial findings. It is now in the red about $8,000,000,000. This means, Mr. Chairman, that our children and grandchildren will again be taxed to pay these obligations when they become due. I submit that if any private insurance company should carry on their insuring policy in such a manner, the officials would soon find themselves in a Federal penitentiary. The way this program has been operated by the Democratic administration since 1936 is a fraud on the American people.

I firmly believe in individuals taking care of themselves through life and providing for their old age. Many do it through sound insurance and other saving programs. The old age and survivors' insurance program, under the Government, would provide a good retirement for these individuals, when they reach the age of 65, if it were properly managed, but the present system can hardly be called insurance, because the money paid in by those who hope to buy this protection has been squandered and misappropriated. It will be necessary to again tax the citizens to make up for this improper use of these funds.

I am also concerned, Mr. Chairman, that the growing inflation in this country, through bad fiscal policies of this administration, will bring not only the supposed benefits under this program, but of all savings, into jeopardy. Our Government cannot continue to spend beyond its means without bringing on an inflation which will affect all savings.

I am also concerned about the provisions of this bill which will place additional taxes upon the lower-income groups. It does raise their taxes by taking an additional 2.5 billion, yearly, from their pay check. This is a real tax. It is another way of raising taxes, but upon the poor and not the rich.

You will remember that the Eightieth Congress reduced taxes and took some 7,500,000 off the income-tax rolls. This program will take additional taxes from more than 11,000,000 in the lower-income groups. The pay-roll tax deductions will be raised from 2 percent to 6½ percent by 1970. This applies to the first $3,600 of income. It is a definite tax and if the Federal Government continues to spend the money for current running expeses, it will mean that those who have contributed will not have what they have a right to expect—real protection, because the Treasury will just contain I O U's. It will mean a tremendous tax upon future generations.

Again I state that I believe in the expansion of a sound social-security program. I believe the people should provide for their old age. It is the function of Government to assist them. It is for that reason I shall vote for this bill. I do hope that the debate presented today will have pointed out to the administration, the errors it has committed in the past, errors which make the present program immoral and unsound. It can be corrected through proper management. If I thought they were not to be corrected I would certainly oppose any further extension of this program. I can only hope that it will be corrected because fundamentally the principle of the program is sound.

Mr. JENKINS. Mr. Chairman, I yield such time as he may desire to the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

Mr. H. CARL ANDERSEN. Mr. Chairman, I regret deeply that the majority leadership in the House upheld the Rules Committee in its decision to present this legislation, H. R. 6000, under a closed rule, thus preventing those of us who have urged adequate pensions for our old people to amend it in any way.

This measure covers those presently insured, and the disabled, but offers no relief to the aged citizens of our country who have not been able to qualify for pensions under the social-security program with the exception of those living in a few favored States.

The critical situation brought about today by the strikes in the coal and steel industries is the result of the determination of labor leaders to secure pensions of $100 per month for all workers at the age of 65. Mr. Chairman, the people of America, through taxes, direct and indirect, will eventually pay the bill for the pensions which have been agreed to by the Ford Co. and which seem to be scheduled for all industrial employees.

The bill before us covers practically everyone except farmers, doctors, dentists, and lawyers. These people, while not eligible for the least benefit under this legislation, will have to pay their pro rata share of taxes to cover pensions for workers in every other category. It is regrettable that the Democratic leadership has seen fit to continue class legislation under which 80 percent of the people in the Seventh Congressional District of Minnesota are ineligible for social-security benefits, and that under this gag rule amendments providing for their inclusion cannot be introduced. This measure, in its present form, jeopardizes the enactment of a universal old-age pension, which, in my opinion, is the proper answer to our social-security problem.

We now have 5,200,000 men 65 years of age and over and only one-third of this large group is covered by the social-security program. There are 5,500,000 women in this age group and only one-fourth of their number are insured themselves or are the wives or widows of insured men. However, these people receive such small amounts that the program is really of very little benefit to them. They were too old at the time the act was adopted to accumulate the necessary work time to give them adequate pensions.

Our old people should not have to suffer the stigma attached to assistance benefits based on need. They want, and are entitled to receive, automatic benefits without being subjected to embarrassing investigations. Thousands of old people go without help rather than subject themselves to the indignities incident to old age assistance.

I repeat, Mr. Chairman, I sincerely regret that the Democratic leadership has made it impossible for those of us who support the enactment of a universal old-age pension to debate and vote on that issue. Surely it should have its day in court.

Mr. Chairman, social security is here to stay. I am going to vote for this bill even though I disapprove strongly the omission of the great number of people who should receive benefits thereunder. Their omission, however, does not justify my voting against helping people in other walks of life who have been included in this measure. I hope that the day will come when everyone in America will be covered by social security. Why this administration left most of the people in agricultural America out of this bill when those same farm people must help, through their taxes, to pay for the program, is beyond me. This can hardly be termed a fair deal.

Mr. JENKINS. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. HOFFMAN].

SOCIAL SECURITY IMPOSSIBLE UNDER PRESENT ADMINISTRATION

Mr. HOFFMAN of Michigan. Mr. Chairman, not knowing too much about the technical provisions of the bill, in order to satisfy my conscience when I come to vote, I must go back to what I think are basic principles. In the old days, the horse-and-buggy days, when it is said that people did not know very much about how to conduct their own business, no one needed Federal social security. I just happen to have lived a part of my life during those days, and I recall very distinctly that everyone who wanted to work and who was not physically disqualified and who did not want

to spend every dollar he got either when he got it or a little before was able to provide for his own security, for his old age. Very, very few people in the community in which I lived had to ask assistance from anyone.

Second only to the desire and hope for eternal salvation, to man's fear of burning forever in hell fire, is the laudable desire to be free from want in one's old age—the fear that as savings diminish, earning capacity fails, one may lack food, shelter—suffer from the lack of things to which one is acustomed.

Hence it was that in the earlier days of the Republic—yes, even in my time—men and women worked, yielded not to the temptation to buy things which they would like but did not need, practiced thrift, and so the vast majority of our people were able to and they did, through their own efforts, provide security, freedom from want in their old age.

Then came the days of the New Deal, a new philosophy of life which, stripped of all meaningless words, encouraged the individual to get as much as possible, not only by his own earnings, but to take what he could from the earnings of others. People were led to believe that self-reliance, doing for one's self, were unnecessary, that there was an easier, more pleasant way, that Government instead of being maintained and supported by the people, was in some way obligated to take care of people; that Government, instead of being a regulatory organization whose sole function was to protect the weak and the honest from the strong and the wicked, could and would and was obligated to care and provide for the individual. That theory ignored the fact that Government had nothing except as it took it from the individual, that any benefit the individual received, he must first pay into the Government, that out of a dollar he paid in, those operating Government would first take a part as their compensation for handing what was left back to him.

The social-security program in its inception was unfair and did an injustice to millions of taxpaying citizens. The truth of that statement can be demonstrated very quickly:

First. The social-security program applied only to a very limited number of people and only to a limited class, that is, those who were employees in certain industries.

Second. The cost of the program was paid by those employees and employers who came within the provisions of the law, and that would have been fair and just had it not been for the fact.

Third. That the contribution made by employees and employers, that is, the money taken by way of tax from the wage of the employee and the profit of the employer, was in the end passed on to the consumer, that is, the price of the product made by the joint efforts of the employee and the employer was increased and the purchaser of that product in reality paid for the social-security program which benefited only those who came under the terms of that law. The deductions made from the employee's pay check and from the employer's bank account were replaced by increases in wages and increases in prices so that, ultimately, the cost of the program fell upon every purchaser of the company's output, but not every purchaser received a benefit under the social-security program.

Because spending, wasteful, politically ambitious, power-seeking administrations have made it impossible for the average citizen, no matter how willing to work, how thrifty, to provide for his own old age security, social security sponsored by the Federal Government but applicable to everyone may be the only temporary answer, even though it be wasteful, expensive, and in the end disastrous.

If we are to have Federal social security, the only fair equitable plan is to make benefits payable to all, paid for by contributions payable from all.

PRESENT SOCIAL-SECURITY LAWS A FRAUD UPON THE PEOPLE

While the present Social Security Act is unjust, unfair, in that ultimately the cost falls upon all while the benefits are available to less than all, the manner in which the law has been and will be administered is dishonest.

The law purports to collect a tax from employees and employer and to hold the money so collected in trust so that benefits provided by the law may be paid to the employees who contributed.

Under the act $11,000,000,000 have been collected which have not been used to make the payments required by the act.

The administration, instead of holding those excess billions in trust or investing them in such a manner so as to earn a profit, or instead of advocating a reduction in the amount of the tax, spent that trust fund for current running expenses of the administration. The administration embezzled those billions of dollars.

We all remember the parable of the master who, about to depart for a far country, called in his servants and to two he gave talents with which they, during his absence, traded and made other talents. To another he gave one talent. That servant digged a hole in the earth and hid his lord's money. And when the lord returned he gave to the master the talent which was his. As I recall the parable, that servant was not rewarded, rather he was condemned.

Now, I do not go so far as to expect that this administration would profitably use the trust funds taken from the workingman, but I do say that the administration, both the New Deal and the Fair Deal, might at least, if it could not use the fund profitably, have buried it and when necessity arose dug it up and returned it to those to whom it belonged. But that it did not do. It not only failed to use the fund profitably, it not only failed to preserve the fund, but wickedly and wastefully, and for the purpose of advancing its own political fortunes, robbed the fund of the workingman's hard-earned dollars, spent those dollars which it collected for one purpose for current expenses—spent them wastefully and extravagantly.

And when the workingman calls for the return of his money to be paid out in the manner provided for in the Social Security Act, we learn that the money is not there, that it has been spent, and it becomes necessary for the Government to, and it does, impose additional taxes to replace the social-security dollar which it has misappropriated.

Hence it is that under the working of the social-security law, the workingman who has contributed his money to provide for his old-age security or other benefit payments, if he remains a taxpayer paying any of the more than a dozen hidden taxes, is, while he is receiving the dollar due him, again contributing other additional dollars. He pays twice for his social-security payment, once when it is deducted from his pay check and again while he is receiving payments under the law.

It is futile to attempt by the enactment of social-security legislation to free the individual from the fear of suffering in his nonproductive or old-age days if the National Government continues to waste or spend itself into national bankruptcy. But that is just what the present administration is doing.

Nor can there be any social security for either the unfortunate or the nonproductive, no freedom from fear of want or suffering, if we are to be always involved in a world war, or if we neglect to provide an adequate defense for our national security.

What is gained by enacting legislation designed to give our people social security if our national security is to be endangered as it now is, either by Nationwide strikes which cut the production which is necessary for national defense; by spending which plunges us into national bankruptcy, or if that national security be imperiled by bickering and by strife between the branches of our armed forces?

I recall very distinctly, yea, as though it were yesterday, that when we were told that billions of dollars were being wasted by the armed forces, that unification, so-called, of the armed forces would not only save us billions of dollars but would enable us to provide an adequate, invincible national defense, I never did believe, and I then so stated, that if a desire for economy and unification was desired by the heads of the armed forces, such a law was unnecessary and that such a law never would bring about real unification. If the will to do the right and the obvious thing does not exist, it is extremely difficult to bring about the desired result by legislation.

At that time, lieutenant commanders, commanders, captains, vice admirals and admirals of the Navy were deliberately denied the opportunity to present their views to the committee which was writing the unification bill. I speak advisedly; I know, for when the brass in the Army insisted that the hearings be closed and the officers of the Navy who were on the ships which made possible the winning of the war in the east, wanted to testify, their testimony was barred—it was barred by a committee vote of 23 to 2, and the Army was back of that move.

I know nothing of the relative ability of the various branches of the armed forces. I have no information which

would enable me to judge as to the relative merits of the various branches, but I do believe that our national defense program will be disastrously weakened if the Army and the Air Force are to be permitted to destroy the fighting ability of the Navy. I cannot accept the thesis that the Air Force can bomb any enemy out of existence or that the Army, without the Navy, can on the ground or in the air successfully overcome an enemy. Nor can I believe that the Navy without adequate aviation from carriers to protect itself, can successfully support either the Air Force or the Army. Crippling or destroying Navy aviation will not make for national defense.

On a football team the center cannot play end or quarterback, nor can the half or the quarterback play center or guard. A successful football team plays as a whole under the direction of a coach and a captain, and there is no reason, other than ambition, greed for power, why the Army, the Navy, and the Air Force, all on our team of national defense, cannot give us a successful, winning national defense.

The Air Force cannot do the whole job and just because at the moment it has an expert publicity man is no reason why the Navy should be made to suffer. The Navy did not lose at Pearl Harbor because it was at fault. We lost there because General Marshall was horseback riding and the Commander in Chief himself was not on the job.

If the Air Force and Army will just remember that they are not the only ones on the team with ability to carry the offensive ball, forget their desire to strut the stage, Stalin or any potential enemy will have less cause for rejoicing.

General Eisenhower might just as well forget his ambition to be President. He might just as well forget his long-nourished and officially expressed—and I speak advisedly—plan to hamstring the marines. The top brass in the Air Force and in the Army will do well to cease their efforts to hamstring the Navy or its air force or the marines. One need to talk but casually not only with the high-ranking officers of the Navy but with the seamen and midshipmen, to learn that the cancellation of the building of the supercarrier and the present efforts to belittle the Navy and its air force are destroying the morale of the Navy.

After all, in spite of the Army's recruiting of football players, the Navy did, 3 years ago, play the Army to a standstill, last year, to a tie.

It is just possible that the Navy's armed force was of some real assistance in the Pacific while the last war was on.

The top brass in the Army might take a lesson from the football teams of the two academies and, while they contend vigorously, carry on their controversy in the open and play fairly and not dirty, cut out the piling up and the foul blows delivered secretly. The young men in the academies play fairly. Let their elders do the same.

I started with social security, but no one in this country can have social security or any other kind of security if those charged with defending our Nation, making our future secure, are at each other's throats day in and day out. Nor will anyone have social security under administrations which month by month, year by year, spend more than the current income.

If we are to have Federal social security let us have it for everyone—until we go broke.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. HOFFMAN] has expired.

Mr. DAVENPORT. Mr. Chairman, most of the civilized world today looks to the United States as the example of a thriving democracy.

We cannot fail our friends by proving weak as a going concern or by neglecting the needs of the greater body of our citizens. If we do, world-wide discouragement will result and democracy will take several steps backward.

In the war of words and ideas and action, we cannot fail. We must uphold the universal faith in America. America must remain strong; its people healthy, optimistic, and free from the cares of want.

World-wide faith in America is based on the belief that we have a better answer to the needs of mankind—that we can maintain our essential freedoms while raising our standard of living. This is the faith of the world. This is the faith of Americans.

Even a country with the highest standard of living of any nation has serious problems. We neglect our responsibilities toward our unemployed, our aged, our sick, our dependent children, our blind, our mothers. We have established an inadequate system of social security that does not meet the needs of the American people.

The right to social security belongs to every man. It is not something that a minority forces the majority to do, as so many secure and wealthy people claim. It is not something that a paternalistic government does as a sort of relief measure.

It is a radical scheme to change our form of government. Social security is the right of every man, woman, and child in our country today. Our present laws do not support this view.

Our present administration does support this view.

It is one of the four freedoms—freedom from want. With adequate social security, we shall remain strong. We shall continue to guide the world by the beacon light of a dynamic democracy.

Without adequate social security, we shall remain in doubt regarding our ability to maintain our high standard of living. Our people will not be able to plan for tomorrow. Society's burdens will continue to fall heavier on those least able to bear them. The rest of the world will lose faith.

The adequacy of our social-security system to meet the needs of the American people and the hopes of our foreign friends is an immediate problem of the utmost importance.

At the present time there are 51 separate systems of unemployment insurance, covering our 48 States, the District of Columbia, Hawaii, and Alaska. There is no uniformity in the laws. Coverage is low, benefits are inadequate and vary greatly from State to State.

Unemployment is a national problem, to be met by the resources of the Nation as a whole. Why should a worker suffer because he happens to live in a poor State? Why should waiting periods differ from State to State? Why should the amount of the benefit and the number of weeks those benefits are paid differ?

There is no waiting period in Maryland. The waiting period in Georgia is 2 weeks. The maximum weekly benefit is $36 in Connecticut. The maximum weekly benefit is $15 in Florida. The number of weeks benefits are paid range from 12 in Arizona to 26 in Illinois. The cost of maintaining these 51 programs varies considerably from State to State. The waste and duplication is an insult to the enterprise of America. The reserves of the States for the payment of unemployment benefits vary widely. The Commissioner of Social Security has said repeatedly that the reserves of some States would be threatened with insolvency if a recession should occur in this country.

Nothing less than a national system of unemployment compensation applied uniformly to each and every person, and adequately and soundly financed will meet the needs of the American people. The coverage of our unemployment compensation laws is also inadequate. Universal coverage must be our goal.

Today excluded from the benefits of such programs are employees of nonprofit organizations, employees of small firms, domestic workers, agricultural workers, and Government employees. About 3,500,000 persons are excluded from unemployment insurance coverage because they are working for small firms. Why penalize these people? About 1,000,000 workers are now excluded from protection because they work for nonprofit organizations. About half are employed by charitable organizations, a quarter by educational institutions, and the remaining quarter by religious institutions.

These people were originally excluded because their organizations believed they might lose their tax-exempt status if they were covered. There is no reason why the two are dependent on each other.

An adequate unemployment insurance system should cover all the employable persons of our population, and should provide benefits to all who are available for employment but for whom employment cannot be found.

Benefits should bear a definite relationship to the cost of living and should continue as long as necessary. Persons with large families should receive additional benefits. Where a strike has been called for clearly justifiable reasons, a worker must not be deprived of unemployment benefits.

Our public welfare program must be strengthened. Our first line of defense is the family. An adequate unemployment-insurance system will do much to strengthen the security of the American home. So will an adequate old-age and survivors insurance program. So will an adequate health program. But there will still be social-security problems not

covered by these three programs. Chief among these are public assistance for the blind and dependent children.

Federal funds are now available to States with such programs. However, the Federal Government has to date assumed no direct responsibility in the administration of these programs. The Federal Government has, however, shared in the costs and has set minimum requirements and provided technical advice.

There is little question that public assistance is essentially the responsibility of the State. But the wide variations in standards, payments, and policies among the 48 States make it necessary for the Federal Government to step in and bring about a more uniform operation of these programs.

Under H. R. 2892, submitted by the President for consideration by Congress, Federal finahcial aid would be extended to the States on a basis ranging from 40 to 75 percent of total costs, depending on the relative per capita income of the States. Poorer States would get a larger share of Federal funds in relationship to what they themselves would spend in their welfare programs. Residence requirements would be prohibited, as would citizenship requirements. Over 20 States today require a blind person to have resided 5 years or more in that State before being eligible for assistance. One State law says that if the local public assistance officer believes that a newcomer to a town may not hold on to a job and may need assistance, he can be given a notice to leave.

H. R. 2892 would also put an end to the cruel practice of many States where transfer of property to the State is made a condition for receipt of assistance. The proposed bill also would strengthen greatly the present program of aid to children. It does not go far enough, however, to meet the needs of the times.

Our children are our greatest treasure. An adequate maternal and child-welfare program is essential to meet the growing complications of modern society. Today 500,000 children have rheumatic fever; 20,000,000 children are in urgent need of dental care; 150,000 infants are born prematurely each year; 150,000 children have cerebral palsy; 2,000,000 women with children under 10 years of age are working today.

These are only a few of the statistics that show what a job we have to do to keep our children adequately cared for. If these unmet health and welfare needs are ignored, they will seriously handicap the future of this Nation.

We now come to old-age pensions. All Americans want the opportunity to protect themselves and their families against the economic hazards of old age. Only a very small portion of the population is fortunately able to do so today. Today we have a system which covers only 40,000,000 of an estimated total of 70,000,000 workers.

Restrictive eligibility requirements for older workers have kept all but 20 percent of those over 65 from benefiting from the program. Millions of workers were excluded from the old-age insurance program originally because of an erroneous belief that there would be administrative difficulties in collecting contributions from them. Fewer persons in proportion to total population receive old-age pensions in farm States than in industrial States. This is the result of excluding farmers and farm workers.

The benefit payments under the present old-age insurance program are completely inadequate. The average benefit for a retired male worker at the end of 1946 was $24.90 a month. The average benefit for a retired man and wife was under $40 a month. The average family benefit for a widow with two dependent children was $48.20. With a 75-percent increase in the cost of living since 1939 when these scales of payment were established, they are inadequate to pay more than a portion of the rent or the food bill.

The first essential of an adequate old-age insurance program is to guarantee our older people security from want. It must never be less than an amount sufficient to maintain a healthy and satisfactory life.

Our present law is a farce as far as security to our older people is concerned. It must be revised upward to meet American standards. Another essential of an adequate pension program is not to interfere with the enterprise of those past the retirement age.

Is there any reason why a man of 70 must, as he is forced to do under the present program, turn back his monthly benefit if he earns more than a certain amount? Still another essential of an adequate old-age insurance program is that all can qualify for a future pension regardless of age. Under the present program a man who is 65 today must work for 6 years in a covered job before he can qualify for an old-age pension. The seriousness of the old-age problem is attested to by the aging character of our population. Of a total population of 145,000,000 today, more than 17,000,000 persons are over 60 and 11,000,000 are over 65. In 50 years there will be 27,000,000 persons in the United States who will be over 60 years of age.

With our present inadequate system of old-age insurance, the responsibility for the care of our old people falls on the individual families concerned. This is an unfair burden on our young, who should be devoting their energies to self-improvement or to their own growing families. Our old people are our responsibility. They have added to the wealth of the Nation and have strengthened our democratic traditions. They have no desire to fall burden on their children or on the pity of their local communities.

Those who have paid money into the old-age program have a right to adequate return. And those who have not paid money into the pension program have a right to the minimums necessary to maintain a healthy existence. Our older people should feel no humiliation in getting aid as they are made to feel today.

In his annual message on the state of the Union, January 5, 1949, President Truman stated that the present coverage of the social-security laws is altogether inadequate since fully one-third of all workers are not covered. He recommended an extension of coverage to those who remained outside of the system.

The present bill, H. R. 6000, which is now before the House, will extend coverage of the old-age and survivors' insurance by about 11,000,000 persons and it will raise the total covered from the present 35,000,000 to around 46,000,000 persons. There will still remain approximately 14,000,000 persons not covered.

Extension of coverage to self-employed persons in various nonfarm occupations is now advisable because practicable administrative procedures for their coverage have now been developed. The coverage of the self-employed has been made compulsory since the history of voluntary social insurance shows that an adverse selection of risk ensues when only those in greatest need of protection will, of their own volition, come under it. Between 35 and 40 percent of the self-employed thus in prospect of coverage under this bill are storekeepers and other retailers, 20 to 25 percent are proprietors of service establishments, and 12 to 15 percent are engaged in the construction industry. Approximately 400,000 professional persons in this group of self-employed, such as doctors, lawyers, and engineers, are excluded.

The State and local governments of this country employ about 3,800,000 workers in an average week. Coverage of these workers is possible under the pending bill by voluntary compact between the States and the Federal Security Administrator. Orderly termination of these compacts is also provided for.

Domestic employees, except in private homes on farms, who are in regular employment are covered by this bill. Part-time workers and all casual or intermittent domestic workers are excluded. All employees of religious, charitable, and other nonprofit organizations, excepting members of the clergy and religious orders, would be covered. The number of such workers is about 600,000 in an average week. Under the bill the tax-exempt status of these organizations would be safeguarded. Services of students employed in colleges and of student nurses and internes in hospitals would not be covered. Coverage would also be extended to some 200,000 persons employed in borderline agricultural labor such as raising of mushrooms and the commercial handling of fruits and vegetables. Some 100,000 civilian employees of the Federal Government who are not at present under any retirement system are covered. Those employees who are now under a federally established retirement system would not be included. Temporary Federal employees are also excluded. During the course of the average week some 150,000 American citizens are employed outside of the United States by American employers and provision is made to extend coverage to them under this bill. Also provision is made for coverage of 5,000 persons in the Virgin Islands, and optionally to 250,000 in Puerto Rico.

Major deficiency of coverage corrected by this bill is the matter of wage credits

to World War II service veterans from the civilian labor force. This bill provides veterans with wage credits of $160 for each month of military service performed during the World War II period. These wage credits would be given regardless of whether death occurred in the service and whether veterans' benefits were payable. In most cases where the individual died in the service the wage credits are of real value in providing additional benefits for the widow and children.

In connection with this bill the House Committee on Ways and Means gave extensive consideration to the advisability of extending coverage to agricultural employees, to self-employed farm operators, and to self-employed professional persons excluded under the bill. A decision was made to exclude these groups pending further study of the special problems involved in their coverage. Thus it can be seen that this bill takes a long forward step in the further coverage of the various classes of the population but does not try to include all possible types of service.

Specifically, the following occupations and services will be automatically covered under the provisions of this bill: Self-employed enterprisers, such as small storekeepers, clothing and shoe retailers, grocers, restaurant owners, filling-station proprietors, and owners of hotels, boarding houses, garages, laundries, barber shops, and proprietors of establishments devoted to plumbing, painting, and electrical contracting. Also included are wholesale merchants, agents and brokers, small-scale manufacturers, taxicab owners, and real-estate and insurance enterprisers. In these cases income-tax returns can be used in reporting self-employed incomes. Income from casual self-employment, however, would not be taxed or credited.

In the case of State or local employees, such as firemen, policemen, teachers who operate under an existing retirement system, opportunity would be given for a written referendum by secret ballot, with two-thirds majority vote required to extend coverage to their group. If a transit company is acquired by local, State, or Federal governmental unit after 1949, coverage of these employees would be compulsory and would continue under the Federal old-age and survivors system.

Extension of coverage is also effected in this bill to 500,000 to 750,000 persons not covered under the present law by means of a redefinition of "employee." There is quite a sizable number of persons in the twilight zone between employment and self-employment. Such persons as salesmen in the manufacturing and wholesale trade and in insurance, driver lessees of taxicabs, piece-workers on goods working at home, contract leggers, licensees or lessees of mining space, and house-to-house salesmen of certain goods or services. The substantial effect of the new definition of "employee" in this bill is to extend coverage to individuals who, although not employees under the usual common-law rules, occupy a status not materially different from those who are employees under such rules.

In conclusion it may be said that the present bill goes a very long way toward meeting President Truman's program for extension of old-age and survivors insurance to hitherto excluded groups. In so doing it has taken into account the practical problems to be met in extending social security to additional sectors of the working population. It has not attempted to blanket under social security all of the remaining population which should be eligible thereto. This bill sets a new standard, however, and provides the means whereby new administrative procedures may be worked out or will make it possible to include the remaining workers not as yet provided for.

It should not place too large a burden on the economy.

In returned security and purchasing power it will more than pay its own way.

These are my proposals to strengthen our social security laws and keep America strong. These are my proposals to meet the challenge forced upon us to prove that democracy is the better way.

Mr. DOUGHTON. Mr. Chairman, yield to the gentleman from Massachusetts [Mr. PHILBIN] such time as he may desire.

Mr. PHILBIN. Mr. Chairman, security for the individual against adversity, misfortune, sickness and the hazards and vicissitudes of advancing years constitutes at once a great and desirable social objective and an appropriate and entirely proper function of the truly modern state. The phenomenal growth of our powerful economy which embraces a highly developed industrialism, widespread independent mercantile and agrarian activities and a complex web of varied business enterprises has basically affected not only the personal living problems of the average American but it has also fundamentally changed his relationship to the Government. As this process unfolds, it becomes a vital and challenging problem of democratic representative government to place effective checks upon the trend toward statism on the one hand and answer the social needs of its worthy citizens on the other.

Social security is not, as some allege, a characteristic of the absolute state. To the contrary, it is democratic in nature. Regardless of class, creed, or race it seeks to provide protection against the slings and arrows of outrageous fortune which so often in any nation constituted as ours for reasons frequently beyond the control of the individual heaps abundance upon some and want upon others. The history of mankind viewed in one light has been merely a long, bitter, unending, struggle for liberation from political slavery and economic want. Tested in the crucible of analysis and logic, that nation has advanced the farthest politically which has achieved the largest measure of civil and individual liberty and provided for its citizens the maximum of economic sufficiency.

In our own Nation three great forces have contributed to our unmatched progress: First, the ideals of freedom embodied in our Constitution; second, the concept of free enterprise which has given maximum play possible to the energies and aspirations of the individual; and, third, and of supreme importance, the deep-abiding spiritual values of faith in the Almighty and his blessings of liberty which since the inception of the Nation have energized our people to strive to the utmost to fulfill the great destiny afforded to those living under free institutions. No totalitarian state has given or can give such mighty impetus to human endeavor; nor can an absolute government afford to its citizens such a generous measure of liberty and such a bountiful degree of prosperity.

While in the American concept all men are free and equal under the law, they vary in their individual qualities and talents. It is a wise and just government which can utilize the strength and talents of its citizens and check their weaknesses and excesses. It is a great and strong-minded people who ordain and sustain such a government. Social security is designed, not to put a premium on idleness and indifference, but to relieve the individual of the anxiety and worry so often attending upon sickness, disability and age, and to lighten the burdens of local communities of direct relief. In the best and finest sense social security is the embodiment of a dynamic democracy—conquest of fear and privation. Thus the spirit and idealism of our citizens can be released from bondage to the material things of life and brought into the broadest field of national consciousness, civil responsibility, and high-minded citizenship.

Some fear that social security will transform our Government into a welfare state, that it will breed indolence and dependence upon the Government, that it will ultimately lead to stagnation of free enterprise and the adoption of the collective state which of course would be the death knell of free institutions. If I were to entertain such a belief I could not support this bill. But I am not among those who believe that a government should not assume some responsibility for the unfortunate and the underprivileged, and those advanced in years, who are unable for any reason to take care of themselves. It is not necessary in my opinion to transform our economic system or change our Government in order to solve our social problems. This great and mighty economy which almost challenges the human imagination in its productive capacity, scientific methods and advancement, and the skill and ability of its managers and workers, and its great achievements in mass production, and the almost undreamed of bounties which it has heaped upon our people, with its income of over $225,000,000,000 annually is surely able to provide guaranties against hardship and privation for those who have made such weighty contributions to its effectiveness, strength, vitality, and success.

The present bill merely seeks to implement the established social-security policy which was first inaugurated in 1935. The basic law has been amended on several occasions but it was only natural that from time to time perfecting amendments based on administrative experience would have to be made. This measure further extends the coverage of old-age and survivors insurance by adding approximately 11,000,000 per-

sons to the 35,000,000 persons now covered during the average week. Self-employed persons, except farmers and other limited classes, numbering about 4,500,000 are included. Under certain circumstances almost 4,000,000 employees of State and local governments may be covered by the bill and almost a million domestic servants. Employees of nonprofit institutions, agricultural processing workers off the farms, Federal employees not covered under any retirement system, Americans employed by an American employer outside the United States, salesmen, and other similar employees, in all numbering about another 1,500,000, are also brought under the provisions of the bill. Because of administrative difficulties, farmers and agricultural workers are not covered, but studies are continuing to work out feasible administrative methods by which they also may be covered and in time that will be done.

Another feature of the bill which will be most appealing to the rank and file of our people is the liberalization of existing benefits.

The average primary benefit which now stands at approximately $26 a month for a retired insured worker will now be lifted to approximately $44.

Persons retiring after 1949 will have their benefits computed under a new formula which, in substantial effect, will approximately double the average benefits payable today. The computation of average wage has been liberalized and eligibility for benefits extended so as to make it easier for workers to qualify.

Limitations on earnings of beneficiaries has been increased from approximately $15 to $50 a month and, after 75 years of age, benefits will be payable regardless of amount of earnings from employment.

Another outstanding feature of the bill is provision for permanent and total disability by which all persons covered by the old-age and survivors program will have protection against the hazard of enforced retirement and loss of earnings caused by permanent and total disability. This provision will relieve a large number of helpless individuals stricken by adversity, sickness, and disability so that they are permanently and totally disabled and therefore will be most salutary in its results.

It is interesting and refreshing to note that under the bill World War II veterans will be given wage credits under the program of $160 per month for time spent in military service between September 1940 and July 1947.

It is essential that the fund out of which social-security benefits are paid be kept adequately replenished and solvent and to that end the bill establishes suitable contribution schedules. It also raises the total annual earnings on which benefits would be computed and contributions paid from $3,000 to $3,600.

Expanded public-assistance and welfare services are authorized so as to provide for permanently and totally disabled needy persons and aid to the blind. The bill increases the Federal share of public-assistance costs and thus may be said to lighten local and State burdens for these purposes. This should improve aid to dependent children and to the blind and surely that is a most desirable accomplishment. Federal aid for public medical institutions caring for the aged, blind, and permanently and totally disabled recipients has been provided and also direct payment for medical care and extended child-welfare services.

Granted that some provisions of this bill are controversial, granted that it does not provide fullest possible coverage, granted that it may require further perfection and liberalization, nevertheless, to those of us who believe in a fiscally sound, well-rounded, comprehensive, humane social-security program it marks a step in the right direction. It recognizes the problems of our worthy and faithful and deserving veterans of American industry—men and women who have spent their lives, yes, I should say, who have given their lives, to the building and development of the Nation. It assures that their fidelity and devoted service will not be forgotten in their time of trouble and disability, and advancing years when their meager savings are exhausted after lifelong contributions to their families. It asserts that this Nation has found ways and means without resort to collectivism or totalitarianism but in the traditional democratic American way of providing our citizens a decent and secure future and protection against privation and need.

It is characteristic of Americans that we always seek to find a humane solution for our great social problems. How much stronger, how much more vital and dynamic, how much more resistant to the intrigue of radicalism our Nation will be when its citizens are assured as by measures like this that our great business system and our Government working together hand in hand have found a dignified, adequate way to accord them that which every worthy citizen of this great democracy is entitled to receive—security in time of adversity and want.

Because I am satisfied that this bill is based upon sound, humane, progressive principles and is in the interest of all the people of the country as well as in the interest of capitalistic, democratic, free enterprise and free initiative, I gladly support this measure and vote for its passage. It will, I believe, do much to strengthen and vitalize our Nation and unite all our people against common enemies which are working against democracy at home and abroad.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. DOLLINGER].

Mr. DOLLINGER. Mr. Chairman, the President advised the Congress in his message on the state of the Union on January 5, 1949:

> The present coverage of the social-security laws is altogether inadequate, and benefit payments are too low. One-third of our workers are not covered. Those who receive old-age and survivors insurance benefits receive an average payment of only $25 a month. Many others who cannot work because they are physically disabled are left to the mercy of charity. We should expand our social-security program, both as to size of benefits and extent of coverage, against the economic hazards due to unemployment, old age, sickness, and disability.

This Congress can no longer ignore the pressing needs of the aged and dependent families of our Nation. We now have the opportunity to act on a bill to extend and improve the Federal old-age and survivors insurance system and to amend the public-assistance and child-welfare provisions of the present Social Security Act. While I represent the Twenty-fourth District of New York, the vital question of social security affects every region in the United States equally, and I have the entire country in mind when I urge speedy passage of this bill.

In the 10 years which have elapsed since the last major revision of the Social Security Act took place, there have been social and economic developments which demand a revision of the law and the granting of increased protection under it. Under our democratic system of government, we should encourage a basic social-insurance system which will be fair to all.

As benefits paid are based upon contributions, the dignity of the older people is preserved. If unable to maintain a home, they can make contributions to the household sheltering them. In addition, such a system is an incentive to the worker, as payments are based on length of service and amounts contributed. All this serves to increase productivity and to help stabilize the economy of our country.

It is admitted that present social-security benefits are woefully inadequate. The maximum benefits now being paid do not begin to cover the cost of housing, food, medical care, and other usual requirements of a human being. The present minimum benefits mean practically nothing when we consider the high cost of living.

Our older citizens who can no longer earn a livelihood, widows, dependent children, those incapacitated, and the blind, look to the Federal Government for assistance. Authentic reports show that many more people reach old age than formerly. In the past, grown children were able to take care of their aged parents. Now, high rents, the cost of food and clothing, high taxes, increased costs of medical and dental care plus other expenses, have all changed the picture. We find that sons and daughters are now barely able to take care of themselves and their own children, and, as a result, the aged have no recourse but to look to the Federal Government for aid when they have no means of self-support.

The maximum amount provided in the bill before us would give our older people the support, protection, and real security to which they are entitled. The disability benefits, both temporary and permanent, are also important considerations. Millions become disabled before they reach the normal retirement age. We should provide the means to help those who are incapacitated and have no resources to fall back upon in such times of misfortune.

In my opinion, old-age and survivors insurance should be extended to all persons not now covered. This includes the self-employed, farmers, farm workers, domestic workers, members of the armed forces, members of nonprofit organizations, and other employees. We know that countless people reach the age where they can no longer earn their living and have no means of taking care of themselves. A program of social security to cover them is vitally necessary, if we are to take cognizance of the straits of hardship and difficulties in which they find themselves. Social security should be extended to include them.

The bill before us is a step toward this goal. It provides coverage for an additional 11,000,000 workers not now taken care of by our social-security program—bringing the total of those covered to approximately 46,000,000. As I stated before, our aim should be protection for all.

We have been helpful and generous to suffering and needy people all over the world. Surely we must not neglect our own. We should work toward the expansion of our social-security program so that it will truly provide what the present law incorrectly promises by its title—adequate social-security benefits for all those who need assistance.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. DAVENPORT].

Mr. DAVENPORT. Mr. Chairman, I ask unanimous consent to extend my remarks immediately after the remarks of the gentleman from Michigan [Mr. HOFFMAN] so that the people who read can proceed from a dark, bleak night into the clear sunshine of a better day for our aged in America.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from West Virginia [Mr. STAGGERS].

Mr. STAGGERS. Mr. Chairman, I am in favor of H. R. 6000 for many reasons, some of which are, that it is a forward-looking piece of legislation designed to bring peace of mind and security to many millions of people who today are perplexed about the uncertainty of their future. It liberalizes and broadens many provisions of the present act.

I am particularly pleased that coverage is extended to State and municipal workers, something I have been working for during my short time here in the House of Representatives. This group has been flagrantly overlooked in the past.

This bill also corrects many mistakes made in our previous social-security legislation. One of these is especially for the veterans and their dependents of World War I and World War II.

In keeping with the Sermon on the Mount we should certainly recognize the fact that men and women to whom Providence has been kind have a responsibility to those less fortunate in life. It is a step in the right direction toward a greater and fuller life and something that will revive the hopes and dreams of many millions of our citizens.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Oklahoma [Mr. MORRIS].

Mr. MORRIS. Mr. Chairman, while I generally favor this bill, H. R. 6000, and believe that it is a step in the right direction, in regard to the old-age assistance feature of it, I sincerely hope that the time will come in the very near future when we can repeal it and establish an old-age-pension program to take its place. I fully realize that the old-age-assistance program is far better than nothing, yet it just simply is not right, in my judgment, to subject the old folks in our country to the regimentation to which they are subjected under the old-age-assistance program. They should receive a reasonable pension and should be permitted to spend it as they please. There should be no case workers checking upon them in regard to pension money they receive.

In February of this year, acting in cooperation with a number of old-age-pension groups including the American Pension Committee, the General Welfare Federation, and other pension organizations, and other Members of Congress, I introduced an old-age-pension bill, H. R. 2620, and I sincerely hope that it or some good old-age-pension bill will be enacted by this Congress in the near future. The gentleman from Pennsylvania [Mr. VAN ZANDT] was selected to take the lead on the minority side and I on the majority side in furtherance of H. R. 2620. To date 126 of our colleagues in the House have joined us in signing a friendly petition to the Ways and Means Committee requesting favorable action in regards this bill. I truly hope such favorable action will be taken soon. I sincerely believe that everyone would, after such program should be put in operation, be pleased with it. It would be simple, direct, reasonable, just, and fair to all of our people. However, I certainly am not wedded to any one idea in regard to old-age pensions and I shall be happy to support any good old-age-pension bill regardless of who the author is.

H. R. 2620 provides, in substance, for the payment of $60 per month pension to our citizens who are over the age of 60 years and who are not earning enough money to be required to file a Federal income-tax report. In other words, it provides for the payment of $60 per month to those in our society who have reached the age of 60 years and who are in the very low income brackets when they apply for it. These payments would be uniform throughout the United States regardless of where the applicant should reside. It would be a Federal pension.

I cannot, for the life of me, see why pension payments should be provided for only certain classes of our society and more especially why those, generally speaking, who need it most should be left out. Those who need it most do not have it and yet those who need it less do have it. In other words, groups such as Congressmen, members of the Supreme Court, civil-service employees, coal miners, and steelworkers all have their pension systems. I certainly am happy to see these groups have reasonable pensions, but I deplore the fact that other groups who really need pensions even more than they do, do not have them. I know the stereotyped answer to this question and that is that those who are now receiving pensions pay their own money into the pension fund. The facts are, however, that whether as public officials or as workers in private industry, salaries and wages are raised from time to time for the specific purpose of affording these persons a sufficient surplus in income to pay into their pension funds; therefore, the public generally, actually pays for these funds, as it works out in practice. I, therefore, suggest that the only logical, reasonable, and just solution to this problem is that some kind of a reasonable tax be levied against our whole society and that that tax be placed in a special fund so that every person when he or she reaches the age of retirement—and I suggest 60 years as a proper age—if he or she is financially unable to take care of himself or herself, at least to the extent of absolute essentials in life, that such person draw a sufficient amount of money, as a pension each month, to meet necessary wants such as food, clothing, and housing. I believe that such person definitely should not have less than $60 a month to meet such needs.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. COMBS].

Mr. COMBS. Mr. Chairman, I think I can condense my remarks into less time than has been so generously granted me. In fact, I would be glad simply to put some remarks into the RECORD, except for the fact that reference has been made repeatedly during the debate, and fears expressed by some, that that feature of title II which permits the totally and permanently disabled to draw benefits is a dangerous thing, that it is unwise and will make a drain upon the insurance fund. I want to make a few observations about that.

However, before I go into that, let me say, as a new member of the Committee on Ways and Means, it has been a revelation and a great pleasure to me to see the earnestness with which Members, many of whom have been members of that committee for a long time, tackled this intricate and complex problem last spring, and the earnestness with which they worked the bill out, section by section and line by line, as representatives of the American people. I have a high regard for every member of the committee. I do not agree with every provision of the bill, but I do believe that on the whole it is a sound constructive measure.

The old-age and survivors insurance provisions of the bill set forth in title II do add a new category entitled to draw benefits, the totally and permanently disabled. Some Members have expressed, as I have said, considerable concern about this provision. In the first place, it has been suggested that this benefit is a radical departure from the whole concept of old-age and survivors insurance.

Of course, it must be admitted that it is a marked extension of the benefit: in that a totally and permanently disabled person who is covered by the insurance provision of this bill and has contributed to it would be able to begin drawing benefits before he reaches the age of 65. Thus, in his case, his total and permanent disability and not the fact of his age would be the determining factor. As pointed out by the gentleman from Tennessee and others who have preceded me, the concept is that when the covered worker becomes totally and permanently incapacitated, is no longer able to earn anything, that he is retired from the field of labor and he should be permitted as a contributor to the fund to draw his benefits from the fund he has helped to build up and not compelled to accept a gratuity from his Government. It extends the field of benefits but it is not a departure from the idea that it is a retirement benefit in a very true and real sense.

Now the Republican proposal recognizes that fact and the need for providing for the totally and permanently disabled. But minority Members propose to do it by making the permanently disabled eligible for benefits under public assistance only. Thus the permanently disabled person, who may have been a steady worker and a contributor to the insurance system for many years, would be denied, through no fault of his own, the privilege of drawing benefits from the fund to which he had paid and compelled to accept a gratuity. It seems to me only just and humane treatment of the totally and permanently disabled worker. And as I shall point out it will make no dangerous drain on the trust fund—shall be permitted to receive his benefits from the fund to which he has contributed and to receive it as a matter of right and not as a gratuity.

Fear has been expressed that including the totally and permanently disabled among those who may receive retirement benefits will open up a field for abuse and which may have the effect of making a severe drain on the trust fund. That question was given very thorough study by the committee. I may say in that connection, that every provision in this bill involving expenditures was studied with the greatest of care with a view of maintaining the solvency and integrity of the trust fund. And in making the totally and permanently disabled eligible for benefits the committee wrote into the bill every reasonable safeguard. I want to point out what these provisions are.

DEFINITION OF DISABILITY

First of all, the definition of total and permanent disability is very strict; namely, inability to engage in any substantially gainful activities by reason of any medically demonstrable physical or mental impairment which is permanent. In addition blindness is recognized as permanent and total disability. Thus the definition requires not merely total disability but it must be permanent as well. Further it requires not disability for the individual's usual occupation, but rather disability for any occupation. Finally, this definition would not include doubtful cases of aches and pains, only disability which can be medically demonstrable.

There are a number of insurance programs in force already in this country which are operating successfully under much less strict provisions than provided in the pending bill. For instance, the civil-service retirement program under which many Members of this House are covered requires only disability from the usual occupation. Also the Railroad Retirement system has disability benefits available on the basis of the usual occupation. The insurance programs under the Veterans' Administration, namely, national service life and United States Government life insurance likewise have disability benefits available.

But in addition to this very strict definition of total and permanent disability, additional safeguards are provided in the bill as follows:

First. Periodic reexamination: Just as in other insurance programs which provide disability benefits, the pending bill provides for reexamination of disability at necessary intervals so as to determine whether the disability still exists and is permanent and total in nature. It is recognized that medical science is not an exact science and that the physician's prognosis is subject to error. This provision for reexamination of disability is a necessary and desirable safeguard in the event that any errors are made in the original determination.

Second. Waiting period for disability benefits: Under H. R. 6000, individuals will have to wait at least 7 months after they are actually disabled before they receive their first benefit check. This period will give a fairly definite, although not conclusive indication as to whether the disability is actually total and permanent. It may be pointed out in this connection that once again the start made in disability benefits under civil-service retirement and railroad retirement do not have any waiting period whatsoever.

SIZE OF BENEFITS

Another safeguard against undue drain upon the trust fund lies in the limited-benefits provision.

Mr. HEDRICK. Mr. Chairman, will the gentleman yield?

Mr. COMBS. I yield to the gentleman from West Virginia.

Mr. HEDRICK. Will the family physician make the examination, or who will make it?

Mr. COMBS. I will get to that in just a moment.

It is recognized that one of the general principles of the old-age and survivors insurance system is to provide dependents' benefits. But the Ways and Means Committee felt that a conservative start was desirable for disability benefits. Accordingly in H. R. 6000 benefits are payable only to the disabled worker and not to the dependents, so that the amounts involved would not be so large as to possibly encourage malingering in some instances. The minimum disability benefit will be $25 per month and the maximum payable for the next few years will be about $75 per month, with the average payment being somewhere in the neighborhood of $50 per month. Under the other insurance programs which are being administered successfully by the Federal Government average payments can run as high as $144 per month under railroad retirement and to as much as $400 per month under civil-service retirement.

COST OF ADMINISTRATION

It has been argued that the introduction of disability benefits in the social-security program would require a vast horde of doctors and technicians and even hospital and medical centers to administer its provision. In that connection it has been pointed out that under the Veterans' Administration program very large medical and hospital staffs and facilities are maintained. The administration of the total and permanent disability of the pending bill would require nothing of the kind. It is contemplated that there will be relatively few doctors employed full time by the Social Security Administration. Rather the determination of disability will be made by selecting local doctors in various cities and towns throughout the land, and they will receive payments on a fee basis. The few doctors in full-time Federal employment will review the determination of disability made by local doctors so as to ascertain that there is consistency and accuracy of determination of disability. The ascertainment of total and permanent disability, which is physically demonstrable, is a relatively simple matter.

Now, the Veterans' Administration is required to maintain a large staff of doctors and hospitals and medical facilities because under the various veterans' programs determination must be made not merely of total and permanent disability, which is a relatively small part of the work required, but also of various partial disabilities and the percentage thereof. That program involves determination as to whether or not the disability is service-connected and determination not merely of temporary or total disability, but if there is not total disability it is necessary to ascertain the percentage if it is less than total. Even more important than this, however, is the fact that under the various veterans' programs the disabled individuals must be furnished medical care of a continuing nature rather than a single examination for the payment of periodic cash payments.

QUALIFYING CONDITIONS

Now, let us notice the qualifying conditions which the totally and permanently disabled recipient of benefits must meet in order to qualify. In order to receive disability benefits under H. R. 6000 the disabled individual must show both recent and substantial covered employment. In order to be insured the worker must have 5 years of substantial covered employment out of the last 10 years and also 1½ years of such employment out of the last 3 years. These two tests will assure that disabled workers will have actually participated in covered employment for a reasonable length of time before their disability occurred and also during a period which is reasonably

close to the time when they were disabled.

COST

Now about the cost. The disability benefits provided in H. R. 6000 have been estimated to cost 0.5 percent of pay roll on a level premium basis. Since this is a new program with no positive experience in regard to disability, especially considering the strict and conservative provisions which we have incorporated, I would be the first one to affirm that the cost estimates cannot be exact. The minority claims that the cost might well go as high as 0.7 or 0.8 percent of the pay roll, and I will consent that this is possible, but on the other hand it is just as possible that the cost may be as low as 0.3 percent of pay roll. At any rate in a system costing about 6 percent of pay roll on a level premium basis, and it can hardly be expected that a good old-age and survivors insurance program of any type could be provided for much less than this, if the cost were increased by 0.3 percent or even 0.4 percent of pay roll due to disability benefits the system would be in no financial danger. This is not a cost which will come upon us suddenly, but rather is one which will develop gradually. We can take appropriate action to remedy any new situation when it arises and further perfect this provision in the light of experience.

The fear of a dependent old age troubles millions of our people. The urge to provide against being dependent upon others is universal with normal, self-reliant people. This bill will make it possible for at least 11,000,000 more Americans to provide against a dependent old age. It is a sound bill and I hope we will pass it by a large vote.

Mr. JENKINS. Mr. Chairman, I yield myself such time as I may need.

Mr. Chairman, I should like to make a statement with reference to a matter that I think has not been discussed as yet in the debate. In the division of the money paid to old-age pensioners, the total amount to be paid by the Government to any individual will not be increased under the bill under consideration, but the formula has been changed in such a way that I do not approve of it but I cannot help myself very much. Here is one reason why I cannot approve it. Eight States that now pay less than $25 a month to old-age pensioners will get from the Federal Government $75,000,000 without necessarily paying 1 cent for it. Those States are Alabama, Arkansas, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Arkansas.

Mr. MILLS. Will the gentleman explain to the House whether or not the motion to recommit to be offered by the Republican side will change that in any respect?

Mr. JENKINS. It does not.

Mr. MILLS. The motion to recommit will be the same as the House bill.

Mr. JENKINS. These States I have named will take their $75,000,000 and will not be compelled to pay a single cent more than they pay now. All of this amount will be paid by other States. There is another fact with reference to this matter that is important. Most of the Northern States pay more than $35 per month to their aged. Any State that pays more than $35 per month will be paying $2 for every $1 it will receive from the Government.

This bill is a Santa Claus for some States, while the other States pay the bill.

So that we may have a clear idea about this matter I am inserting here the formula in the present law and the formula in the bill under consideration.

Under the present law the payments are made as follows: Three-fourths of the first $20 and one-half of the remainder. If a State wishes to pay a maximum of $50 the Federal Government will advance three-fourths of $20 which is $15 and one-half of the remainder of $30 which will be $15, making the Government's part $30 and the State's part $20. The formula under the new bill will call for the Government to pay three-fourths of the first $25 which will be $20. Then the Government will pay one-half of the next $10 which will be $5 and one-third of the remainder which will be $5. This will have the Government paying $20 plus $5 plus $5 which will be $30. The State will pay $20. A State which is paying $25 or less will get $5 without paying anything.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the gentleman from Washington [Mr. MITCHELL] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. MITCHELL. Mr. Chairman, the social-security bill, H. R. 6000, which we are discussing here today, is a very important bill; it is long overdue. The present social-security benefits are so shockingly inadequate that they should have been increased at least 5 years ago. As a matter of fact, social-security benefits were too low when the present benefit rates were established in 1939.

I am going to support H. R. 6000. It is far better than the bill advocated by the Republicans which would cut down the benefits proposed in H. R. 6000. Yet I must record my firm conviction that even the benefits in H. R. 6000 are not adequate. They should be increased still further. It is my hope that when this bill is finally written into law it will cover more persons and contain improvements all along the line.

H. R. 6000 deals primarily with the Federal program of old-age and survivors insurance. This is the program in which workers now contribute 1 percent of their wages and employers also contribute 1 percent of their pay rolls to an insurance fund. Under the present law most workers in industry and commerce are covered under this insurance system. But some 25,000,000 individuals are still excluded under the program. H. R. 6000 covers about 11,000,000 additional individuals. This is a very important and very worth-while improvement.

I am in favor, however, of covering all persons in the United States under the insurance program. I believe that our objective must be an insurance system that will cover every single individual who works for a living, whether he is a farmer, an agricultural worker, a self-employed businessman, or professional person, or domestic employee.

The monthly benefits of the insurance system are liberalized in H. R. 6000. I believe that when the new benefits are explained to the farmers, the agricultural workers, and the professional people of the country they will want to share in these benefits along with others. One of the major reasons why there has not been more widespread demand on the part of farmers and farm workers for coverage under the insurance system is that the benefits have not been explained in detail to them.

Many people think that the program provides for the payment of insurance benefits only to individuals when they reach age 65 and retire. But the existing law also provides for the payment of insurance benefits to widows, orphans, and dependent parents when the breadwinner in the family dies. The new bill not only liberalizes the old-age insurance benefits but also liberalizes the benefits to widows, orphans, and dependent parents. It extends the provisions which pay a lump-sum burial benefit to many more persons. It also provides for the payment of regular monthly insurance benefits when an individual is permanently and totally disabled.

When these benefits are explained fully to the people of the country I know that practically everyone will want to be covered under the program.

At the present time the insurance benefits average only $25 a month for a single elderly person who is retired; about $40 a month for a retired man and his wife; about $50 a month for a widowed mother and two children; and about $23 per month for each orphan child. These benefits are completely inadequate at the present time. The bill, H. R. 6000, increases these benefits all along the line.

One of the very important provisions in the bill is that wages of an individual will be counted up to $3,600 instead of only up to $3,000 at the present time in determining the benefit rate. This will enable individuals to get higher benefits than they can at the present. I strongly favor increasing the wage base up to $4,800 as President Truman recommended. This would permit still higher retirement, widows and orphans, and disability insurance benefits than under the bill. I am strongly opposed, however, to the provisions in the Republican bill which would decrease the benefits of H. R. 6000 by providing for a continuation of the present wage base at $3,000. The Republicans are completely out of line on this point with the recommendation made by an overwhelming majority of the Senate Advisory Council on Social Security which recommended $4,200.

H. R. 6000 contains a very important new benefit which will be of great value to thousands of families in every part of the country. I am referring to the

provision for permanent and total disability insurance benefits. At the present time if an individual should become permanently and totally disabled at age 35, 45, or 55 he cannot draw anything from the insurance system until he reaches age 65. Of course, many people who become permanently and totally disabled do not live to age 65. Many persons exhaust all their savings, have to sell their insurance and their home, and have to either ask for relief or become dependent upon their children or private charity. One of the finest provisions in the entire bill is that section which will enable permanently and totally disabled persons to receive insurance benefits during the period of their disability.

To receive the disability benefits an individual must be insured under the insurance system for at least 5 years. If he is permanently and totally disabled for at least 6 months he can receive insurance benefits. These provisions, and other provisions in the bill, amply safeguard the program against abuse. Benefits to permanently and totally disabled persons are now included in the civil-service retirement plan, the congressional retirement plan, and the railroad retirement plan. The Congress has provided for permanent total disability benefits to veterans and to Federal employees who become disabled in the course of their employment. Many State and local retirement plans include provisions for permanent and total disability insurance. Moreover, a great many of the private retirement plans set up by employers or set up under collective bargaining provide for the payment of benefits in case of permanent and total disability.

On the basis of all this experience, it is both fitting and proper that we should now extend the same protection to all of the workers of the country who are covered under the social-security program.

H. R. 6000 also contains some very important provisions which will help to improve existing programs for needy persons. The bill provides for increased Federal grants to the States for public assistance to needy aged, the blind, and dependent children. It also provides for the first time Federal grants to the States for payments to needy individuals who are permanently and totally disabled. According to the estimates made by the Committee on Ways and Means the public-assistance provisions of the bill will provide an additional $256,000,000 a year to the States to help needy individuals. At the present time the Federal Government is already making payment to the States for this purpose of well over a billion dollars a year. The States themselves are spending a total of close to a billion dollars from their own funds. The total Federal, State, and local expenditures for assistance to needy individuals is therefore running in excess of $2,000,000,000 a year.

This tremendous cost is going to continue to mount year after year unless we take steps now to provide a comprehensive and adequate insurance program which will make it possible for individuals to have insurance protection against the major hazards of life.

H. R. 6000 is another step forward, even if a modest one, in the march of social justice and fair play for the people of the United States. Time after time the American people have expressed themselves as being in favor of social security. They have favored the improvement of the insurance benefits. They have indicated that they are willing to have a national plan that will cover everybody not only against old age and in case of premature death, but also against the terrible risk of becoming dependent upon charity due to permanent and total disability.

I believe that the American way is the way of social insurance. I do not share the view of those who say that when we adopt this bill or when we improve social security we are taking another step in the direction of state socialism. I believe that the American people have a right to expect that government will help them to insure against the major hazards of life. The social-insurance program that we are discussing today is not a "something for nothing" program. Workers and employers both contribute for their insurance benefits, and they will receive the benefits as a matter of right without being subjected to a humiliating needs test.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Oklahoma [Mr. STEED].

Mr. STEED. Mr. Chairman, in the few minutes allotted to me I will address my remarks to a single provision in H. R. 6000, although I will say at the outset that I intend to vote for this bill. I think it reflects an outstanding job on the part of the Committee on Ways and Means.

In particular I want to express my appreciation to the committee for the consideration it has given to this one point in which I have such an exceptional interest—the child-welfare section. I could not let this opportunity pass without again expressing my thanks for the kind way in which the committee permitted me to present my views during the hearings and in the attention it gave to an amendment I proposed.

This amendment is now contained in title III, section 321, subsection "b," on page 175 of the bill, under subitem 10. It reads as follows:

(10) Provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent.

Under the present law, because the records in the welfare offices throughout the country are confidential, it is not permitted for the welfare workers to make known to any law-enforcement agency or official any evidence of the crime of child desertion that might come to the attention of these welfare workers. Personal contact and investigation has revealed to me numerous instances where the welfare workers needed the aid of the law-enforcement agencies to forestall misuse and chiseling on welfare funds, but the rule on confidential files prevented them from getting it.

This amendment simply changes that provision. When this amendment becomes law, the welfare office must make known these facts about the crime of child desertion to the prosecuting officer of the local community. This then permits local law-enforcement officials an opportunity to act before parents, who abandon and neglect their children, can escape from the jurisdiction of the local law-enforcement agency.

I want to call your attention again to the fact that, despite the fact that the aid-to-dependent-children program is one of the finest and most needed of all our welfare activities, it still is being subjected in constantly increasing numbers to the more despicable type of abuse. The rolls of dependent children are growing almost hourly, and investigation shows that a large part of this increase can be charged directly to the fact that we have too many parents who deliberately and maliciously shirk their duties.

It is true, of course, that we have laws in every State against the crime of desertion of children. But most of these counties are limited in funds and other facilities for enforcing these laws, because in far too many cases the parents who commit the crime of abandonment skip the country and escape the consequences of their acts.

Very careful investigations reveal that at least 35 percent of the rolls have been created by the children of parents who could and should support their children, but who will not do so. I favor putting such parents in jail, and I favor giving the child the benefit of the doubt so that our relief program in no way is denied those who need it—whether the need come from neglect or otherwise. But I think we are entitled to see to it that parents who shirk their duties pay for their crimes against their children, as well as against society. To do otherwise means that we are, through our child-welfare program, actually subsidizing the breaking up of many of our American homes.

In two counties in my State, county prosecutors went into court and obtained orders compelling the welfare agencies to make their records on child-desertion cases available. The results in both instances have been startling. So many cases were found that justified the filing of charges that in one county alone more than 30 families were taken off the rolls because the recalcitrant parents were forced back into the support of their own families. One single case has already resulted in the saving of more than $1,000 this year. It should be pointed out that this method was not made necessary by the welfare officer, but by the law.

When these cases were taken off the rolls, the welfare offices then had more funds to be given to those children actually in need. Today, the rolls are so heavy that funds are not sufficient to give the aid to the most deserving children that they should have. Only by forcing these chiseling parents to care for their own children, as the law and common human decency dictate, can we hope to have sufficient funds remaining to

carry on the work for which this fine program was intended.

It is silly to know that under our present law we prohibit two of our governmental agencies—the welfare office and the prosecuting attorney—from cooperating together to punish parents who willfully abandon and neglect their children. But it is true, nevertheless, and this amendment is designed to correct the situation.

There are many other steps we need to take to deal with the whole problem of child desertion, but this amendment is a simple and reasonable one, and should be speeded into law.

Odd as it seems, the very protection the confidential nature of the welfare records was intended to give to the recipients of aid has become the one big loophole through which this sordid, despicable abuse of our child-welfare program has developed. I know every Member of this House agrees with me that we are justified in taking every means at our command to see to it that the able-bodied parents of this country take care of their own children, or suffer the penalty of the law if they fail to do so.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. YOUNG].

Mr. YOUNG. Mr. Chairman, I ask unanimous consent to proceed out of order for 3 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. YOUNG. Mr. Chairman, last Friday, the junior Senator from Ohio, addressing the Federation of Republican Women at Columbus, Ohio, said:

> We must get rid of this bureaucratic power that is beating American citizens into serfdom.

Six months ago he and other administration critics were denouncing the "Truman depression." Remember? They have now abandoned that issue. Instead they talk about serfdom and statism. In politics from time to time we get new words and new slogans. Before the War Between the States there was a political slogan "Fifty-four Forty or Fight." Along in the 1880's there was another, "Rum, Romanism, and Rebellion." Now it is serfdom and statism, a word you will not find in your dictionary. These same people, including Ohio's junior Senator, shouted socialism 16 years ago when we proposed legislation to guarantee bank deposits. They said relief is a local problem. Later they denounced social security, and price supports for our farmers as creating bureaucratic power and as socialistic.

The statesman who said in 1932 that if Franklin D. Roosevelt were elected President "grass would grow in the streets of every city," recently said "we are on the last mile of collectivism," and now Ohio's junior Senator says that American citizens are being beaten into serfdom. Liberty has in fact been under attack in Europe and Asia and has been lost in many lands. What liberties have we lost in the United States of America? Do we not have the liberty of free speech, the right of peaceful assembly, the liberty of religious freedom? Surely our citizens are in possession of all liberties they ever enjoyed. To those liberties your Congressmen who truly represent the people intend to add the assurance of security for the aged and dependent. This is an expansion of liberty.

We have been told that we are American citizens beaten into serfs now on the last mile to collectivism. Well, if we are on the last mile, who started us on the first mile? I would like to ask Ohio's junior Senator and others who talk about statism to go into the cities or farms of this Nation and tell the people if they are in favor of withdrawing price supports, eliminating soil-conservation and rural-electrification programs, if they propose to repeal guaranty of bank deposits, social security, minimum-wage legislation, unemployment insurance, and low-cost housing?

Now, having imbedded this in the liquid amber of my remarks, I proceed to discuss two important aspects of the social-security bill.

RELATION OF SOCIAL INSURANCE TO PRIVATE PENSION PLANS

Mr. Chairman, in view of the great interest throughout the country at present in the establishment of private-pension plans through collective bargaining, I believe it important to consider for a few minutes the relationship of old-age and survivors insurance to such private-pension plans.

Under the present old-age and survivors insurance system, the monthly benefit which a retired worker receives is only about $25. Viewed from any angle, this amount is inadequate to supply even the minimum needs of a worker who may have some small savings and who may own his own home. Organized labor has pointed this out for a number of years, and I think it might also be said that all students of social insurance in this country agree. At the same time that organized labor has been advocating an increase in benefits through social insurance, it has also attempted, with some success, to obtain additions to social security through private pension plans, union health and welfare plans, and so forth.

If social-security benefits are continued at the present inadequate amounts, there will be a growing and perhaps overwhelming demand by the most highly organized parts of labor for substantial supplementary benefits. While such addition is very desirable, to some extent, it does raise the difficult problem that if all efforts are stressed in this direction, the general level of social-security benefits may be far too inadequate. Thus, many portions of labor, which are not as highly organized, or are not as persuasive in their demands as other segments of labor, will receive only the inadequate social-security benefits.

In equity to all portions of labor, there should be at least fairly adequate social-security benefits first, and any supplementary benefits should be built on top of that system. Otherwise there is likely to develop an uncontrolled competitive race among the most highly organized groups of labor, rather than an orderly development of both the social-security system and a logical supplementation in such industries as can afford somewhat more than mere basic protection. The time is ripe to develop such a reasonable course of action by strengthening and making more adequate the social-security system, so that any supplementary plans being developed will have a sound floor upon which to build.

Moreover, a basic floor of protection is needed because of the traditional mobility of American labor, not only from company to company but also from industry to industry so that even industry-wide systems will not solve all of the problem. As an evidence of this mobility, consider the fact that under the old-age and survivors insurance system, about one-third of those covered work in more than one covered industry during a single calendar year. Even in such an industry as coal mining, which is often thought of as having little mobility, about 20 percent of those whose employment in 1945 was in this industry had worked in another industry during the year.

Considering all this mobility during the course of a single year, there must be a tremendous amount over the course of a working lifetime. Therefore, of primary importance is the establishment of an adequate social-insurance program for all workers before we consider the establishment of necessary and desirable company plans or industry-wide plans.

CREDITS FOR VETERANS OF WORLD WAR II

Another problem which is deserving of consideration and remedial action is that of my comrades of World War II.

Under present law, veterans of World War II are under a distinct handicap because their military service has the effect of reducing their average monthly wage on which benefits are based, and also to some extent their chances of being insured. The social-security amendments of 1946 did make stopgap protection available for those who died within 3 years of discharge, but nothing was done on a long-range basis.

H. R. 6000 takes care of this problem in a manner which is extremely fair and equitable and which has been urged by various veterans' organizations. This problem is solved by giving every World War II veteran credit for wages of $160 for each month of military service. This amount of $160 is a reasonable amount and certainly reflects not more than the average wage that such young workers might have received if they had not gone into military service.

No special benefits are really being given these veterans, but rather the disadvantage which was imposed upon them is on the whole being lifted. The cost of these wage credits will be paid from the General Treasury from time to time as additional benefits arising therefrom come due. In the great majority of instances this will be many years from now, but there is one very important group which will be affected materially and immediately, namely, the widows and orphans of men who died in service. In these cases wage credits are given for each month of military service, just as for veterans who survived the war. In many cases such widows with young children are now receiving old-age and

survivors insurance benefits even though they may be somewhat reduced because there were no wage credits during military service. Although this situation is somewhat inequitable, there is another problem which the bill corrects in regard to men who were covered under the social-security program when they entered military service, but, because of being on active duty for a considerable period before their death, lost their insured status. Also, many other veterans had almost acquired insured status and would have done so if they had not entered the service of our country.

For example, consider a man with a wife and two children who had been in covered employment at $160 per month for 3 years from age 21 to age 24 when he entered military service in 1940. If he died in service, he would have lost his insured status under the present act. Under the provisions of this bill, his wife and children will get a monthly benefit of about $115 as long as the children are under 18. Even if he had died before 3 years of service his survivors are penalized under the present law because his average monthly wage was reduced because of his military service. Thus, if he had died after 2 years of military service, his family would now receive about $44 per month in contrast with the $57 they would have received if he had not entered service, and with the $115 under the bill—part of the increase being due to the more liberal benefit formula and provisions of the bill.

In all of the cases described previously, the granting of wage credits for military service will either increase benefits or make benefits available, just as if these young men had not answered the call to the colors. No one can deny that these survivors are rightfully deserving of these benefits which we today propose to vote to provide.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. RHODES].

Mr. RHODES. Mr. Chairman, I consider this legislation the most important to come before the Eighty-first Congress. It is vital to the millions of Americans who rightfully look to their Government to enact sound social-security legislation. Surely a Nation so rich as ours can well afford a minimum of security to its aged and disabled people.

The enactment of this bill, H. R. 6000, is also of great importance to the prosperity of the Nation and to the strength of our economy. It will help improve the Nation's health standards and the moral fiber of our people. It will provide a mighty and effective barrier against communism.

Improvement of the social-security law is long overdue. In almost 15 years since the inception of the law, no substantial improvements have been made. Last year a step backward was taken by the Republican-controlled Eightieth Congress when it removed three-fourths of a million people from under coverage of the Social Security Act.

Since the law was enacted in 1935 living costs have soared. Wages and profits have mounted steadily. It can be readily seen that benefits under the present law are disgracefully low and inadequate.

This bill is not as liberal in its benefits as some of us would like it to be. The age requirement for benefits remains at 65. This is too high. Even today many workers over 40 years of age are turned down when seeking employment because they are too old.

The coverage should be much broader so as to include farmers and professional workers. But this bill does mark a great step forward. It will bring 11,000,000 additional people under the protection of the Social Security Act. That means that about 42,000,000 of America's working people will have some insurance against want and despair in their twilight years.

It will boost benefits about 70 percent for the 2,500,000 people already retired and about 80 percent for insured persons yet to retire, or to their survivors if they die.

The bill also liberalizes and substantially increases Federal aid to States granting public assistance to needy people who are not covered by the insurance program.

Disabled persons under this bill would benefit immediately. They would not have to depend upon the uncertainties of charity until reaching the age of 65, as required under the present law.

I regret that greater consideration was not given to old people and to the disabled not covered by the insurance plan. In many States, including my own rich State of Pennsylvania, public-assistance laws are disgracefully inadequate. Many old people suffer from want and from mental agonies because of the policies which govern relief payments.

Many old people suffer rather than to force payments from married children whose incomes are not sufficient to cover their own family needs and plans for education of their children.

The age requirements for public assistance under many State laws, as in Pennsylvania, should be lowered. The means test should be discarded.

I trust that the increase in Federal grants to the States as proposed in this bill will help in bringing about a more decent and just policy in the payment of public assistance in the various States.

Despite objections, this bill if enacted will mark a great triumph for the American people. It is the very heart of the great liberal program promised by President Truman to the people of the Nation last November.

This is the center of the target which the opponents of social progress call welfare state legislation. It has been vigorously opposed in a psychological war by reactionaries who carelessly toss around scare words to frighten the American people.

Behind the scenes the real fight has been waged to kill or cripple this legislation. For many months it has been in a House committee.

Lobbies, like the Committee for Constitutional Government, fronting for selfish reactionary groups, carried on a very costly and extensive campaign against this so-called welfare-state legislation.

But in spite of all the money and propaganda used to frighten the people and to smear, discredit, and kill this legislation, I have confidence that the bill, H. R. 6000, will be approved by an overwhelming vote.

It will be most interesting to watch the votes of those who so loudly shout about the dangers of welfare state legislation. If there is any welfare legislation before Congress, this must be it.

Mr. COOPER. Mr. Chairman, I yield to the gentleman from Alabama [Mr. ELLIOTT] such time as he may desire.

Mr. ELLIOTT. Mr. Chairman, I rise in support of H. R. 6000, to amend the Social Security Act, which bill is designed, in my judgment, to meet in part a great need of the American people for security in their old age.

I hope that this bill will be passed by the House of Representatives this afternoon and that shortly it may become the law of the land. I say this not because I think this bill meets all pressing needs for security for the aged people of this country, but I do feel that it is a step toward the goal of working out a reasonable security for the older citizens of this country. The need for this or similar legislation is very great. When the first social-security law was passed in 1935, it was thought that if the beneficial provisions of the act were supplemented with what we call old-age assistance, administered by the various States, that the social-security system would within a few years come to be a good system. But, Mr. Chairman, what has happened? Just this.

First. The Social Security Act was so limited in its coverage, that instead of fewer and fewer people being dependent upon old-age assistance with the passage of time, the number has increased, and today there are a great many more people dependent upon old-age assistance than are dependent upon social-security old-age pensions as such.

Second. The average old-age pension now paid under the existing Social Security Act to those covered by the act who have reached the age of 65 is a mere $25 per month. These old-age pensions under the Social Security Act must be raised if the people covered by the act are to have any security in their old age.

Third. As already stated, the number of those dependent upon old-age assistance is increasing. Under present law the Federal Government will match State funds to provide old-age assistance payments to the needy aged of any State up to a total payment of $50 per month.

But, Mr. Chairman, the result of such a system is that the poorer States, such as my State of Alabama, cannot match the available Federal funds, and the needy old people of my State are paid a bare $20 per month. Every day I receive letters from the needy aged of my State setting forth the terrible conditions under which they must try to live on $20 per month. Under the present system the richer States—those able to match available Federal funds—become richer. Their needy aged people receive higher old-age-assistance payments and those States unable to match available Federal funds become poorer.

My feeling about this matter is, and has been for several years, that we should immediately broaden the Social Security

Act to make it cover all segments of the population, and for those who for one reason or another cannot be covered by social security that we provide a Federal old-age pension of at least $50 per month. If we did this, the needy aged of my State would enjoy the same degree of security in the evening of their lives that the needy aged of the richer States now enjoy. We all recognize that under the present high cost of living that no needy person can live well on $50 per month, and that figure could be supplemented by the States in such amounts as they could afford. No; $50 per month is not much for a needy aged person. But it is so much better than the $20 per month now being received by the needy aged of my State under the public-assistance program.

The first bill I introduced when I became a Member of Congress was a bill to provide a Federal old-age pension of $50 per month for needy aged people of this country. I am sorry that we do not today have before us a bill embodying that principle. I hope this Congress will deal with this need at an early date.

The Social Security Act embraces a program whereby a wage earner and his employer each contribute an equal amount for the security of the worker in his old age.

The coverage of the Social Security Act must be expanded. This is shown by the fact that in all the State of Alabama, with its 3,000,000 people, there are only 15,000 persons now drawing old-age pensions under the Social Security Act. As contrasted with this figure we have some 71,000 people now receiving old-age assistance through the county and State departments of public welfare.

I am for the present bill because it provides for a greatly extended coverage of the Social Security Act. It provides coverage for self-employed persons, except farmers, engineers, doctors, lawyers, publishers and a few other groups. Self-employed persons who have an income of $400 or more per year will be covered. Employees of State and local governments, domestic servants, salesmen, and several other categories will be covered. I am also for this bill because it raises the amount of pensions or retirement benefits for those covered by the act. The very minimum pension for those covered will be, when we pass H. R. 6000, $25 per month instead of the present minimum of $10. The present average pension of $25 for those covered by the Social Security Act will be raised to an average of $44 per month. The bill also provides for a maximum family benefit or pension for those covered of $150 per month as contrasted with an $85 maximum under the present law.

Under the present law a pensioner under the Social Security Act is not allowed to earn more than $15 per month. This is an unwise provision, and I am glad to see that the present bill raises this amount which a beneficiary is allowed to earn to $50 per month. This country was built upon a foundation of hard work, and I feel that the Congress should be particularly careful not to infringe upon this principle. In other words, we should not prevent a retired pensioner from doing work that he is fitted for and which he desires to do.

I am also for this bill because it provides for wage credits for veterans of World War II for the time they spent in the service. Under this bill they will be considered as having earned $160 per month for each month they spent in the armed services during World War II and will be given credit for the amount they would have paid in as social-security taxes on a wage of $160 per month had they been privileged to work in employment covered by the Social Security Act.

I think this provision is fair and attempts to do justice to our veterans of World War II.

I am also for this bill because it sets up a system of pensions for those covered by the act who become permanently and totally disabled. Those workers who become permanently and totally disabled would have their disability pensions paid to them on the same basis as their old-age pensions are paid under the act when they retire at the age of 65.

Just before I left home last December to take my place in Congress, one of my friends who had become permanently and totally disabled, asked me to come by his house. He was a man about 58 years of age and had been covered by the Social Security Act for several years until arthritis had brought him down. He urged me to do what I could to extend the benefits of social security to those who had become totally disabled. My vote for this bill today will be my answer to his request, and to the request, whether expressed or not, of thousands of others like him all over this country.

This is fundamentally and primarily a nation of 150,000,000 human beings. Its problems are by and large human problems. They require a human solution. The provision of disability pensions under the Social Security Act is wise and just. We will always be proud of our part in making these benefits possible for the wage earners of this country.

Many times I have had self-employed people speak to me about the advantages of social-security pensions and express the desire that they could be provided with these benefits. This pending bill will provide coverage for most of the self-employed people in this country.

I am very disappointed that the pending bill did not extend coverage to the farmers of this country. They, as a class, are as much or more so in need of the benefits of this legislation as is any other class of our population. Roughly 70 percent of the people of Alabama live on the farm. Over half of our farmers are tenants. Farming, as carried on in my State, requires much hard physical work—hard, manual labor. Many of our farm people break down in their old age. Many, through no fault of their own, because of low income, are unable to save much for their old age. Under present laws many of them are dependent in old age on public welfare assistance. The payments to them are small. We must devise a better system. I shall not be satisfied until we have worked out a realistic system of laws providing old-age pensions for our farmers.

This bill is a step in the right direction. We must meet the problem of old-age security head-on and solve it. I am convinced that the people of this country are willing to pay for and support an equitable system of old-age and disability pensions. Our failure to provide such will further confuse the issue by allowing various groups of the population to set up various and conflicting and overlapping systems that will oftentimes discriminate against those groups that need old-age security most. On the matter of old-age pensions I believe the thinking of the people of this country is away ahead of the thinking of the Congress on the subject. Let us pass this bill and then go to work to cure some of the remaining weaknesses of the social-security system.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. KLEIN].

ALL OF THE PEOPLE ARE THE GOVERNMENT

Mr. KLEIN. Mr. Chairman, it goes without saying that I am going to vote for H. R. 6000. I can find it in my heart to wish that the bill were somewhat more liberal than it is; but it is the product of debate and discussion, even under a closed rule, in the American tradition, and in the democratic tradition, of legislation.

I have just returned from an all-too-brief tour of Europe, where I saw the tragic results of undemocratic rule with my own eyes. More than ever, I like the American way of doing things, politically and otherwise. Under our system of free and open debate of issues, our sympathy with all minorities, our insistence on equal protection of the laws for all persons, we may not move as fast or as far or as efficiently as we might under a dictatorship; but we move more safely.

In our concept of political relationships, we believe that all of the people are the government.

That is especially true of the Democratic Party, which introduced into American statute law the original Social Security Act which we are preparing to extend and expand here today.

The Democratic Party believes that American citizenship is indivisible and undiminishable.

NO SPECIAL PRIVILEGES

This means that the millionaire has no special rights or privileges, under law, not possessed by the lowliest and poorest citizen; that a penniless Negro is equal before the law to a wealthy Daughter of the American Revolution.

It means that in the philosophy of government expounded in administration and legislation by the Democratic Party we take the position that the American social and political structure is integrated, and that "government of the people, by the people, for the people" is not an inspired campaign phrase but a concise statement of sound political philosophy.

That is why the American people have five times chosen a Democratic national administration, in free and open elections in which the right of all opponents to be opponents has been as carefully

guarded as has the right of Democrats to be Democrats.

When Franklin D. Roosevelt was first elected President, it can be argued, with no reflection on his greatness, that anybody could have won the election; but when the vast legislative program he initiated was endorsed four consecutive times, the conclusion is inescapable that the American people want the Democratic platform.

SOCIAL SECURITY ONLY ONE OF MANY POPULAR MEASURES

Our great system of unemployment and old-age insurance, which we lump under the general name of social security, is only one, if perhaps the most popular, of the many reforms and advances made under Democratic leadership over the last 18 years.

Public housing, more and better education, conservation of natural resources, public utility regulation, a sound code of laws for labor-industry relationships, minimum wages and maximum hours—all these and many more are solid accomplished facts, brought into actuality by the courage of Democratic leadership in the face of strenuous opposition.

It was such opposition which makes the bill before us a pressing necessity; for many of the provisions embodied in H. R. 6000 were also embodied in the original social-security bill when it was introduced, and were taken out of the bill in 1935 to insure passage of the remainder.

I am particularly happy that the committee has seen fit to offer carefully worded and equitable definitions of employees and employers which will do much to end the uncertainty which has bedeviled some employers in good faith, and which has enabled a small minority of grasping and unscrupulous employers to exploit salesmen.

I am happy also that the committee has acted to provide for participation in the social-security program by self-employed workers, and regret only that it has not felt that the inclusion of professional practitioners of the arts and sciences is timely.

The committee especially is to be congratulated upon its clearly written report, which will stand as a monument for many years to its accomplishment, and will illuminate the intent of Congress for the guidance of the courts, of the administrative agencies, and of the American people.

NEW YORK ELECTION ISSUES

The people of my State of New York will be called upon in just a few weeks to elect a new Senator. Debate this week on the social-security amendments has helped to clarify the issues.

On the one hand, we have a Democratic candidate known as an ardent supporter of the New Deal and the Fair Deal, a man who greatly distinguished himself as a governor of New York, and who is pledged to do everything in his power to advance the legislative program of President Truman for responsible and responsive democratic government.

On the other hand we have a Republican candidate who finds his personal inclinations circumscribed by the limitations of the Republican Party. Already he has had to make use of that particularly offensive and meaningless cliché, statism, to express his opposition to progress.

Needless to say, I firmly expect Gov. Herbert Lehman to be elected, and I have offered him every support I may be able to provide.

In that context, because it is so relevant to today's debate, I wish to quote from Governor Lehman's introduction of Mayor O'Dwyer last night.

Governor Lehman said:

> Our philosophy of government can be simply stated: It seeks at all times a broader field of social justice and of opportunity for all groups which make up the state.

That, Mr. Chairman, epitomizes the spirit in which we will pass this bill today, and many another bill in the future, for the sake of human welfare and individual dignity.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Washington [Mr. JACKSON].

Mr. JACKSON of Washington. Mr. Chairman, in my opinion, the expansion and improvement of our social-security system is one of the pieces of "must" legislation for this Congress.

I do not speak as a brand-new friend of social-security expansion. I introduced legislation to broaden and liberalize the system in October 1945, and again in February 1948. In this present session of Congress, I introduced another bill, H. R. 4876, the provisions of which I will summarize below.

While I regret that the Committee on Ways and Means did not see fit to adopt some of the crucial provisions of my bill, I have nothing but commendation for the painstaking way in which the committee has scrutinized every problem in this vast and complex field. After lengthy hearings and long weeks of discussion, the committee has reported out a fine bill.

I am going to vote for that bill.

Simply stated, H. R. 6000 means more benefits to more people under more liberal conditions.

The philosophy behind this may also be stated simply.

Citizens of the United States in their old age, or in time of need, can receive assistance from their Government in two ways.

One way is through relief—costly to the Government and, in many cases, humiliating to the individual. This is a method which penalizes the industrious and the frugal.

The other way is through an insurance scheme—under which the benefits an individual receives are those he has worked and paid for. It is not a something-for-nothing scheme at all. It is a way of having people plan ahead for their old age—and an inexpensive way at that.

One of the principal purposes of the original Social Security Act was to lessen the financial burden of old-age assistance on the Government. A paid-for program was to replace the dole. But because we let the system stand still while the economy moved on rapidly, that purpose has not been realized. We simply do not include enough people in our insurance program. Relief still takes care of many more people than insurance.

And while insurance benefits have stood still, the total of relief payments has almost doubled since 1939.

That is the reason for the extension of coverage proposed in H. R. 6000.

It is time we overhauled the system and brought it up to date. The 1939 level of benefits, inadequate even for that year, has remained untouched while the cost of living has risen nearly 75 percent.

That is the reason for the more liberal benefits proposed in H. R. 6000.

Let me summarize very briefly the major changes proposed in the bill we are now considering:

First. It extends the coverage of the program. The new system will include 11,000,000 more people than are presently covered, in these major categories: Nonfarm, nonprofessional people who are self-employed; employees of State and local governments—on a voluntary compact basis—some domestic servants; employees of nonprofit institutions; certain Federal employees; agricultural processing workers; and salesmen excluded by the Gearhart resolution.

Second. It increases benefits.

Higher benefits—in some cases almost twice the present benefits—will be paid according to a new and more liberal formula.

The wage base for contributions and benefits is raised from $3,000 a year to $3,600.

The minimum and maximum benefits are raised; and the benefits will be increased by one-half of 1 percent for each year of coverage—a feature which I consider vital to the bill and which I will stress in a moment.

Third. It liberalizes the conditions under which benefits may be received.

Newly covered groups will begin to draw benefits after only 20 quarters of coverage—the present minimum is 26 quarters.

Beneficiaries may earn $50 a month—compared with the present $15—without sacrificing their benefits—certainly a realistic change.

Conditions under which the lump-sum death payments may be received have been liberalized, as have the payments for widows' children.

Fourth. The proposed bill takes a major step forward—a step long overdue—in including in the insurance scheme provision for permanent disability.

No one can budget ahead for a heart disease or arthritis—chronic illnesses with with which 2,000,000 Americans are now afflicted. What these diseases do, in effect, is to force upon a person premature and unchosen retirement. Only 5 percent of these people are disabled as a result of their work—so almost no one gets relief under compensation laws.

Under the present system, a person who has contributed to the system for a number of years may lose all of his benefits merely because he is disabled before he becomes eligible for them. As

the committee report states, such a worker "has a real stake in the system which deserves to be recognized. He should not be required to show need to become entitled to benefits."

PROVISIONS OF JACKSON SOCIAL-SECURITY BILL

I have said that I intend to vote for this bill—and I do so without hesitation, even though it does not incorporate some of the features I sincerely believe should be included. For the RECORD, let me explain the principal provisions I believe should eventually be adopted.

EXTENSION OF COVERAGE

First. The social-security system should be extended to include more people—including farmers, lawyers, engineers, and the domestic servants who have been left out of H. R. 6000. The Committee on Ways and Means is to be commended for extending the coverage to 11,000,000 additional persons, but the program is not yet complete. If extended to another 8,000,000 working people, with a minimum benefit of $50 a month, which I recommend, we would at last have a comprehensive pension system, with payments based upon a right earned through work and contribution—not a humiliating program of dole, with a means test. It would be a system consistent with our American ideas of frugality and enterprise.

This extended coverage would not be forced on these people. The farmers of my State have asked to be included in the program. A Nation-wide Gallup poll shows that 60 percent of the farmers of the Nation wish to be included. The Grange organization in my State of Washington has asked that its members be brought under the program.

After all, no one is spared the experience of growing old.

LIBERALIZED BENEFITS

Second, there are four ways in which I believe benefits should be liberalized.

First. The minimum benefit should be raised to $50 a month, compared with the present $10 and the $25 proposed in H. R. 6000.

Second. I believe that the wage base used for computing contributions and benefits should be $4,800 per year rather than the proposed $3,600. However, I wish to commend the Committee on Ways and Means for the advance it has made in raising the level to $3,600, despite powerful proposals to keep the status quo.

Third. I believe that the "average wage" used to determine benefits should be the average of the most favorable 5 consecutive years of earnings, rather than an average of all covered years. This would eliminate penalties for periods of unemployment and noncoverage, and would more accurately reflect a worker's loss of earnings at the time of retirement.

Fourth. I believe that there should be a 1-percent increase in the benefits payments for each year of covered employment, as compared with the one-half of 1 percent recommended in H. R. 6000. This increase is a most important concept in the field of social security. For one thing, it provides an excellent incentive for long and continuous employment under the program. For another, it seems only fair that those who have been long-time contributors to the program should reap greater rewards.

CONDITIONS OF ELIGIBILITY

I favor the liberalization of the conditions of eligibility in two major respects. First, I believe that the retirement age for both men and women should be lowered from 65 to 60. Second, I believe that a newly insured person should be eligible for benefits after he has been covered for one-fourth of the quarters since 1936. That would make a person beginning his contributions in 1950 eligible for benefits in the second quarter of 1953.

INSURANCE FOR TEMPORARY DISABILITY

I have already mentioned the significant acomplishment of the Committee on Ways and Means in including in H. R. 6000 provision for permanent disability insurance. I do not mean to detract from that accomplishment in any way when I suggest that the system should eventually include provision for temporary disability as well—an illness or injury that keeps a person away from his work for less than 6 months. These temporary illnesses are a hardship on a family no less than a permanent disability. For the individual it is impossible to plan for illness. But for a large group, illness is a predictable, insurable risk. Temporary disability insurance has been tried in three States. It seems to be a success.

Mr. Chairman, no one who is aware of the widespread unrest in the field of labor-management relations over this question of security in old age can help recognizing the need for a more comprehensive, liberalized social-security system, in tune with the times, which will give greater benefits to more people.

That is precisely what the Committee on Ways and Means has given us to vote on in H. R. 6000.

Mr. JENKINS. Mr. Chairman, I yield 15 minutes to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, a great many Members of the House have raised the question as to how much increase in benefits is provided for our old people in this legislation. Those of you who have the bill H. R. 6000 before you, if you will turn to page 119 you will see a chart that shows how much of an increase the people who are now retired and are drawing old-age and survivors insurance will receive. For instance, someone now getting $10 will get $25. Someone now drawing $30 will be raised to $50.90, and so forth.

I am glad those people are getting that increase. If there is any criticism against the Ways and Means Committee in the deliberations of the last 6 months, it has been their failure to do something to eliminate the injustices and inequities in the old-age-assistance program.

That same table which appears on page 119 in H. R. 6000 appears in the minority bill on page 99.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. DONDERO. I think in your statement you intended to say to correct the injustices and inequities, rather than increase them.

Mr. CURTIS. I thank the gentleman.

The minority bill increases those benefits for the old people in the same manner. For instance, someone now drawing a minimum of $10 a month will be raised to $25, and so on down the list.

The provisions for old-age assistance are the same in H. R. 6000 as in H. R. 6297, which will be offered in the motion to recommit.

You can go down the streets of any of your towns and meet the old people who are drawing old-age and survivors insurance or old-age assistance and assure them that your decision today on this motion to recommit does not take anything away from them, because both bills are identical in that regard, pertaining to the people now drawing benefits.

There are some things about the insurance program upon which there is considerable disagreement. That disagreement has not always followed partisan lines. As a matter of fact, one of these items was decided one way in the committee and a little later the committee reversed itself and changed its mind.

The minority bill, for instance, benefits older people and people who have had irregular employment and who are about to retire, in a way that H. R. 6000 cannot benefit them, because the benefits are fixed on an average monthly wage. The formula for arriving at the average monthly wage in the minority bill favors the old workers, the irregular workers, and the workers who are about to retire. So in the group that are now receiving benefits, and those about to receive benefits, they will fare better or just as well under the minority bill as under the majority bill. It is true that at a later time—and it will take some years to reach—H. R. 6000 carries what we call the increment; the benefit is increased one half of 1 percent for each year the person has been under the program, That is not going to help your old people now; and that is not going to help the people on old-age assistance who have a welfare worker call at their home, have them make out a budget, and then give them a meager amount to get along on.

Here is another change in the minority bill: The minority bill continues the wage base upon which people will pay taxes. The minority bill continues the provision of paying the employer and employee tax on the first $3,000 of wages. The majority bill raises that to $3,600. That is a bad provision; it will increase the taxes not only on employees, but it will also increase the taxes on everyone who is providing jobs for others. Furthermore, it is bad because $3,000 has been the ceiling for unemployment compensation and many other State programs. So you are going to add to the difficulty, confusion, and taxes of the small employers of the country by this provision of H. R. 6000.

This provision was adopted by the Committee on Ways and Means at one time; we settled on a $3,000 wage base, but it was later raised to $3,600.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. COOPER. Did not the committee also at one time adopt a wage base of $4,200?

Mr. CURTIS. They may have, but as I recall, it lasted only 5 minutes, or some such short time. I may be in error about that, but at any rate it shows that there is considerable disagreement among the people who studied this. There is a strong case to be made out for the $3,000. The reason for asking to have the base raised to a higher figure was the increase the benefits. There may be an argument in favor of that, but to raise it just $600 is neither fish nor fowl, but it does add a lot of confusion to the picture so far as the business of the country is concerned.

I do not want to take too much time, I am not going to use all the time allotted to me, but there are two other differences between the majority bill and the minority bill that I wish to mention, one of them is that the majority bill extends the Social Security Act, including permanent and disability insurance, to Puerto Rico and the Virgin Islands. I do not believe we should at this time, without the investigation that has already been voted, take that step. We perhaps are forcing on to them a social-security system that will be most disturbing to their economy.

Mr. LYNCH. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. LYNCH. Is it not true that the social-security system will not be forced upon Puerto Rico until the Puerto Rican Legislature passes upon it affirmatively.

Mr. CURTIS. That is correct, but I do not think we should even go that far. This House had a good reason for voting $25,000 to send the committee to those two places to investigate this matter. We should have a social-security system for Puerto Rico and the Virgin Islands, but, certainly, it should be studied and determination made that it is not a system which will be disrupting to their economy.

Mr. LYNCH. Was not the authorization covering the $25,000 for the purpose not of determining whether or not Puerto Rico should get the minimum benefits but whether or not Puerto Rico should be placed on the same level as the States?

Mr. CURTIS. I think not. It was for the committee to go down there for the purpose of studying their economy and determine the question.

Now, may I mention one other big issue that is involved here. That is the question, Shall the United States Government go into health insurance, insurance against permanent and total disability? I am not going to argue with the individual who believes that that is a deisrable step. I do think we should consider the other problems immediately before us, the situation of the Treasury, the tax load that is now on the people and the present burdens on our Government.

I call your attention to the fact that this provision for permanent and total disability insurance is just the beginning. Not many people can ever receive benefits under it. This means, if it is started, there will be a demand and a continued demand to increase it into a gigantic and costly program.

Every Member here has in his acquaintance fine people back home who are disabled. You know individuals who have been injured or they are ill, they are paralyzed, maybe they were born crippled. The passage of an act to put the Federal Government into permanent and total disability insurance will not help any of them. They cannot get insurance without a wage record. Why, you will plunge this country into a new venture, a very costly venture; at the same time, it will not do anything for those people who are not crippled, those who are now disabled, those who become crippled in childhood, or in future years those who are born crippled. There will be a huge gigantic bureau to handle this permanent and total disability insurance; yet nothing for the poor chap who was born crippled and has never known what it is to run across a lot and throw or bat a ball. It does not do anything for them. Old age or death are something sure that is going to happen to all individuals. So it is all right to tax that individual on an actuarial basis to pay for his own benefits. All of the people are not going to become crippled or physically disabled. It is something the masses will pay for to help the few. When they tax me to pay disability benefits I want those disability benefits to go to the chaps who are born crippled, to the individual who might become paralyzed before he ever held a job, to the individual who is crippled now, and not as just an addition to our State systems of workmen's compensation for the few who might benefit.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. The class of people to which the gentleman is referring are taken care of in this bill under public assistance.

Mr. CURTIS. In both bills.

Mr. DOUGHTON. One other question. Those who come under the total and permanent disability features have to be fully covered and there must be a need. They will not get a dime unless they can show need.

Mr. CURTIS. Under the insurance program you are paying disability benefits to people regardless of their income, without regard to the property they own or their income.

Mr. Chairman, I am firmly convinced that this minority bill comes nearer doing what down in the hearts the majority of the Members of this House feel ought to be done than H. R. 6000. I am not going to restate the argument on the closed rule, but there are things in H. R. 6000 that would not have stayed in there had we had a chance to vote on amendments. I appeal to the conservative-minded Democrats to vote down H. R. 6000. There is no security in any program that goes too far, that promises too much, that costs too much, that loads the future with too great a cost. H. R. 6000 will cost at least $1,000,000,000 a year more than the Kean bill. I urge you to vote for the motion to recommit.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Louisiana [Mr. BOGGS].

Mr. YOUNG. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield to the gentleman from Ohio.

Mr. YOUNG. Mr. Chairman, I ask unanimous consent to extend my remarks at the point in the RECORD following the address by my colleague the gentleman from Louisiana [Mr. BOGGS].

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. BOGGS of Louisiana. Mr. Chairman, and members of the Committee, my distinguished friend and colleague from Nebraska, in concluding his remarks a moment ago, made the statement and pleaded with the Members of this body not to vote for any program which cost too much, which went too far, or promised too much. Prior to making that statement he made quite a plea for the enactment of the so-called minority bill. Prior to that time, when the committee report was drafted, he wrote, beginning on page 173 thereof, "Additional minority views." I must confess that I am somewhat confused by my good friend, because in the additional minority views he makes a plea for the enactment of a general pension in the United States of America, and in the same breath he condemns the principle of old-age and survivors insurance. Now he comes before this body and he asks us to vote for the so-called minority bill which, in principle, incorporates the same thing which we have incorporated in the majority bill on old-age and survivors insurance.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield to the gentleman from Nebraska.

Mr. CURTIS. I want to thank my distinguished friend for calling to the attention of the House the minority report. I hope the gentleman will create some interest in it and that they will read it. I believe that the present social-security law is not doing the job for this generation of aged, and it is building up an excessive cost for the future. The Kean bill does not load the future to the extent that H. R. 6000 does.

Mr. BOGGS of Louisiana. Please, I yielded for a question. not for another speech.

Mr. CURTIS. I know, but I wanted to add to the gentleman's splendid advertisement of my views.

Mr. BOGGS of Louisiana. I am very glad that the gentleman wants me to further acquaint the Members of this body with his minority report. I will read for the benefit of this body the recommendations of the gentleman from Nebraska, and I will ask the Members of this body which is the more constructive and which is the more conservative bill, whether the committee bill is sound, practical, economical, conservative, and makes good sense, or whether the gentleman's proposition is statism, socialism, welfare state and all of the other

platitudinous words that have been thrown around here today.

I quote from page 183 of the report the language of the gentleman from Nebraska [Mr. CURTIS]:

CONCLUSION

I have, in the foregoing paragraphs—

In those foregoing paragraphs he criticizes the old-age and survivors insurance program which he just defended a moment ago here as incorporated in the Kean bill.

I have presented only some general ideas of how I would overhaul the insurance program. To put these ideas in somewhat more concrete, but not at all final, form, I am submitting the following outline of tentative benefit proposals:

1. Payment of old-age benefits to all citizens who have reached retirement age or over, to the widows of deceased citizens and to their orphaned children under 18.

2. Payments within each category (aged, orphaned, and so forth) to be uniform in amount, though amounts for different categories may differ.

3. No needs test or work clause, except that other federally supported benefit programs would be offset.

Now, Mr. Chairman, that is the Townsend plan.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. It would cost about $15,000,000,000 a year.

Mr. BOGGS of Louisiana. I will come to that in a moment.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield to the gentleman from Nebraska.

Mr. CURTIS. I would just remind the Committee that any proposal of mine is not being offered as a motion to recommit. It is not before the House. Why not read all my recommendations and not stop with only a part of them. The gentleman knows that I do not advocate a costly program.

Mr. BOGGS of Louisiana. What the gentleman is saying is that his proposal is unsound, do I understand that?

Mr. CURTIS. No.

Mr. BOGGS of Louisiana. Go right ahead.

Mr. CURTIS. I am just calling the attention of the Committee to the fact that that is not contained in the motion to recommit, which contains the bill of the gentleman from New Jersey [Mr. KEAN].

Mr. BOGGS of Louisiana. What the gentleman has said, as I understand, is that he is for this program I have just read, which is the Townsend plan, and which would cost the taxpayers of the United States at least $15,000,000,000 per annum out of the Treasury of the United States.

Now let us talk about costs. Let us look at that for a moment. What is the committee bill seeking to do? The committee bill says, in keeping with the recommendations of the advisory committee appointed by the Finance Committee of the Senate in the Eightieth Congress, headed by a Republican Senator, and in keeping with the recommendations of the majority of the members of this committee after hearing evidence for 6 months, it is the considered judgment and policy of the committee that those participating in this program shall contribute to its cost. That is a sound proposition. That means that the men and women who benefit pay for those benefits. But the gentleman from Nebraska says that the cost will bankrupt the Government of the United States. On page 179 in his minority views he points out the cost in 10, 20, 30, 40, and 50 years, and so forth, and finally he gets up to the figure of $11,700,000,000. That $11,700,000,000, if it be accurate, and I presume it is, is derived from the contributions of the employers and the employees. It is not taken out of the general funds of the Treasury of the United States of America.

But what would happen if the plan proposed by the gentleman from Nebraska [Mr. CURTIS] were adopted? Let me give you some figures on the cost of his proposal—and I will be modest about it. If the flat payment were to be $20 a month—mind you, that is $5 less than the minimum benefit provided in the proposed legislation—the annual cost out of the Treasury of the United States would be $2,800,000,000. If it were $30 a month, it would be $4,200,000,000. If it were $40 a month it would be $5,600,000,000. Again, not out of the reserve fund built up by the contributions of employers and employees, but out of the general fund of the United States of America.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield briefly for a question.

Mr. CURTIS. If you are opposed to doing something for all of the old people of the country, why is it that Louisiana has 8 out of 10 old people on old-age assistance, when the national average is only about 2 out of 10?

Mr. BOGGS of Louisiana. I am very glad the gentleman brought that up, because that proves under the existing program, if the States are willing to make the sacrifices required, something can be done for the old people. Let me say to the gentleman he made this vigorous plea here a moment ago about what we had failed to do for the old people. The gentleman appeared before the Committee on Rules against this bill. Now he comes here advocating the Townsend plan and he says he is going to save the Government money. I say, "Consistency, thou art a jewel" indeed.

Mr. CURTIS. The gentleman from Nebraska has not advocated the Townsend plan or any plan costing the ridiculous amount stated by the gentleman from Massachusetts [Mr. MCCORMACK]. I do favor a social-security program that treats all our old people alike and I want to end the abuses under old-age assistance. You are reading part of my recommendations and not all of them, to becloud the issue that is involved, which is the motion to recommit.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 10 additional minutes to the gentleman.

Mr. BOGGS of Louisiana. Mr. Chairman, the Members of this body do not want to be deceived. There is no Member who has sat in the House of Representatives more than 30 days who does not know what the Townsend plan is. The Townsend plan is a general pension for everybody reaching the age of 65 or 60. The only difference between the gentleman's proposal and Dr. Townsend's proposal is in the amount—that is all—plus the fact that he discriminates against the veterans.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield.

Mr. McCORMACK. In connection with the motion to recommit, I should think it ought to be impressed upon any of the Members who might believe in something like the Townsend plan that that is not even in the minority report.

Mr. BOGGS of Louisiana. No. As a matter of fact, the motion to recommit, or in other words, the bill of the gentleman from New Jersey, is certainly not the Townsend plan. In other words the gentleman from Nebraska just made a speech for a measure to which he is opposed according to the views expressed in his own minority report and published in the official committee report.

Mr. Chairman, the Members of this body must know—they must know—that the problem which confronts the United States of America in working out this situation is to bring before the people of the United States the soundest and most constructive program that we can devise under existing conditions. I believe if you will approach the work of this committee fairly and if you will analyze the testimony before the committee—if you will note the names of the distinguished men and women who testified before our committee, I think you will say your Committee on Ways and Means has done a good job and is moving in the right direction toward bringing about a constructive social-security program and is not engaging in any demagoguery to fool anyone, whether they be old people, widows and orphans, or what have you.

Mr. Chairman, I yield back the balance of my time.

Mr. YOUNG. Mr. Chairman, I assert the people's Representatives can provide reasonable social security for the less fortunate among us without in any way sacrificing that liberty which we know as the American way of life. An adequate old-age insurance program, reasonable aid to the unfortunate, and extension of retirement benefits is not statism nor is it socialism. Your Congress is determined that aid for the aged shall be based on an insurance system instead of a mere pension system. We have broadened coverage, benefits have been greatly increased. A worker who would now retire at $31 monthly, which is the present average payment, will, under the new bill, get approximately $56 monthly.

Personally, I consider it but a matter of time before farmers and farm laborers will ask Congress to include them within the social-security program. When they fully understand the benefits of the Federal social-security system, they will plead with their Representatives to admit them.

Farmers not only pay for the benefits which industrial workers receive because certainly a part of the pay-roll tax is added to the cost of products they buy, but they are also paying State taxes to meet local old-age assistance and relief burdens. I am convinced that all gainfully employed men and women, except public employees such as teachers who have their own pension systems, should be included under our social-security program. We face the problem—should we make the social-security system financially sound so that it will maintain itself, or should we permit the present tax to be frozen at 1½ percent against employer and the same tax against employee, providing any deficit be paid from the general revenue. Obviously, such a scheme would be unfair to taxpayers who are not covered in employment. Therefore, in this social-security legislation instead of compelling any citizen to pay Federal taxes for benefits paid to other citizens, we provided this bill which will enable the social-security system to carry itself, the schedule of taxes rising from 1½ percent against employer and employee in 1951 is gradually increased up to 1970 and the social-security system carries itself. Of course, as for the self-employed, they are both employer and employee and must pay a greater tax than fixed for employees only.

Under this social-security program, we of this generation do not impose upon our grandchildren to find the money to pay benefits we have promised. This is a pay-as-you-go social-security program. It is sound in every respect. It represents the greatest legislative achievement of your House of Representatives within the past 10 years. We provide a social-security system under which people may retire in comfort instead of on a mere subsistence level.

It may be taken for granted that this Congress will liberalize social-security payments. The dignity of every individual in the Nation is involved. Something deep inside a person is offended if after a lifetime of productive work all he gets is a hand-out. If we are not going to have social insurance, we must have relief.

Social-security amendments increasing welfare benefits and expanding coverage is the most important legislation to be considered in the House of Representatives before adjournment of this session. Salesmen, self-employed, except certain professional self-employed, domestic servants, and other workers not now eligible for social-security benefits upon attaining the age of 65 will be covered. Old-age security and social-security payments generally will be increased.

Last year C. E. Wilson, president of General Motors, received $516,000 salary and bonus. He made $258 an hour. General Motors voted him $25,000 per year retirement pension effective when he decides to retire. If American industry—big business—can afford to pay pensions to retired officials who do not need them, is it state socialism when the people's representatives impose a tax on industry and on the employees to pay retirement pensions, or social-security payments, to those who do need them?

We, in the Committee on Ways and Means, worked in lengthy daily sessions for 26 weeks dealing exclusively with social-security problems. This is the first extension and liberalization of the Social Security Act in 10 years. Benefits for existing beneficiaries will be increased from 50 to 150 percent. Minimum primary benefits have been increased 150 percent. Minimum family benefits have been increased from $85 to $150 per month. A good prediction is that the public generally will be pleased with this legislation and that following its passage in the House of Representatives, the other body will act favorably on this legislation early next year. Federal contributions to the States have been increased $160,000,000 yearly for the needy aged, the blind, and for dependent children. This social-security proposal also provides that a worker drawing retirement benefits may now earn up to $50 a month instead of the present limit of only $15 without losing retirement pay.

H. R. 6000 was written following extensive public hearings and every provision in this fine bill is there because of either unanimous vote or majority vote of the Committee on Ways and Means.

There was no evidence that the majority of farmers, lawyers, doctors, dentists, and other professional men desired to be covered by social security. There was ample evidence that other self-employed did desire to be covered by provisions of the social-security law.

The last Congress, by limiting the definition of employees, removed nearly 700,000 individuals from social-security benefits. We have repealed that provision and restored those individuals. In addition, we have provided that workers who have paid for coverage under social security and who then become totally and permanently disabled will immediately receive social-security payments and enjoy benefits for which they paid while working and of sound health. At the request of employers of nonprofit institutions, we have admitted on a voluntary basis 600,000 employees of charitable institutions such as churches and welfare organizations.

Regularly employed domestic servants, other than those employed in farm homes, will now be included within social security and these 700,000 persons surely need the benefits of social security. Public employees already under retirement systems are covered only if upon a referendum by a two-thirds vote of the membership they choose to enter the social-security system. The enabling act for this purpose must be provided by State or local legislation.

The social-security bill would increase old-age and survivors insurance benefits materially. For instance, it will boost from $41 to $79 a month the social-security payment for a man over 65, with a wife over 65, who has been in the program for 10 years at an average wage of $100 a month. If the monthly pay averaged $250 the social-security payment would go up from $66 to $102.

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. 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 65, many find themselves unemployable. 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 65, is poverty-stricken and dependent upon charity. The black slave knew no such tragedy as this. It was a tragedy reserved for the free worker in the greatest nation on earth.

Regarding social security expansion and liberalization, one can well comment that in this Nation we have gone a long way since 1932 when the then President said, "Relief is a local problem."

Private charities, bread lines and soup kitchens must not be the answers of American intelligence and sense of justice to the problem of unemployment and indigent old age.

An added reason we should pass the social security expansion bill is to head off the trend toward private pension plans in industry. The pension issue cuts a big figure in the steel- and coal-contract controversies.

The demand for social-security payments by segments of our population, by Ford employees, and steel workers, for example, threatens to result in unbalanced, overlapping, and competing programs. The financing of such private programs may become chaotic and their economic effects dangerous. We Congressmen intend to liberalize the Nationwide system before it is undermined by these outside forces. Once this basic system is firmly established, remaining needs of particular groups in industry can be assessed and met in an orderly manner.

Mr. JENKINS. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Chairman, on yesterday I discussed the reasons why I favored the general philosophy which is behind H. R. 6000. Today I want to tell you why those who favor a liberal and sound social-security system should support H. R. 6297, in place of the committee bill, when it is offered to the House on a recommital motion.

H. R. 6297 would cure the major defects of the administration bill while providing greater benefits for the lower-income groups.

It contains the same increase in benefits for those now retired under old-age and survivors insurance as does the administration bill.

It contains the same increase in benefits for those on the assistance program as does the administration bill.

But it provides for the coverage of 1,300,000 additional workers who would be left out under the Democratic bill.

It would save over $1,000,000,000 a year.

It would mean a lower tax rate for the American people.

It would provide for higher benefits for those who are occasionally laid off their

jobs by basing the amount of benefits on the best 10 years of consecutive employment.

It would provide for permanent and total disability payments to those in need through the Federal-State assistance program rather than through the insurance program.

It would correct the provision of the administration bill which surrenders to the Treasury Department and the Federal Security Administration the right to determine what rate of social-security tax a person should pay by giving those agencies the authority to determine who is a self-employed person and who is an "employee."

There are several grave matters of policy which ought to be decided by the House. The fact that we have to vote them all up or down in one package is a mockery of representative government. If those who engineered the deal for this gag rule really believe in democracy, their consciences should not let them sleep for many a day.

To go into more detail. The bill which will be offered you on a recommittal motion is the same as the administration bill except for 10 items. These are briefly outlined in the minority views on page 157 of the committee report.

I will discuss the more important changes first:

H. R. 6000 provides a double reward for those who have steady employment. First, there is what is known as the continuation factor:

A worker's benefits are first calculated on his average wage over his working lifetime, according to the formula provided in the bill, and then there is a deduction for the amount of time during which he was not working or was not in covered employment.

For instance, if a man's primary benefit was $60 and he worked in covered employment for 19 out of 20 years, you would divide his primary benefit of $60 by nineteen-twentieths and the resultant figure which he would be paid monthly would be $57.

So the man who has been steadily employed has the reward of getting the full $60 while the man who has been out of work, or not in covered employment for the 1 year, will only get $57.

The second reward for steady employment is what is known as the increment factor. This is a credit of one-half of 1 percent of primary benefits for every year in which a worker remains in the system. The individual I referred to above whose primary benefit was $57 would thus be credited with 28 cents for each of the 19 years he remained in the system and thus his primary benefit would amount to $62.32; while the man who was never out of the system would have an increment factor of 30 cents a year and his primary benefit would be $66.

Thus the more fortunate receive a double reward under the committee bill.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I yield.

Mr. HARRIS. Who would pay the additional benefit that the gentleman would receive?

Mr. KEAN. It would be paid by the people who contributed to the system, including the individual himself.

Mr. HARRIS. In other words, the individual would be paying for what he would receive as benefits?

Mr. KEAN. Yes, sir.

This so-called increment is a very expensive proposition. Actuaries estimate that its cost will amount on an average to well over $800,000,000 a year.

The advisory committee of experts set up 2 years ago by the Senate Finance Committee recommended its abolishment.

In the first draft of H. R. 6000 it was abolished. However, on reconsideration the Democratic members put it back in the bill. But this addition would have necessitated a further increase in the heavy pay-roll tax by almost 1 percent.

The Democrats did not relish putting into their bill a 7½-percent tax and, therefore, they looked around for other ways to lessen the cost of the bill.

In the bill as originally drafted was a provision that benefits be based on the 10 best years of a working life. This would greatly benefit those who, owing to the business cycle, are occasionally laid off their jobs, and other important classes of workers—particularly farm labor, for owing to the fact that farmers and farm labor are still excluded from the social-security system a large number of these workers will still shift back and forth between covered and uncovered employment, thereby creating a record of irregularly covered employment for social-security benefits.

With the change in the wage scale since the late 1930's and the historical fact that wage scales increase over the years, benefits based on the 10 highest consecutive years will reflect more closely the amount required for a decent standard of living than would the average wage over a working lifetime which not only includes years of depression and unemployment, but also years when the wage scale was low and perhaps early apprenticeship years.

The Democratic majority in order to find some of the money to pay for the increment changed this 10 consecutive years basis for figuring benefits to that of an entire working lifetime. Thus, they have lowered the benefits by $600,000,000 of those who will need it most and given this $600,000,000, plus $200,000,000 additional, annually, to those who need it least—those who, owing to their steady employment, have been able to supplement their retirement through savings and life insurance.

In H. R. 6297 we have eliminated the increment feature and restored benefit payments on the basis of the 10 best consecutive years of employment.

The second major item is that of permanent and total disability. In the committee bill, this is taken care of in two ways:

First, a fourth category has been added to the assistance program by which the Federal Government will match payments by the States to those permanently and totally disabled and in need.

The committee bill also contains a provision that total and permanent disability should be under the insurance program. This provision is eliminated in H. R. 6297.

The reasons for this are many. I outlined some of them in my talk yesterday, but for those who were not present then I would like to repeat.

This is an untried field. The cost of this insurance program is unknown. It will probably be well over a billion dollars a year, but no one knows. Benefits would be taken out of the trust fund which was set up for old-age and survivors insurance.

The experience of private insurance companies in this type of coverage was most unfavorable. Claims increased by leaps and bounds during periods when unemployment was high and were sharply reduced in times of full employment.

The determination of when a worker is totally disabled is a marginal one. It is usually a question of judgment.

The theory of the insurance system is that benefits are a matter of right. Would not everyone feel that, having paid the insurance premium, he was entitled to these benefits even if only slightly disabled?

A permanent lifetime pension is so attractive that it would be difficult for many workers to resist the temptation to try to make out that they were disabled in order to get the benefits which they felt they had paid for through their pay-roll taxes.

It would be better for the present to experiment with this in the old-age assistance program.

Determination of who is totally and permanently disabled certainly can be made better at the local level than under bureaucratic rules made by Washington.

Eight other items are included in the minority bill.

Puerto Rico and the Virgin Islands are eliminated from the insurance system. The pay scale is so low in Puerto Rico that many would receive inordinate benefits, many who are working would not qualify at all, and as a large portion of the working population earns less than $50 a month, many individuals could continue to work at their usual wage scale and still draw benefits.

Puerto Rico and the Virgin Islands should have social insurance, but there should be an independent system set up for them.

H. R. 6297 provides for continuation of the present $3,000 wage base. The administration's original suggestion was that this be increased to $4,800. This made some sense as it was in accord with the administration's philosophy. But $3,600 is neither fish nor fowl. It is not enough to greatly increase benefits for the higher-wage earner, as desired by the administration, but it does disturb all present private-pension systems which are geared on a $3,000 wage base for social security, and it also adds greatly to the work of the businessman for unemployment insurance is figured on a $3,000 wage base.

Under this change also, any increase in benefits goes to those who are better able to provide for their own protection

and does nothing to increase the benefits for the lower-wage earner with whom the system should be primarily concerned.

H. R. 6297 also eliminates paragraph four of the definition of employee which gives to the Treasury Department virtually unlimited discretion to determine where the impact of the social-security taxes will fall.

The committee bill in the first draft first took in all household workers, and then eliminated those who need protection most. H. R. 6297 would restore the original provision in the bill by which all regularly employed household workers would be covered.

H. R. 6297 would continue the existing law with respect to lump sum death payments and do away with the new provision for lump sum death payments for all. The chief beneficiaries of this provision in the administration bill would be the undertakers. To pay this lump sum certainly changes the whole philosophy of the insurance program.

H. R. 6297 directly excludes teachers, firemen, policemen, and other State and municipal employees who are already covered under their own retirement systems. Representatives of these retirement systems believe that the provision in the administration bill would jeopardize these existing systems to which contributions have been made over long periods of time. We have, therefore, seen to it that they cannot be forced into the insurance system.

H. R. 6297 would decrease the cost to the system on an average of $1,250,000,000 a year. In order that the taxpayers may benefit from this, we have in our bill a tax rate lower than in H. R. 6000. Comparison between the total tax rate on employer and employee in H. R. 6000 and in H. R. 6297 is as follows:

	H. R. 6000	H. R. 6297
	Percent	*Percent*
1950	3	3
1951-59	4	4
1960-64	5	4
1965-69	6	4
1970-79	6½	5
1979	6½	6

H. R. 6297 is a better bill than H. R. 6000. It does what a social-security system should do—gives greater benefits to the lower income group. It is sounder than the administration bill. It will save the taxpayers an average of more than a billion dollars a year.

The recommittal motion which will be to substitute H. R. 6297 for H. R. 6000 should be adopted.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. KEAN. I am glad to yield.

Mr. HARRIS. As I understood from the debate here today in further reference to the definition of the word "employee" which has been thoroughly discussed, I think it is revealed that the bill that the gentleman has introduced, which I understand will be offered in a motion to recommit includes the first three paragraphs, and paragraph 4 is deleted. My colleague, the gentleman from Arkansas, who has also made a thorough study and is quite familiar with the entire definition and its background, made the statement this morning that the definition as included in the committee bill, H. R. 6000, will cover only 50,000 to 75,000 more employees than the gentleman's bill with his definition. I would like for the gentleman to comment on that and see if he has the same viewpoint as my esteemed friend from Arkansas.

Mr. KEAN. I would say it might be a little more than that.

Mr. HARRIS. Generally, the gentleman would agree with the statement of the gentleman from Arkansas?

Mr. KEAN. Yes, generally.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Idaho [Mr. WHITE].

Mr. WHITE of Idaho. Mr. Chairman, I have always been in favor of a national old-age pension bill. Long before I ever heard of the Townsend pension plan I joined one of the great fraternal organizations of this country because it stood for an old-age pension plan. Here we have a social-security bill of 201 pages of irregularities and inequalities.

Why do I say "inequalities?" Because some people who perform the same service will get less pay in certain States than in others. That is why I say it is a bill of inequalities.

What we should have is a simple bill of a few pages that will provide an old-age pension plan for all people who have reached the age of retirement, and those who have become disabled and are unable to work. What the American people are entitled to is a national old-age pension plan paid direct to the beneficiaries by the Federal Government just as pensions are paid to retired military officers, war veterans, and retired civil-service employees through a simple system of certification.

Mr. Chairman, the greatest thing the people of this country have today is good government and their American birthright. We seek here to add to the American birthright the right of old-age security.

When the young men of this country, the present generation, take over on reaching the age of maturity, they will find a country that is already developed. They will find a country of beautiful cities, farm homes, roads, production and transportation facilities, a country that is dependable. The rising generation came into this world without even clothes, they are nourished and cared for by the generation that brought them forth. Why should not the generation that is retiring be supported in ease and comfort in their declining years? If we can send $40,000,000,000 to one country, a little island off the coast of Europe, England, why can we not have a proper old-age-pension system? Our great floor leader was very much concerned about $15,000,000,000 a while ago, but he did not say a word about the $40,000,000,000 that we are pouring into Europe, $22,000,000,000 for UNRRA, $10,000,000,000 for ERA and millions for displaced persons, to people who may be ungrateful, people who will turn on us at the first opportunity probably.

Let us support the people in this country who have made the country what it is today. Let us support the generation that has made America great, the generation that has preserved America. We are entitled to an old-age pension. Let us give a little thought to this whole matter.

The CHAIRMAN. The time of the gentleman from Idaho has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Colorado [Mr. CARROLL].

Mr. CARROLL. Mr. Chairman, it would be presumptuous on my part at this late hour to undertake to go back over this bill or over parts already covered in this debate.

I have had the privilege of serving as a new member of the Committee on Ways and Means under our able chairman, the gentleman from North Carolina [Mr. DOUGHTON], and with the able gentleman from Tennessee [Mr. COOPER], and the able gentleman from Arkansas [Mr. MILLS] and many of the older and learned members of that important committee. I never fully realized that in the Congress of the United States I should find men who would devote themselves week after week and month after month so tirelessly to a solution of a very complex problem. They all have rendered a great service. I well remember that in the Eightieth Congress I did not like some of the closed rules that were imposed upon me as a new Member. In a sense I do not like this closed rule, but reason and logic impel me to the conclusion that we could not bring a bill such as this out on the floor of this House without a closed rule. All of the arguments I have heard from the gentlemen on the left have not convinced me. Just the change from 65 to 62 years of age would increase the cost of this bill enormously. It would upset the whole tax base of the bill. I am one of those who voted to reduce the age to 62 years. I am one of those who wanted to bring the farmers and the agricultural workers into this program. I am one of those who joined with the gentleman from New Jersey [Mr. KEAN], extending greater coverage to domestic servants. I realize that there are many meritorious provisions in his motion to recommit, but let me say this to you, the truth is, that the Republican leadership have included two or three good points to sweeten up some other very bad provisions in their motion to recommit. Now, that is the basis of the motion to recommit. It has been commented on at length by the gentleman from Arkansas [Mr. MILLS] and the gentleman from Tennessee [Mr. COOPER]. It is unnecessary to repeat the unanswerable arguments that were made a short time ago by them.

I submit that the Republican leaders are on the horns of a dilemma. They have been caught opposing legislation which the people of America want, and they have to make some sort of a showing, and that is one of the reasons for the motion to recommit.

Now, you are going to hear in the ensuing year, in the months ahead, already

you heard part of it in the recent campaign in Pennsylvania, and you will hear this later throughout the Nation, the cry of welfare state, socialism, and statism. I want every Democrat here and every reasonable Republican, if they will take the time, to read one of the finest American utterances that you will ever have the privilege to read. It is found on page 2229 of the hearings. This is a statement made by J. Douglas Brown, dean of the faculty and director of public relations section, Princeton University. Who is this man Brown? Why, he was a member of the Advisory Council on Social Security to the Senate Finance Committee 1947–48; he was chairman of the Federal Advisory Council on Social Security 1937–38 and he was a staff member of the Committee on Economic Security 1934–35. Now, this man may not be a Democrat. I do not know what he is; he may be a Republican. But, he is an American coming before the committee to give his viewpoint concerning this bill. Yes, even the chamber of commerce came in to support this bill. Who else? The insurance companies. And, I am informed by my colleague from Tennessee that when this legislation was first brought before the Congress in 1935 they fought it. Now, why have the insurance companies changed? Well, they have changed because they discovered that as these millions of Americans were given this limited type of insurance, the people became insurance-conscious, and therefore it stimulated private insurance business.

This is also one of the reasons why insurance companies are fighting certain provisions of this bill. In short, they do not want the wage base increased from $3,000 to $3,600 for the simple reason that they fully realize that the benefits from such a wage base are a bare minimum to meet the needs of security. Of course, their hope is that they shall be able to sell additional policies over the $3,000 wage base if such continues to be the law. In my opinion they are short-sighted, and their fears are groundless. Even with a wage base of $4,200 there would be ample insurance business for these companies and this bill does not in any manner interfere with private insurance enterprises.

That is the argument of the insurance companies, and that is why you begin to meet some of the opposition on this floor today reflecting the views of the insurance companies.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. CARROLL. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. On the question of being insurance-minded, there is four or five times as much insurance being written by private companies now as there was in 1935 when the original Social Security Act passed.

Mr. CARROLL. Of course; and may I say to the gentleman from Massachusetts that when this legislation first came before the American people in 1935 there was a $3,000 a year wage base established. What has happened today? I do not think this bill goes far enough. It ought not to be $3,600, at a minimum it ought to be $4,200, because there has been a 70-percent increase in the cost of living. Greater security is needed.

All business, all intelligent businessmen, all labor leaders, all people who have studied this have said, "Establish this base at $4,200," but notwithstanding that, in a great fight in our own committee we had to compromise and come out here on a $3,600 basis. Such is the democratic process.

What does the motion to recommit ask us to do? Go back to 1935. That we cannot do; we must not do.

I want to read you a statement by this gentleman from Princeton, Mr. Brown, because his testimony is a complete answer to the charges of the welfare state and statism and the trend toward socialism. I quote Mr. Brown testifying before the Committee on Ways and Means:

> Mr. Chairman and members of the committee, accumulating experience indicates that the survival of democratic capitalism as a political and economic system will depend in the main upon the genius of man in combining the three ingredients vital to the success of the system. These ingredients are individual incentive, mutual responsibility, and an effective framework of protection against the corroding fear of insecurity.
>
> As democratic capitalism has moved from the stage of a predominantly agricultural economy, through small industry, to a vast industrialized machine, the relative weighting upon these three needed ingredients has shifted. The farmer and the shopkeeper of Colonial days thrived because of individual incentive, and the simple economy thrived with them. The factory system introduced new and intricate relationships of mutual responsibility. And now vast aggregations of interdependent economic activities, by their very size and impact upon the individuals who serve them, necessitate greatly enhanced safeguards against impersonal and overwhelming contingencies.
>
> The people of the United States have been slow to recognize the importance of this third ingredient vital to the survival of democratic capitalism. They have been blessed so richly with bountiful natural resources and with high talent in harnessing these resources that they have been but little concerned in safeguards against potential epidemics of want. The depression of the thirties brought a degree of awakening, and stimulated the establishment of the partial system of safeguards under the Social Security Act of 1935. But, since that time, war and industrial conflict have diverted attention from a fundamental cause of both of these interruptions to peaceful progress—economic insecurity. It seems high time for renewed and effective action in the core area of our problem in industrial relations today.

Individual incentive is in this bill, because the individual contributes to his own security. There is mutual responsibility, because it rests upon the employee and upon the employer. Every Member here who senses what people are thinking at home knows that there is a corroding fear of insecurity.

Why does that happen? We have passed out of an agricultural economy and are now in a factory system, where we find a single great corporation employing as many as 250,000 people. One corporation does that. And what else do we find today? Strikes over the very question we are debating on the floor of Congress today. The A. F. of L. and the CIO came before our committee and issued a warning months ago that the time to act is now, the time is now for the Government to go forward to establish a proper base for security. The Congress has fiddled. We should have had this legislation here long before this late hour. Our failure to act more promptly subjects the Nation to certain penalties. The longer we fiddle, the greater those penalties will be.

Let me read you some more from the testimony of Mr. Brown. Mr. Brown poses this question:

> How can we establish an effective framework against the fear of insecurity in order to sustain individual incentive and to assure mutual responsibility under democratic capitalism?

That is the question he put to our committee.

> The most effective governmental mechanism yet invented to meet this challenge is contributory social insurance.

That is what is involved in H. R. 6000. Mr. Brown continues:

> Contributory social insurance prevents insecurity while preserving incentive.

There is no welfarism, there is no statism or socialism in this bill.

> Protection is based on a man's contribution to the Nation's productive effort. Mutual responsibility is encouraged by joint participation of government, employer, and worker in administering and financing the program.

Here is the paragraph that all democrats, small "d" democrats, ought to memorize:

> Contributory social insurance avoids the sweet dangers of paternalism. It encourages self-reliance. It prevents dependency before it occurs rather than alleviating it after the fact.

As the gentleman from Idaho [Mr. WHITE] said a little while ago, talking about the old people. What happened in America in the early days of our country? Why is it that there exists a drive in the West for pensions? Because the old people were never given an opportunity to participate in a contributory-insurance system. Today what do we find in the West and the Southwest? There is a great movement for a general pension system. Let me issue a warning. If this Congress fails to heed the growing demands to eliminate the corroding fear of insecurity, you may rest assured that in due time there will be an uprising on the part of the people which will force action on a general pension system. I realize that this bill does not have the full approval of certain pension leaders who have pioneered the way for adequate security for the aged people of this country, and I pause here to pay tribute to those pension leaders who, through many years, have been steadfast in their desire to achieve greater security for the aged of this Nation. Had it not been for their untiring efforts, there is no doubt in my mind that there would have been little, if any, security legislation on our statute books today. It truly can be said that legislation such as this stands as a monument to their trail-blazing efforts.

The CHAIRMAN. The time of the gentleman from Colorado has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 5 additional minutes to the gentleman from Colorado.

Mr. CARROLL. Mr. Chairman, I shall not take up much more of the time of the Committee. I should like to finish Mr. Brown's statement:

Relief and assistance are necessary last resorts, but like all paternalistic measures, they breed dependency by making it comfortable. Even more serious in a democracy, they encourage subservience to the group or agency that gives the most generous hand-outs.

Remember, under a contributory insurance system no man needs to be beholden to any political party. He does not need to be beholden to a Social Security Agency for he has earned his security. Yes, he has paid his way.

I might say, ladies and gentlemen, after listening to testimony on this bill for some 6 months, as I have indicated to you, I wish we could have gone much further in this bill. I think time and experience will bring the farmer and the agricultural worker within the program. I think time and experience will bring the professional groups within this program. This program is good for democracy. This program is good for America, and good for the little people of America. If we have the courage to pass this bill speedily the Senate of the United States can then work its will upon it in the next few months.

One final word in closing this debate. This important bill will affect every American and every home in this great Nation. Clearly the time has come for us to strengthen and enlarge the provisions of the Social Security Act. The level of benefits under this insurance system must be made adequate, protection reasonable, and we must permit greater participation to everyone who works for his living.

Mr. JENKINS. Mr. Chairman, we are engaged today in consideration of a legislative measure which goes to the very heart of our American way of life—which touches upon every section and cross section of our people, and which will leave its imprint not only upon the present generation of Americans but upon all the future generations. I say to you with all the sincerity and vigor at my command that many sessions of this great Congress will come and go before we have the privilege of considering a piece of legislation which is of greater magnitude than that before us today.

I would at the very onset call your attention to but one single aspect of this legislation which makes it so unique and which by this feature alone characterizes it as such a vital and significant matter. I refer to the fact that this legislation will endure in perpetuity or until this great Nation should ever be called upon to repeal its national obligations. A bad tax law can always be repealed, or any Federal project which is undertaken can be abandoned if the facts show that we were wrong. But, under this legislation, the sovereign Federal Government is writing binding contracts with its people. These contracts cannot—and must not—ever be repudiated. Approximately 80,000,000 persons have paid some money through social-security taxes into this system—approximately 25,000,000 persons are currently insured, and approximately 13,000,000 persons are fully insured, which means that they are entitled to receive their benefits upon reaching 65. Already over $12,000,000,000 of social security taxes have been paid by the American people into the old-age and survivors insurance and under the legislation we are considering today this fund will probably grow to over $90,000,000,000 and the annual cost of this one program alone may well exceed $10,000,000,000 annually. I call your attention to these facts for the sole purpose of alerting you to the seriousness of this legislation and to caution you that a false step today may jeopardize the protection and security of our people for whom this system is so nobly designed. You will reflect, of course, that the system has been amended before—in 1939; in 1943; in 1946—and that a bill almost unanimously passed the House in the Eightieth Congress which would have increased benefits and extended coverage. You will say to me—if this has been done in the past, it can be done in the future to remedy a mistake which we might make. But, and I call your attention to this fact, amendments made in the past have been upward and have been designed to widen benefit payments and to increase the coverage provisions. The history of social legislation in all countries shows that the political implications of revoking what may have become regarded as a vested right are such that benefits are never reduced despite costs.

It is my firm belief that if we go forward cautiously in this field, our social-security program will endure forever, and this is my hope and yours as well, I am certain.

It seems to me that in considering this legislation it is of the utmost importance that we keep before us the end to be achieved and not lose ourselves amidst the thick foliage of technicalities and minor provisions. It has always been my belief that the purpose of social security is to provide a basic floor of economic protection to the individual and his family. I believe that such protection actually stimulates and encourages additional financial protection to be gained through individual initiative and ambition. According to my philosophy, benefit payments should be realistic and not mere token payments. Let us examine for a moment how large a benefit an insured person should receive.

If old-age and survivors insurance had been framed like the English system, every person whose work is covered would pay in the same tax, and each would receive the same retirement benefits. Each member of any class of beneficiaries would likewise receive the same monthly amounts. The problem would be that of determining an appropriate benefit and of determining the proper weekly or monthly amount of supporting tax which the insured earners would pay.

Our system, however, was framed after the German system—social-security taxes are a percentage of wages—with an over-all annual limitation. Benefits are also in varying amounts, related through a weighted formula to wages and length of service.

In the case of the English system, the question of an appropriate benefit amount has presumably been fixed after reviewing the needs of the typical beneficiary, the extent he may be expected to meet these needs through private sources, the social-security tax insured persons can be reasonably expected to pay, and the supporting funds which can be derived otherwise. The fixed tax amount means that the direct supporting tax is relatively heavy on some, relatively light on others. The fixed benefit amount likewise means that persons who have no private resources will often have to look to general relief. For the British economy cannot afford benefits of a size to provide more than a minimum of protection.

In fixing our own benefits, the same basic approach of considering the typical insured person, and weighing the factors of probable need and outside resources, required supporting taxes, and so forth, must also be followed, if we are to have a defensible system, which will provide a floor of protection at costs our own economy can stand.

Variations from the amount so determined, by virtue of differences in the insured's wages, taxes, and length of service in covered employment, requires a special justification based upon these factors alone.

Fixing variances in benefit amounts on the basis of difference in aggregate contributions is far from simple. In the first place, differences in the benefits which various contributors to date would purchase are small indeed. To date in contributions of the largest contributor and his employer would purchase only about a $61 per month benefit at age 65. The smallest insured contributor and his employer would purchase about a dollar's benefit.

On the other hand, when in a few years our people enter the system, if the rate is 3 percent, or three times the present rate, they and their employer will have contributed perhaps $7,200, and, with accrued interest, will have paid for an annuity of perhaps $75 per month at 65.

In fixing a benefit rate for today and for 30 years from now, it is obvious that the problem is quite complicated. For at present no one has paid for any substantial benefit, but in the future some will have paid (with their employer's contribution) for $60 more per month than others will have paid for.

The problem of the amount of benefit payments to be provided for in the future as well as the increase to those already receiving payments was only one of many considered during the deliberations on this bill. In my opinion the increase provided for in this bill to those now receiving payments is approximately right, but H. R. 6000 unfairly discriminates against older workers and workers who are only irregularly employed as to future

payments. This is so because the method of computing benefits provided for in H. R. 6000 gives these groups substantially lower benefits than younger workers and workers who enjoy steady employment. This is a grave defect in H. R. 6000 and should be remedied.

H. R. 6000 contains other objectionable features which should be corrected if we are to have a sound and balanced social security program. Let me call your attention to the following:

First. H. R. 6000 imposes on the younger people in the country the fixed obligation of paying higher taxes in the future in order to pay for higher benefits than the Congress is willing to provide today in H. R. 6000. No justification has been shown for imposing this additional $2,000,000,000 annual cost on the oncoming generation.

Second. H. R. 6000 excludes from coverage approximately 1,300,000 of household workers who need social security protection the most.

Third. H. R. 6000 provides for higher benefits to those who are best able to provide for their own security and discriminates against those with wages below $3,000 a year for whom the system should primarily be concerned.

Fourth. H. R. 6000 threatens the existence of the established pensions system of our teachers, firemen, policemen, and other State and local employees.

Fifth. H. R. 6000 launches the Federal Government into a vast and costly new program of underwriting disability insurance for some 50,000,000 people without at first providing an opportunity to judge the effectiveness of meeting the problem through the sounder and less costly grants-in-aid program which is also provided for in H. R. 6000.

Sixth. In order to pay the cost of the program H. R. 6000 calls for eight different tax increases within the next 20 years.

Seventh. H. R. 6000 surrenders to the Treasury Department and the Federal Security Administration the right to determine the rate of social-security tax a person must pay by giving those agencies the authority to determine who is a self-employed person and who is an employee.

Eighth. Under H. R. 6000 the trust fund will grow to over $90,000,000,000.

Let me tell you how this trust fund works:

Amounts accumulated under the old-age and survivors insurance program are held in the Federal old-age and survivors insurance trust fund, and financial operations under the program are handled through this fund. The primary source of the fund's receipts is amounts appropriated to it under permanent appropriation, on the basis of contributions paid by workers and employers in employments covered by the Federal Insurance Contributions Act. The Federal Insurance Contributions Act requires all employees and employers, except those in specifically excluded employments, to pay contributions with respect to the wages of individual workers, disregarding amounts in excess of $3,000 per annum. These contributions are collected by the Bureau of Internal Revenue and are paid into the Treasury as internal-revenue collections. Sums equivalent to 100 percent of current collections (including taxes, interest, penalties, and additions to taxes) are transferred to the trust fund as such collections are received.

The Social Security Act of 1935 fixed the contribution rates for employees at 1 percent of taxable wages for the calendar years 1937, 1938, and 1939; employer rates were also fixed at 1 percent for the same period. The 1935 act provided that these rates should rise to 1½ percent on January 1, 1940, to 2 percent on January 1, 1943, to 2½ percent on January 1, 1946, and to 3 percent on January 1, 1949. The Social Security Act amendments of 1939 modified this original schedule of contribution rates to provide that the rate of 1 percent each on employees and employers should continue in effect through 1942, but left the remainder of the schedule as originally enacted.

Successive annual acts of Congress, however, extended the 1-percent rate from 1943 through 1947. The Social Security Act amendments of 1947 extend the 1-percent rate through 1949; at the end of 1949, accordingly, the 1-percent rate will have been in effect for 13 years. The amendments of 1947, however, provide that the rate shall rise to 1½ percent on January 1, 1950, and to 2 percent on January 1, 1952.

The second source from which receipts of the trust fund are derived is interest received on investments held by the fund.

A third source of revenue for the trust fund is provided for in section 902 of the Revenue Act of 1943, the so-called Murray amendment. This act amended section 201 of the Social Security Act and authorizes the appropriation to the trust fund of such additional sums out of general revenues as may be required to finance the benefits and payments provided in title II of the Social Security Act. No appropriations have been made under this authorization.

The Social Security Act amendments of 1946 provide survivorship protection to certain World War II veterans for a period of 3 years following their discharge from the armed forces. Section 210 (d) of these amendments authorizes Federal appropriations to reimburse the Federal old-age and survivors insurance trust fund for such sums as are withdrawn to meet the additional cost, including administrative expenses, of the payments to survivors of World War II veterans under the amendments.

Public Law 642, Gearhart resolution, authorized an appropriation to the trust fund from general revenues equal to the estimated total amount of benefits paid and to be paid under title II of the Social Security Act that would not have been paid had the amended definition been in effect beginning August 14, 1935.

On June 23 the information was supplied in a letter to the Speaker dated June 23. The information is as follows:

A. "The total amount paid as benefits under title II of the Social Security Act which would not have been paid had the amendment made by subsection (a) been in effect on and after August 14, 1935."

As of September 30, 1948, an estimated $4,900,000 of such benefits had been paid.

B. "The total amount of such payments which the Administrator estimates will hereafter be paid by virtue of the provisions of subsection (b)."

Such payments after September 30, 1948, are estimated as $16,100,000.

For purposes of appropriation to the Federal Old-Age and Survivors Insurance Trust Fund in accordance with section 2 (c) (2), the two amounts given above should be adjusted for interest. Thus, assuming a 2-percent interest rate and January 1, 1950, as the effective date of the transfer of funds, the two amounts would be $5,300,000 and $13,600,000 respectively.

Fiscal data on Federal old-age and survivors insurance system

[In millions of dollars]

Calendar year	Appropriations to fund [1]	Interest	Total income	Benefits paid	Administrative expenses from fund	Added to fund
1937	$514	$2	$516	$1	(2)	$515
1938	343	15	358	10	(2)	348
1939	566	27	593	14	(2)	577
1940	607	43	650	35	$26	589
1941	789	56	845	88	26	731
1942	1,012	72	1,085	131	28	926
1943	1,239	88	1,328	166	29	1,132
1944	1,316	107	1,422	209	29	1,184
1945	1,285	134	1,420	274	30	1,116
1946	1,295	152	1,447	378	40	1,029
1947	1,558	164	1,722	466	46	1,210
1948	1,688	281	1,969	556	51	1,362
1937–48	12,214	1,142	13,356	2,329	305	10,722

[1] Beginning July 1, 1940, appropriations equal taxes collected, except that after 1946 appropriations include relatively small amounts appropriated to meet benefit costs and administrative costs of the special veterans' survivor benefits of sec. 210 (namely, $375,000 in 1947; $700,000 in 1948; and $3,251,000 in 1949). Prior to July 1, 1940, Congress, in accordance with the provisions of the Social Security Act of 1935, annually appropriated funds to the old-age reserve account based on estimates of amounts required to finance the system on an actuarial basis.

[2] Administrative expenses of the Social Security Administration and the Treasury Department under title II of the Social Security Act and under the Federal Insurance Contributions Act were reimbursed out of the fund beginning Jan. 1, 1940.

Ninth. H. R. 6000 extends the whole social-security program, including the proposed disability payments, to Puerto Rico and the Virgin Islands. The extension of the system to these possessions will create many anomalies and unfortunate results which could be avoided by establishing an independent system for these and other possessions based on their own economic level.

Tenth. H. R. 6000 provides for funeral benefits for which already more than 78,000,000 persons have paid for in some life-insurance protection.

I have called to your attention some of the major defects of this proposed legislation and now direct your attention to some specific proposals for correcting them. These proposals are summarized in the minority views in House Report

No. 1300, beginning on page 157, and are discussed fully therein. They are as follows:

1. Continuation of the present $3,000 wage base: Increasing the wage base to $3,600, as proposed in H. R. 6000, results in higher benefits to those better able to provide their own protection and does nothing to increase the benefits for those with average wages below $3,000 for whom the system should be primarily concerned. It increases the dollar cost of the system substantially, provides a windfall to persons near retirement who earn $3,600 or more, and unnecessarily complicates the keeping of wage records by employers who must continue to report unemployment taxes on a $3,000 wage base.

2. Elimination of the automatic yearly benefit increase factor (the "increment"): This provision increases the cost of the program by approximately $1,000,000,000 annually, discriminates against older workers and the irregularly employed, and automatically commits future generations to the payment of higher benefits than will be paid today.

3. In conjunction with recommendations 1 and 2 above, we recommend using the highest 10 consecutive years in determining the average monthly wage: To assure more adequate protection for those who, owing to irregular employment, have average wages of $3,000 or less for whom the system should primarily be concerned, benefit payments should be based on the highest 10 consecutive years of earnings rather than on an average monthly wage determined over the entire working time of the individual as provided for in the bill.

4. Elimination of the authority of the Treasury to extend definition of "employee": Paragraph 4 of the definition of "employee" gives to the Treasury Department virtually unlimited discretion, through authority to extend the definition of "employee," to determine where the impact of the social-security taxes will fall. As a result of this authority, large numbers of persons will have no way of knowing their social-security tax liability until the Treasury determines it for them.

5. Realistic coverage for household workers: The bill purports to extend coverage to household workers but in reality does so for only a small group—1,300,000 of these workers are excluded under the bill. Coverage should be real, not theoretical.

6. Teachers, firemen, and policemen with their own pension systems should be excluded: We recommend direct exclusion of teachers, firemen, and policemen, who are already covered under their own retirement and pension systems. It would, in our opinion, be a mistake to take any action which might jeopardize these existing systems to which contributions have been made over long periods of time.

7. Establishment of an independent system for Puerto Rico, the Virgin Islands, and other possessions: A social-security system specifically geared to the economic level of these islands is desirable. The extension of the proposed legislation to these possessions will, however, create many anomalies and unfortunate results which could otherwise be avoided.

8. Continuation of existing law with respect to lump-sum death payments: More than 78,000,000 persons have already paid for the same private life-insurance protection which this provision in the bill would duplicate or replace. Encroachment by the Federal Government into this field is accordingly unjustified.

9. Confine total and permanent disability payments to the public assistance program: Prior to launching into the hazardous and tremendously costly field of disability insurance, opportunity should first be given to meet the problem through the sounder and less costly Federal grants-in-aid program. Such an opportunity is provided for in the bill by extending Federal participation to payments to all permanently and totally disabled persons who are in need. The cost of the proposed disability insurance program may well exceed $1,000,000,000 annually within the next few years.

EFFECT OF OUR RECOMMENDATIONS

If the above changes are made in this proposed legislation, the compulsory social-insurance system will be kept within its fundamental purpose and its cost and the necessary taxes required for its support will be substantially reduced. According to actuarial advice, the average annual saving until the maturity of the program, some 50 years hence, will be in the neighborhood of $1,250,000,000. This saving is real and not illusory and the result would be wholly compatible with the aims of the social-security program. More than that, an adoption of our recommendations will aid in preserving the proper relationship between security achieved through social insurance and that which is to be had through individual self-reliance. The approximately $60,000,000,000 so saved over this period would be available to the American people for their individual use in providing for their own additional financial security in the manner most appropriate and fitting to their own circumstances.

I have set forth some very real and basic defects in H. R. 6000 which should be corrected, and I have outlined the recommendations contained in the minority views for correcting these defects. I will now elaborate on a few of these points to show you that the defects in H. R. 6000 are real and not illusory, and that they should be corrected as has been done in the bill H. R. 6297 introduced by my colleague from New Jersey [Mr. KEAN].

THE BLANK-CHECK DEFINITION OF EMPLOYEE

It would be manifestly upsetting to a business to find that persons with whom it has business relations have suddenly become its employees, and that it has a set of tax and other obligations as their employer. That almost happened last year, and may happen during this Congress.

Last year, the Congress prevented it from happening. For Congress determined that it, and not the executive or judicial branch of the Government, should define "employee" for social-security purposes. The previous year, it had done the same thing for labor-relations purposes. In each case Congress provided by law that the term "employee" in the particular statute was not to be stretched by administrative and judicial ruling to include persons who were not employees, but were independent business people instead. In both cases the congressional action was taken and adhered to over Presidential veto.

Politics is now in the picture more strongly than ever, with intensive administration pressure being brought to bear on Congress to reverse its previous stand, and give the administrative and judicial branches a free hand in deciding who shall be considered independent and who shall be considered employees. This would be lovely from a bureaucratic viewpoint, but tragic from a business viewpoint, and would mark a point of surrender of congressional responsibility to write the laws.

In the last presidential election political capital was sought to be made of the action of the Eightieth Congress in defining "employee" for social-security purposes. The country was showered with propaganda that from half to three-quarters of a million people had been deprived of social-security benefits by the action of Congress in adopting the Gearhart resolution defining "employee." This despite the fact that the term was defined no differently from the way it had been defined for the previous 13 years in the administration's own Treasury regulations.

Majority members of the Committee on Ways and Means have adopted a purported definition of "employee" for old-age and survivors insurance purposes. But what the committee has actually done is to undefine "employee" inasmuch as paragraph (4) gives the administration and the courts virtually unlimited discretion to treat all sorts of people as employees on the basis of a number of vague "factors."

This blank check provision does not say who is an employee and who is not an employee. The paragraph itself is the best evidence of this fact:

(4) Any individual who is not an employee under paragraphs (1), (2), or (3) of this subsection but who, in the performance of service for any other person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effects of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of the performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss.

Any time the Bureau of Internal Revenue or the Federal Security Agency or the court wants to hold a person to be an employee, at least two or three of these factors, as interpreted by them, can be cited in justification.

The control factor, according to the regulations which the Treasury proposed last year but which the Gearhart resolution stopped, includes power to control as contrasted with right to control or actual control. It is stated that this can be inferred from the position of the parties. It is found in practically all situations where A contracts out a job to B.

"Permanency of relationship" can usually be found also, as the relationship may be as permanent as that of an employer-employee relationship.

"Regularity and frequency of performance" may likewise be found in many relationships where the parties are in fact independent. "Integration of the individual's work" in the firm's business is normal to most business relationships.

Without bothering to review the other factors, it should be apparent that the administration and the courts can clearly cover a host of situations, if they decide to do so. They can point out a few factors to justify their decision.

The question involved is not old-age and survivors insurance benefit coverage. Even if the existing definition were untouched and the Gearhart resolution allowed to stand, the people involved

would be covered for social-security purposes as self-employed people under other provisions of the committee bill.

So the proposed new definition would be devoid of social effects. Its only effect would be to saddle firms with the responsibility of ascertaining and reporting wages of persons with whom they have business relations, even though such persons are not employees and do not receive wages in the usual sense.

But there is a larger issue, too. The Supreme Court has made clear that decisions in the field it refers to as social legislation are strongly persuasive throughout the field. Thus it has cited labor relations decisions interpreting employee in social-security cases, and has cited wage and hours cases in labor relations cases.

There is no question but that if paragraph (4) of the proposed definition is adopted for old-age and survivors insurance, it will soon be reckoned with in unemployment compensation, workmen's compensation, and related fields—perhaps even in the laws of agency and negligence.

Thus the implications of whether paragraph (4) of the proposed definition is adopted or rejected are widespread. Perhaps the most important single issue is whether Congress will write a true statutory definition, or whether it will yield to political pressure from the administration and hand over the prerogative of defining employee to the other branches of Government.

Congress itself should define employee and not hand over to bureaucrats a set of factors to be used at leisure to bolster up predetermined administrative decisions. We are on high ground when we insist that we have a rule of law and not of men.

Paragraphs (1) and (2) of the definition are in effect a mere rewrite of the Gearhart resolution, except that paragraph (2) is positively stated as the committee decided to overrule the Supreme Court holding in the Bartels case.

Paragraph (3) stands as direct proof that Congress can extend the definition of "employee" on a clear and understandable basis. The status of several categories of persons, such as city and traveling salesmen, is made clear under this paragraph. While there is a serious question as to the equity of covering two or three of the categories, the approach of paragraph (3) brings the issue in sharp focus before the Congress and the persons who may be affected.

Paragraph (3) was prepared and presented as a proper approach by the technical staff of the Joint Tax Committee, after representatives of the Federal Security Agency and the Treasury had insisted that only the vague factors referred to by the Supreme Court should be used. This paragraph covers specifically all groups who appeared before the committee requesting coverage as employees, and practically all classes that the Treasury and Federal Security Agency admitted they intend to cover by applying the Supreme Court factors. In adopting this paragraph the committee was in a position to know exactly whose status would be affected. It should have spent more time in considering and perfecting this paragraph.

Instead, the issue was whether this paragraph or paragraph (4) would be adopted. This was, in fact, the issue of whether the Congress would define coverage, or whether it would turn over this legislative function to the administration.

While the majority report may attempt to appraise the effect of paragraph (4), it is doubtful whether such appraisal will be of any legal significance in the actions which may be taken under it by the administrative agencies or by the courts, if it is allowed to become law.

Only one thing is clear. The status of no person who is an employee under paragraph (1), (2), or (3) will be affected by paragraph (4), but persons who are not employees under paragraph (1), (2), or (3) may be held to be employees from the combined effect of the vague factors enumerated in paragraph (4).

In view of the scope of the first three paragraphs, and inasmuch as paragraph (3) can be broadened to any extent desired by the Congress, there is manifestly no justification whatsoever for paragraph (4). It was adopted by the majority under extreme pressure by the administration. It is a surrender of the prerogative of the Congress to write the definitions in tax laws.

It gives the administration a weapon with which to terrorize business.

It leaves the status of millions of our citizens to the almost unbridled exercise of administrative discretion, and does so just at a time when they must determine at their peril whether they are to be held covered as employees or as self-employed.

No social purpose, not even a fiscal purpose, would be served by adoption of paragraph (4) to offset the confusion and uncertainty which would result from its adoption.

But its adoption would mark a tragic departure from the constitutional division of powers among the three branches of Government. Congress would surrender its right and duty of prescribing who shall be subject to a tax.

Paragraph (4) is the approach insisted upon by the administration. It is based on dicta in the Supreme Court cases which, as previously mentioned, were overruled by paragraph (2) of the definition.

The committee report to the bill states, as to paragraph (4):

> The Supreme Court decisions set forth a number of factors to be considered * * *. A major difficulty * * * is the indication by the Court that the factors considered by it are not exclusive * * *. Your committee has attempted to chart a more definite course than that laid down by the Supreme Court * * * and at the same time has limited the possibilities of tax avoidance by employers.

But a correct analysis is found in the report to the committee of its joint tax committee technical staff contained in the appendix of the minority report, which states:

> The Supreme Court * * * left the door open for the development of new factors * * * the definition limits consideration to six specific factors. It was anticipated that this would avoid uncertain tax consequences, but this may prove to be a handicap to the taxpayer * * * for example, the fact that an individual is free to hire helpers * * * deserves to be treated as a factor indicating an independent status.

The staff considered paragraph (4) unsound, saying:

> Paragraph (4) of the definition adopts a method of extending the definition of employee which is basically undesirable because it is too uncertain in its scope and because it will extend the definition to include groups for whom it would be impractical, if not impossible, to demand an accounting * * *. Assurances by present administrators of the voluntary limits they will place on interpretation of the broad provisions * * * will not be binding for the future.

The admitted and potential scope of paragraph (4) is also indicated in the technical-staff report:

> The Federal Security Agency states as its present opinion that the economic dependency test would * * * include outside salesmen * * * lessee taxicab operators * * * life-insurance salesmen, house-to-house salesmen, industrial home workers, entertainers, contract loggers, mine lessees, journeymen tailors, subcontractors * * * contract filling-station operators. It is highly probable that the economic dependency test would * * * include neighborhood newspaper correspondents * * * at least some fire, theft, and casualty salesmen; real-estate salesmen; bulk-oil distributors; gasoline-station operators; subscription agents for periodicals.

Even the committee appears to be aware of the indefiniteness of paragraph (4), and its report sets out its belief as to how the factors will be applied in seven situations. These examples are presumably intended to be reassuring, as under the particular facts set out in each case, six out of the seven were stated not to be employees.

But, in applying the seven tests under the definition:

First. The "integration" factor, indicating an employee status, was found present in every case.

Second. The "skill" factor, indicating independent status, was recognized in only one case in which there was not a substantial investment, and in that case the individual was held to be an employee.

Third. "Opportunity for loss," indicating independent status, was not recognized in any case where there was not a substantial investment.

Fourth. "Permanency," indicating employee status, was found to exist in every case except one, and in that case was tied in with the next factor.

Fifth. "Regularity and frequency of performance," indicating an employee status, which was found to exist in six cases.

Sixth. "Investment," indicating independent status, was specified as substantial in five cases.

Seventh. "Control," indicating employee status, even though factually inconsequential, was concluded to be present in five cases.

This prevalence of factors pointing to the employer-employee relationship even in the factual situations illustrated, raises the question of what will be the

actual holdings. For paragraph (4) is not a definition, but a direction to the administrative agencies and the courts to apply the factors to the particular situation.

Any firm may find an alarming number of factors present in the case of persons never considered its employees. The Treasury and the courts would have an accordion for a yardstick in determining these persons' status.

As stated in the joint tax committee technical staff report: * * * some * * * factors will point each way * * * It would be impossible to forecast which factors would be controlling when they conflict. In practice it is likely that such conflicts would be resolved by the tax administrators on an intuitive approach, * * * an approach that is contrary to the principle of certainty in tax statutes.

THE INCREMENT IN H. R. 6000

The existing social-security law provides that the benefit amount which a recipient receives is increased by 1 percent for each year that the worker has worked in covered employment. This means that the amount of benefits are increased 40 percent by 40 years of coverage.

H. R. 6000 continues the increment factor but reduces it to one-half of 1 percent.

I believe that the increment factor should be entirely eliminated, and my recommendation is supported by the Advisory Council on Social Security in its report, Senate Document No. 208, Eightieth Congress, second session, beginning on page 34, which says:

The benefit formula of the present program, with its automatic increase of 1 percent for each year of coverage, in effect postpones payment of the full rate of benefits for more than 40 years from the time the system began to operate. Under such provisions, if the benefit amount of a retired worker after he has had a lifetime of coverage represents a reasonable proportion of his average wages that for older workers who have been in the system for only a few years, and for the survivors of younger workers, will almost of necessity be inadequate. Thus, the survivors of a man who began working at age 20 and dies at age 30 will have rights to benefits only about three-fourths as large as those which the same average monthly wage would have provided if he had lived to age 65. Yet the worker who dies at an early age has had less opportunity than have older workers to accumulate savings and other resources to supplement the benefits payable to his survivors. The Advisory Council believes that adequate benefits should be paid immediately to retired beneficiaries and survivors of insured workers but considers it unwise to commit the system to automatic increases in the benefit for each year of covered employment.

In the hearings before your committee, the principle of paying higher benefits in the future and discriminating against older workers first entering the system with only a few years to retire was sharply criticized by many witnesses and was supported only by the A. F. of L., the CIO, and the Federal Security Agency. In cutting the increment from 1 percent to one-half of 1 percent the majority have recognized the inherent unsoundness of this provision. It is unfortunate that they were unwilling to eliminate it entirely.

Not only does the increment factor discriminate against older workers first entering the system with only a few years to retirement and favors younger workers with steady employment, but it also discriminates against workers who do not have continuous employment. It is, however, this group of intermittent workers who are least able to provide for their own security and for whom the system should be primarily concerned. No justification has been presented for favoring of the steadily employed worker, and in our opinion such a principle is wholly inconsistent with the social purposes of the system and can only be defended in the light of political expediency. The view of the Federal Security Agency in advocating the retention of the increment factor is that it is required as a selling point to induce workers to enter the system and to compensate those who have paid contributions over a long period. However, the computation of the average-wage formula which includes the so-called continuation factor performs this function by reducing the amount of benefits of intermittent workers. The increment factor cannot, therefore, be justified on the ground that those with long periods of covered employment should receive higher benefits than those with only intermittent employment because this principle is taken into account by other provisions in the bill.

Another most serious objection to the increment factor by which the amount of benefits are automatically increased is that we are committing future generations of Americans to the payment of benefits which are higher than we are willing to pay today. If benefits are adequate today, as indeed they should be, then benefits which are 20 percent higher in the years to come must be too high. I believe that it is a far wiser course to periodically review the adequacy of benefit payments, if such is necessary, rather than to set into operation this automatic-escalator clause which binds us to the payment of higher benefits in the future when the costs of the whole system will be the greatest. Another example of the unfortunate discriminatory effect of the increment factor is in its application to survivors' benefits. Obviously a worker who dies at a young age has had less opportunity to build his own security, and yet the benefits to his wife and children will be lower than those paid to the survivors of workers who die at older ages. These workers, however, have had a lifetime to build their own security.

Not only is the increment principle discriminatory and unfortunate, but as was clearly pointed out in the hearings it is a positively dangerous feature because it results in tremendous additional costs to the program. For example, over the next 50 years the additional extra cost because of the increment will average approximately $1,000,000,000 a year, or a total of $50,000,000,000 for this one provision in H. R. 6000. Approximately 40 or 50 years hence when the system has approximately reached its maturity, the yearly cost of the increment will be in the neighborhood of $2,000,000,000 a year. Absolutely no justification has ever been presented for imposing this additional cost on future generations.

It should be clearly emphasized that this unfair and discriminatory provision which results in this tremendous additional cost to the system is absolutely not necessary in order that benefits may be related to either the length of time a worker has been in covered employment or the amount of taxes paid by the worker into the system. Incentives for continuous work are already provided without the annual increment through the continuation factor by which the amount of benefits are reduced pro rata for time spent in uncovered employment. For example, a worker with the same average monthly wage who has 10 years of covered employment out of a possible 20 years will receive a lower benefit than a worker who has 20 years of covered employment out of a possible 20 years.

It is completely out of order to support the increment provision on the ground that some private pension systems and some Federal retirement systems have an increment provision because the purpose of the increment in these systems is to encourage valuable employees to remain at their jobs. But this is not a consideration under a national social-insurance system where workers may pass from job to job and still remain in covered employment unless we are now to change the whole concept of social security from that of a system designed to provide an adequate floor of protection to one of providing a high scale of benefits which approaches a self-sufficiency labor.

For these reasons I am opposed to the one-half percent increment contained in H. R. 6000. This provision has been eliminated from H. R. 6297.

INCLUSION OF PERMANENT AND TOTAL DISABILITY INSURANCE IN H. R. 6000

The committee's inclusion of permanent and total disability-insurance benefits in the old-age and survivors insurance program is a most serious mistake, embarking the Federal Government on a program of untold costs with political and social dangers of a grave nature. The needy worker who is permanently and totally disabled is admittedly in need of financial help, and the Social Security Act should make provision for him. We believe, however, that he should be taken care of through the public-assistance program rather than through unconditional insurance benefits payable as a "right." Alternative provision for public-assistance benefits to the permanently and totally disabled will afford the opportunity of first-hand study of the admittedly serious administrative problems of long-term disability, and will provide a laboratory for watching the practical difficulties unfold.

Almost no testimony of consequence was presented to the committee in favor of the inclusion of permanent and total disability-insurance benefits. While the Senate Advisory Council recommended that insurance benefits be provided, they were proposed in conjunction with a substantial extension of the old-age and survivors program to large numbers of individuals not to be covered by this bill. The recommendation was predicated,

therefore, on the reduction in percentage costs which would be occasioned by a broader extension of coverage, which reduction in costs would create something of a cost cushion for experiments in the permanent and total disability-insurance field. This margin is not available in the less broad extensions to uncovered classes contemplated by this bill. Furthermore, it should not be forgotten that the report of the Advisory Council was accompanied by a strong dissent.

That the cost of permanent and total disability benefits would be large and uncontrollable is shown conclusively by the experience of life-insurance companies in providing such benefits in their policies issued during the two decades from 1920 to 1940, where, even with the selection by the companies of only the better insurance risks and the inclusion of a much smaller percentage of women than in the labor force as a whole, the costs were very large and resulted in surplus losses of hundreds of millions of dollars. The costs of the proposed benefits will approximate $1,000,000,000 annually, and require at least 2,000 additional employees to handle the program, not counting doctors on contract. Not only are these figures very disturbing, especially when added to the billions already involved in other phases of the program, but in the light of the experience of the insurance companies it is extremely doubtful whether the costs can be controlled and whether even this additional bureaucracy will not have to be expanded manyfold in order to administer the program. Permanent and total disability is peculiarly a subjective condition; an ailment that disables one does not disable another. The decision to continue to work or stop work frequently depends upon ambition, business opportunity, or financial necessity rather than physical handicap. In a number of cases the unquestioned availability of cash benefits actually undermines the will to recovery. If benefits are to be established as a "right," there will no doubt be a great many to whom the temptation to take it easy will be irresistible. This tendency will be evident in a most extreme form in the event of a business recession, as the last depression showed a very substantial increase in the incident of permanent and total disability insurance claims. How a Government agency could control such costs, even with the most minute and searching investigation into the personal physical condition of each claimant, is hard to understand.

Not only do the majority fail to recognize the temptations of abuse for a total and permanent disability-insurance program, but in the technical drafting of the bill they actually provided positive incentives to malinger. Provision is made for the duplication of disability benefits proposed in the act with workmen's compensation benefits payable in replacement of wages, up to one-half the amount of the smaller of the two benefit payments. Total benefits payable between the two programs will therefore become attractive, in comparison with take-home pay, to those whose original urge to work was never overdeveloped. To avoid abuses which such duplication of coverage would foster, many State workmen's compensation benefits will have to be cut back for disabilities lasting longer than 6 months, or at the least needed liberalizations will be avoided. In fact, this provision for partial duplication of payments with workmen's compensation benefits is apparently intended as an opening wedge for the taking over by the Federal Government of all benefits in the workmen's compensation field now regulated by the States.

Disability is peculiarly a personal problem which does not lend itself to standardized procedures. The sensitive disabled individual ordinarily requires a high degree of sympathy and understanding for his rehabilitation, while a malingerer requires stern treatment. Proper vocational rehabilitation is essential. Obviously the States and local communities are in a better position to handle these problems free from political bias and influence than a Federal organization with headquarters perhaps thousands of miles from the unfortunate disabled person. Public-assistance programs administered by the States and local communities can provide just such individualized treatment. In contrast, a Federal insurance system of the ill-defined risk of permanent and total disability is an open invitation for the exercise of political pressure for the approval of doubtful claims.

It seems to the minority that those individuals who are so unfortunate as to suffer permanent and total disability during their productive years, and find themselves without means of support, should be taken care of through a program of public assistance on the basis of need. Such a program would eliminate many of the problems that would exist if the individual could claim the benefits as a matter of right, would greatly reduce the cost of such benefits, and would make them available generally to all who need them. The program could be administered on a local basis that would be more responsive to the local situation and the character and needs of the individuals concerned.

EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE TO PUERTO RICO AND THE VIRGIN ISLANDS

Extending old-age and survivors insurance and disability insurance to Puerto Rico and the Virgin Islands, as provided in the bill, would mean for the great mass of insured in these islands benefits on a lavish scale as compared with the insured in the United States.

First. The typical islander and his wife would receive at 65 a combined benefit equal to at least 75 percent of his monthly wage. The great percentage would not even have to retire to be eligible, but could draw the benefits and continue at work.

Second. The surviving wife and two or more children would receive benefits equal to 80 percent of the deceased's wages—though there would be one less to feed and clothe, and no carfare, lunches, union dues, or lay-off periods.

Third. If no surviving wife and children, dependent parents age 65 or older, would receive a combined benefit equal to at least 75 percent of the deceased wage earner's monthly wage, though obviously no such support was obtained from him in his lifetime.

Fourth. In a substantial number of instances benefit payments would be larger than wages had been.

Fifth. Disability payments would be at a rate equal to half pay. In the event pay rates drop or jobs become scarce, it is manifest that such a rate invites chiseling.

Obviously no such liberality as would be extended the insured of these islands can be extended to people in the United States. The costs of supporting benefits equal to such large fractions of wages would be prohibitive.

Just as obviously the benefit payments on this generous scale in Puerto Rico and the Virgin Islands will not be supported by the social-security taxes collected in these islands. The great bulk of the cost will fall upon the OASI taxpayers of the United States.

From the viewpoint of many Puerto Ricans and Virgin Islanders, there is, however, a very dark side to the picture—a substantial percentage of contributors would have an insufficient wage rate to meet the minimum requirements of insured status. This, however, would not excuse them from paying their social-security taxes out of their small earnings.

The indefensible practical effects of applying our system to Puerto Rico and the Virgin Islands arises because its provisions do not fit in at all with the wage rates and living standards of these islands.

Even the industrial wage rates are relatively low. This is indicated by an unemployment-compensation system adopted May 15 of this year for the Puerto Rican sugar industry. Under it maximum benefits of $5 per week are paid for industrial workers in the industry, and $3 per week for agricultural workers in the industry—less than a fourth of maximum amounts paid in the United States.

While it is difficult to obtain accurate figures, apparently factory wages are somewhat under $15 per week, as contrasted with around $50 in the United States.

An individual earning $100 per month in the islands is roughly comparable with one earning $300 per month in the United States. Under the bill a person earning $300 per month, and his wife, would have benefits of around a third of his annual wages. But his Puerto Rican or Virgin Islands counterpart, earning $100 per month, and his wife, would have benefits of around three-fourths of his average wage. For the benefit formula in the bill pays five times the benefits for the first $100 per month of wages as for the second $100 and the third $100 of wages.

A large portion of the working population of the islands earn $50 or less per month. On attaining age 65 any such individual and his wife could receive at least $37.50 per month. This would be true though his earnings had never exceeded $35 per month. He could draw benefits and at the same time continue

on his regular job, as he already meets the bill's definition of retirement—his earnings do not exceed $50 per month.

A considerable portion earn much less than $50 per month. In the July 29, 1949, issue of the Federal Register, the Wage and Hour Division published minimum-wage rates in industries in the Virgin Islands. In the hand-made art-linen industry and in the hand-made straw-goods industry, hand sewing and hand weaving were at 20 cents an hour and 15 cents an hour. Obviously many of these earn much less than $50 per month. Under the bill such persons, if insured, are deemed to earn $50 per month. Maximum survivor benefits of $40 per month—perhaps more than they were earning—would be payable.

The unfortunate would be those earning less than $33.33 per month—for example, a hand weaver who earned 15 cents an hour or a total of $30 for a 200-hour month. This individual and the employer would be required to pay the social-security taxes but the individual would not meet the minimum insured status requirement of $100 per quarter, and thus would receive no protection.

It is apparent that the extension of the system to Puerto Rico and to the Virgin Islands would in effect impose upon them an indefensible lottery. Many of those most needing protection would receive none, but would be forced to pay in their pennies which they badly need for subsistence. Others would receive benefits out of all proportion to their wages.

If it is found that the Virgin Islands and Puerto Rico need, and can afford, social insurance, we should give them every encouragement to devise a proper system geared to their own economic level. In the case of unemployment compensation, Puerto Rico has established its own system. It and the Virgin Islands can do likewise for old-age and survivors insurance.

The Virgin Islands, while applying the Federal income-tax law, requires such taxes to be paid into the treasury of the islands. Furthermore, such taxes are only collected for the purposes of the government of the Virgin Islands. The Bureau of Internal Revenue would be required to set up additional personnel in the Virgin Islands (secs. 1395, 1936, 1397, title 41, U. S. C.).

The Legislature of Puerto Rico imposes its own internal-revenue taxes (secs. 741 and 741 (a) of the Internal Revenue Code) and they are paid into the Puerto Rican Treasury. The basic income tax of Puerto Rico is the Income Tax Act of 1924 (No. 74, August 6, 1925, pp. 400–500), which repealed the act of July 1, 1921, No. 43. This act has been frequently amended. Sections 24 and 27 require the filing of individual income-tax returns in the office of the Treasurer. Returns are required—under section 13 of an amending act, No. 31, of 1941—of single persons having net incomes of $800 or over, married persons having a net income of $2,000 or over, and any person having a gross income of $5,000 or over.

In Puerto Rico there are two offices, one deputy collector at San Juan, and an inspector in charge of alcohol taxes at the same place. Their duties relate mainly to internal-revenue taxes relating to shipments between the United States and the Virgin Islands. Additional personnel would have to be set up if the Federal Government attempted to collect OASI taxes there and require payments to be made into the Federal fund.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, we are about to approach a vote on this important bill. I was a member of the subcommittee which drafted the original social-security law. I also participated in the amendments of 1939, and am again participating in further amendments to this great and vital organic law.

The original act was based upon the theory of an insurance plan, with the individuals as beneficiaries. As a result of about 4 or 5 years experience in 1939 that was changed to the theory of the family as the beneficiary. This bill brings other groups in and strengthens the organic law. It is real, sound democracy in operation to meet the principal and foremost question confronting us on the domestic level—the question of economic insecurity.

Probably the proudest man, Mr. Chairman, and justifiably so today, is one of the youngest-minded men in the House. But in years he is the dean of the House, the great chairman of the Committee on Ways and Means, who piloted through the Congress the original Social Security Act and under whose leadership the House passed the bill of 1939 and under whose sterling leadership the House will pass the bill we have before us today—our dear colleague the gentleman from North Carolina, BOB DOUGHTON.

As it was my purpose to call attention to this great American, to this great Member of Congress, this great statesman, and what he has done in connection with this legislation, I will conclude my remarks by stating that in the great career he has had, as he looks back he will remember as the greatest act he has ever performed in the legislative field, leading the fight in the passage of this Social Security Act and amendments thereto. By doing that he has done more to strengthen the family life of America than any legislation passed in the last 50 years.

Mr. DOUGHTON. Mr. Chairman, as far as I know there are no further requests for time.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may have permission to extend their remarks at this point in the RECORD on the pending bill.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. McKINNON. Mr. Chairman, I am most gratified that during the first session of my first term in Congress, I have the opportunity to express my opinion and cast my vote for an improvement in our old-age-security program.

My major objection to the bill is that it doesn't go far enough, but I am reasonable enough to accept a half loaf now and work for the other half later, rather to turn down the laborious study and excellent work the members of the Ways and Means Committee have performed. I think this committee is due a hearty vote of thanks.

One of the responsibilties of the free enterprise system is to see that human beings count for as much—and even more—than machines. It is a long accepted practice for the employer to set aside a depreciation cost for his machinery and equipment. It is even more logical for the employer to set aside a regular contribution toward the time when his employees have worn themselves out, too.

Old-age retirement is logically a Federal responsibility. An improved social-security system means more freedom for the employee during his period of work, because against a private retirement system the employee may move from job to job, as opportunity for improvement presents, without forfeiting the benefits of his retirement benefit. Moreover, to allow the respective States to take over full responsibility of the old-age retirement system results in the restriction of movement for elderly people and chains them to a particular State in order to maintain their eligibility for benefits. This restriction of movement denies elderly people the full enjoyment of their retirement and is not in keeping with our traditional American system of free movement from place to place.

It is heartening to me to note that many leaders of business are in favor of H. R. 6000.

Just this week I received a most intelligent letter written by the owners of the largest department store in the city of San Diego. I would like to read a part of this letter, written by Arthur H. Marston, Jr., a direct descendent of one of San Diego's pioneer merchant families:

> My father and I believe that the proper solution of the problem of income to people in their old age lies within the Federal social-security program, expanded to provide an adequate pension on a sound actuarial basis. At present both the amounts contributed by employer and employee are too small, and the amount of pension is too small. Contributions, paid equally by employer and employee, should be increased to provide a retirement pension adequate to live on, in the case of people who have fully qualified, possibly $150 a month.
>
> My father and I particularly wish to express this opinion to you because many people and organizations in business have taken the other view and opposed the Federal social-security program and any expansion of it, especially any increase of pay-roll taxes. We believe that a Federal pension system, supported by employer and employee, has important advantages to the people of this country, over any system of voluntary and private pension plans.
>
> With a Federal pension system we assure the largest number of people security in their old age, and we have a uniform plan within the country, in which the people participate on equal basis. Pressure groups in strategic positions are not able to push the conditions of the plan to their particular advantage, nor does the attainment of preference become a matter of competition among organizations, and the leadership of organizations. * * *
>
> The Federal pension system allows the greatest economic flexibility to our Nation, a most important characteristic of our free enterprise economy. It is the system that

allows the greatest amount of individual determination to the employer and the employee. A private pension system tends to bind both employer and employee, in fact, that is often one of the intended results from the standpoint of employer and labor-union leadership. Such a system is a fixed charge on the employer who faces variable conditions, who may be required to expand his operations 1 year and reduce them the next. Any economic system works best when its components can adjust most quickly and comfortably to changing conditions, expanding, contracting, adopting new methods, moving plants, going into business or going out of business. The employee has just as important a part in this as the employer, and this flexibility is just as important to him. His advantage is best served when he can leave his employment when his own motives so direct him, when he is free to change his occupation or his residence with the least interference. I am, of course, speaking of our economy in a general sense and am excluding from this consideration such occupations as the military, police, etc., which, in the public interest must require fixed terms of service and which have had their own pension system designed to hold men to their service.

The Federal pension system follows the employee. If he desires to change his work if his health or the health of his family requires he move from one part of our country to another, his pension follows him. We know that war, inventions, new methods, new areas, new fuels can work great changes in our economy. A Federal pension system permits employer and employee to adjust to these changes with the least difficulty. During the war millions of Americans left their former employers and entered war industries. With the end of the war these people returned to peacetime occupations. The Federal pension system did not deter them in this movement from one industry, and often, one area, to another, it followed them into war industry and back again. In the future the development of atomic energy may have a great effect on coal mining. We do not want to see the miners become a great pressure group calling for Federal subsidy to their industry to keep it going, if it becomes uneconomic, in order to protect their pensions. It will be to the interest of the country and the miners if their pensions will follow them into new industries.

You can see from these remarks that this man has given careful and intelligent attention to this matter of social security, and I feel his conclusions represent the thinking of our more forward-looking adherents of the free enterprise system.

I am hopeful and confident that this bill will receive the prompt and hearty endorsement of the House of Representatives and that the other body will likewise take immediate action, thus assuring millions of elderly people that their representatives in the Federal Government recognize their problems and are acting in their behalf.

Mrs. DOUGLAS. Mr. Chairman, I consider the Social Security Act which this bill before us amends to be the most important social legislation ever passed by Congress.

This act seeks the high goal of freeing men from the fear of sickness, unemployment and old age. It is to the undying credit of the Democratic Party that social security was conceived and written into law by a Democratic Administration in 1935.

In the debate on the original bill, Mr. DOUGHTON, the present chairman of the Ways and Means Committee, who introduced the bill, stressed the fact that the bill was not a perfect measure but one that would require amendments from time to time.

It is to the credit of the Democratic Party that the Social Security Act was amended and broadened under a Democratic Administration in 1939.

It was clear to the Democratic Party when they wrote the party platform in 1948 that the benefit scale established in 1939 no longer provided an adequate floor of protection against the insecurity of old age or the sudden or premature death of a breadwinner.

We promised in our platform to extend the coverage of the act and increase the benefits. And again it is to the credit of the Democratic Party that under a Democratic Administration, a bill has been brought to the floor of the House that seeks to fulfill the party platform by extending the coverage of the act and increasing the benefits and setting up new safeguards for those who find themselves through no fault of their own unable to earn a living because of permanent and total disability.

The Ways and Means Committee is to be commended for the months of hearings and study they have devoted to the bill before us. They are to be commended for bringing the bill to the floor of the House in the first session of the Eighty-first Congress and not in the last days of the closing session as the Republicans did in the Eightieth Congress when they knew there wasn't time to enact even their miserable, wholly inadequate proposal into law.

Eleven million more people will be covered by old-age and survivors insurance bringing the total coverage to 46,000,000.

People presently receiving benefits under old-age and survivors insurance will have their monthly benefits increased on the average by about 70 percent; and future benefits will be doubled.

All persons covered by the old-age and survivors insurance program would be protected against the hazard of enforced retirement and loss of earnings caused by permanent and total disability.

The bill we will shortly pass is good and has my wholehearted support. It falls short, however, in meeting adequately today the problem of our senior citizen. We cannot rest until we have a Federal program that will cover all of our senior citizens, in whatever occupation they may have worked, and cover them in every State and every county, and cover them adequately to maintain them in comfort and dignity.

We must get away from the anarchy of the present piecemeal, patchwork system that gives no one adequate assurance of a stable and decent old age.

The CHAIRMAN. Are there any amendments to be offered at the direction of the Committee on Ways and Means?

Mr. DOUGHTON. There are no committee amendments, Mr. Chairman.

The CHAIRMAN. Under the rule, the Committee will rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. KILDAY, 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. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes, pursuant to House Resolution 372, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on 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.

The SPEAKER. The question is on the passage of the bill.

Mr. MASON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. MASON. I am, Mr. Speaker, definitely, emphatically, and unequivocally.

The SPEAKER. The gentleman unequivocally qualifies and the Clerk will report the motion.

The Clerk read as follows:

Mr. MASON moves to recommit the bill H. R. 6000 to the Committee on Ways and Means, with instructions to report the same back to the House forthwith, with the following amendment: Strike out all after the enacting clause and insert in lieu thereof the provisions of the bill H. R. 6297.

Mr. COOPER. 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. MASON. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 113, nays 232, answered "present" 3, not voting 84, as follows:

[Roll No. 217]

YEAS—113

Allen, Calif.	Gwinn	Meyer
Allen, Ill.	Hale	Michener
Anderson, Calif.	Hall, Edwin Arthur	Nelson
Andresen, August H.	Hall, Leonard W.	Nicholson
Auchincloss	Halleck	Nixon
Barrett, Wyo.	Harden	O'Hara, Minn.
Bates, Mass.	Herter	Patterson
Bishop	Hill	Pfeiffer, William L.
Blackney	Hinshaw	Plumley
Boggs, Del.	Hoeven	Potter
Brown, Ohio	Hoffman, Mich.	Poulson
Byrnes, Wis.	Holmes	Rees
Canfield	Hope	Rich
Case, S. Dak.	Horan	Rogers, Mass.
Chiperfield	James	Sadlak
Church	Jenison	St. George
Clevenger	Jenkins	Sanborn
Cole, Kans.	Jennings	Saylor
Cotton	Jensen	Scott, Hardie
Coudert	Johnson	Scrivner
Crawford	Judd	Scudder
Curtis	Kean	Short
Dague	Kearney	Simpson, Ill.
Davis, Wis.	Kearns	Simpson, Pa.
D'Ewart	Latham	Smith, Kans.
Dolliver	LeCompte	Smith, Wis.
Dondero	LeFevre	Stockman
Eaton	Lichtenwalter	Taber
Ellsworth	Lodge	Talle
Fallon	McConnell	Taylor
Fenton	McCulloch	Velde
Ford	McDonough	Vorys
Gamble	McGregor	Vursell
Gilletts	McMillen, Ill.	Weichel
Golden	Martin, Iowa	Weidel
Goodwin	Martin, Mass.	Wigglesworth
Graham	Mason	Wolcott
Gross		Woodruff

NAYS—232

Abbitt	Gathings	Noland
Abernethy	Gilmer	O'Brien, Ill.
Addonizio	Gordon	O'Brien, Mich.
Albert	Gore	O'Hara, Ill.
Allen, La.	Gorski, Ill.	O'Konski
Andersen, H. Carl	Gorski, N. Y.	O'Neill
	Gossett	O'Sullivan
Andrews	Granahan	O'Toole
Angell	Granger	Pace
Aspinall	Grant	Passman
Bailey	Hagen	Patman
Barden	Hand	Perkins
Bates, Ky.	Hardy	Peterson
Battle	Hare	Pfeifer,
Beall	Harris	Joseph L.
Beckworth	Hart	Philbin
Bennett, Fla.	Havenner	Phillips, Tenn.
Bennett, Mich.	Hays, Ark.	Pickett
Bentsen	Hedrick	Polk
Biemiller	Heller	Powell
Boggs, La.	Heselton	Preston
Bolling	Hobbs	Price
Bolton, Md.	Hoffman, Ill.	Quinn
Bosone	Holifield	Rabaut
Boykin	Howell	Rains
Breen	Hull	Ramsay
Brooks	Jackson, Wash.	Redden
Brown, Ga.	Jacobs	Regan
Bryson	Javits	Rhodes
Buchanan	Jonas	Rodino
Buckley, Ill.	Jones, Ala.	Rooney
Burdick	Jones, Mo.	Sabath
Burke	Jones, N. C.	Sadowski
Burleson	Karst	Secrest
Burton	Karsten	Sheppard
Camp	Kee	Sikes
Cannon	Keefe	Sims
Carnahan	Kelley	Smathers
Carroll	Kennedy	Smith, Va.
Case, N. J.	Kerr	Spence
Cavalcante	Kilday	Staggers
Celler	King	Steed
Chelf	Kirwan	Stefan
Chesney	Klein	Stigler
Christopher	Kruse	Sullivan
Chudoff	Lane	Sutton
Clemente	Lanham	Tackett
Colmer	Lemke	Teague
Combs	Lesinski	Thomas, Tex.
Cooper	Lind	Thompson
Corbett	Linehan	Thornberry
Cox	Lucas	Tollefson
Crook	Lyle	Trimble
Davenport	Lynch	Underwood
Davies, N. Y.	McCarthy	Van Zandt
Davis, Ga.	McCormack	Vinson
Davis, Tenn.	McGrath	Wagner
Dawson	McGuire	Walsh
DeGraffenried	McKinnon	Welch
Delaney	Mack, Wash.	Wheeler
Denton	Madden	Whitaker
Dollinger	Magee	White, Calif.
Doughton	Mahon	White, Idaho
Douglas	Marcantonio	Whittington
Doyle	Marsalis	Wickersham
Durham	Marshall	Wier
Eberharter	Miles	Williams
Elliott	Miller, Calif.	Willis
Engel, Mich.	Miller, Nebr.	Wilson, Ind.
Evins	Mills	Wilson, Okla.
Fernandez	Mitchell	Wilson, Tex.
Fisher	Monroney	Winstead
Fogarty	Morgan	Withrow
Forand	Morris	Wolverton
Frazier	Moulder	Wood
Fugate	Murdock	Yates
Fulton	Murray, Tenn.	Young
Furcolo	Murray, Wis.	Zablocki

ANSWERED "PRESENT"—3

Cunningham	Rankin	Rogers, Fla.

NOT VOTING—84

Arends	Elston	Kilburn
Baring	Engle, Calif.	Kunkel
Barrett, Pa.	Feighan	Larcade
Bland	Fellows	Lovre
Blatnik	Flood	McMillan, S. C.
Bolton, Ohio	Garmatz	McSweeney
Bonner	Gary	Mack, Ill.
Bramblett	Gavin	Macy
Brehm	Green	Mansfield
Buckley, N. Y.	Gregory	Merrow
Bulwinkle	Harrison	Miller, Md.
Burnside	Harvey	Morrison
Byrne, N. Y.	Hays, Ohio	Morton
Carlyle	Hébert	Multer
Chatham	Heffernan	Murphy
Cole, N. Y.	Herlong	Norblad
Cooley	Huber	Norrell
Crosser	Irving	Norton
Deane	Jackson, Calif.	Patten
Dingell	Keating	Phillips, Calif.
Donohue	Keogh	Poage
Priest	Sasscer	Towe
Reed, Ill.	Scott,	Wadsworth
Reed, N. Y.	Hugh D., Jr.	Walter
Ribicoff	Shafer	Whitten
Richards	Smith, Ohio	Woodhouse
Riehlman	Stanley	Worley
Rivers	Taurielio	
Roosevelt	Thomas, N. J.	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Wadsworth for, with Mr. Stanley against.

Mr. Gavin for, with Mr. Murphy against.

Mr. Towe for, with Mr. Burnside against.

Mr. Riehlman for, with Mr. Keogh against.

Mr. Arends for, with Mr. Rogers of Florida against.

Mr. Hugh D. Scott, Jr., for, with Mr. Harrison against.

Mr. Reed of New York for, with Mr. Garmatz against.

Mr. Kilburn for, Mr. Huber against.

Mr. Reed of Illinois for, Mr. Ribicoff against.

Mr. Shafer for, with Mr. Heffernan against.

Mr. Cunningham for, with Mr. Priest against.

Mr. Merrow for, with Mr. Mack of Illinois against.

Mr. Kunkel for, with Mr. Cooley against.

Mr. Lovre for, Mr. Roosevelt against.

Mr. Fellows for, with Mr. Donohue against.

General pairs until further notice:

Mr. Rankin with Mr. Cole of New York.

Mr. Dingell with Mr. Phillips of California.

Mr. Engle of California with Mr. Smith of Ohio.

Mrs. Norton with Mr. Elston.

Mr. Hays of Ohio with Mrs. Bolton of Ohio.

Mr. Green with Mr. Bramblett.

Mr. Hébert with Mr. Harvey.

Mr. Morrison with Mr. Jackson of California.

Mr. Multer with Mr. Brehm.

Mr. Bonner with Mr. Norblad.

Mr. Blatnik with Mr. Miller of Maryland.

Mr. Patten with Mr. Macy.

Mr. Mansfield with Mr. Morton.

Mr. Feighan with Mr. Thomas of New Jersey.

Mr. RANKIN. Mr. Speaker, I have a general pair with the gentleman from New York, Mr. COLE. Therefore I withdraw my vote and answer "present."

Mr. ROGERS of Florida. Mr. Speaker, I have a live pair with the gentleman from Illinois, Mr. ARENDS. If he were present, he would vote "aye." I voted "nay." I withdraw my vote and answer "present."

Mr. CUNNINGHAM. Mr. Speaker, I have a live pair with the gentleman from Tennessee, Mr. PRIEST. If he were here he would vote "nay." I voted "yea." I withdraw my vote and answer "present."

Mr. BEALL changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. DOUGHTON and Mr. MARTIN of Massachusetts demanded the yeas and nays.

The yeas and nays were ordered.

The question was taken and there were—yeas 333, nays 14, answered "present" 1, not voting 84, as follows:

[Roll No. 218]

YEAS—333

Abbitt	Addonizio	Allen, Calif.
Abernethy	Albert	Allen, Ill.
Allen, La.	Gordon	Miller, Nebr.
Andersen, H. Carl	Gore	Mills
	Gorski, Ill.	Mitchell
Anderson, Calif.	Gorski, N. Y.	Monroney
Andresen, August H.	Gossett	Morgan
	Graham	Morris
Andrews	Granahan	Moulder
Angell	Granger	Murdock
Aspinall	Grant	Murray, Tenn.
Auchincloss	Gross	Murray, Wis.
Bailey	Hagen	Nelson
Barden	Hale	Nicholson
Barrett, Wyo.	Hall,	Nixon
Bates, Ky.	Edwin Arthur	Noland
Bates, Mass.	Hall,	O'Brien, Ill.
Battle	Leonard W.	O'Brien, Mich.
Beall	Halleck	O'Hara, Ill.
Beckworth	Hand	O'Hara, Minn.
Bennett, Fla.	Harden	O'Konski
Bennett, Mich.	Hardy	O'Neill
Bentsen	Hare	O'Sullivan
Biemiller	Harris	O'Toole
Bishop	Hart	Pace
Blackney	Havenner	Passman
Boggs, Del.	Hays, Ark.	Patman
Boggs, La.	Hedrick	Patterson
Bolling	Heller	Perkins
Bolton, Md.	Herter	Peterson
Bosone	Heselton	Pfeifer,
Boykin	Hill	Joseph L.
Breen	Hinshaw	Pfeiffer,
Brooks	Hobbs	William L.
Brown, Ga.	Hoeven	Philbin
Brown, Ohio	Hoffman, Ill.	Phillips, Tenn.
Bryson	Holifield	Pickett
Buchanan	Holmes	Plumley
Buckley, Ill.	Hope	Polk
Burdick	Horan	Potter
Burke	Howell	Poulson
Burleson	Hull	Powell
Burton	Jackson, Wash.	Preston
Camp	Jacobs	Price
Canfield	James	Quinn
Cannon	Javits	Rabaut
Carnahan	Jenison	Rains
Carroll	Jenkins	Ramsay
Case, N. J.	Jennings	Redden
Cavalcante	Jensen	Rees
Celler	Johnson	Regan
Chelf	Jonas	Rhodes
Chesney	Jones, Ala.	Rich
Chiperfield	Jones, Mo.	Rodino
Christopher	Jones, N. C.	Rogers, Fla.
Chudoff	Judd	Rogers, Mass.
Clemente	Karst	Rooney
Cole, Kans.	Karsten	Sabath
Colmer	Kean	Sadlak
Combs	Kearney	Sadowski
Cooper	Kearns	St. George
Corbett	Kee	Sanborn
Cotton	Keefe	Sasscer
Coudert	Kelley	Saylor
Cox	Kennedy	Scott, Hardie
Crook	Kerr	Scrivner
Cunningham	Kilday	Scudder
Curtis	King	Secrest
Dague	Kirwan	Sheppard
Davenport	Klein	Short
Davies, N. Y.	Kruse	Sikes
Davis, Tenn.	Lane	Simpson, Ill.
Davis, Wis.	Lanham	Simpson, Pa.
Dawson	Latham	Sims
DeGraffenried	LeCompte	Smathers
Delaney	LeFevre	Smith, Wis.
Denton	Lemke	Spence
D'Ewart	Lesinski	Staggers
Dollinger	Lichtenwalter	Steed
Dolliver	Lind	Stefan
Dondero	Linehan	Stigler
Doughton	Lodge	Stockman
Douglas	Lucas	Sullivan
Doyle	Lyle	Sutton
Durham	Lynch	Tackett
Eberharter	McCarthy	Talle
Elliott	McConnell	Taylor
Ellsworth	McCormack	Teague
Engel, Mich.	McCulloch	Thomas, Tex.
Evins	McDonough	Thompson
Fallon	McGrath	Thornberry
Fenton	McGregor	Tollefson
Fernandez	McGuire	Trimble
Fisher	McKinnon	Underwood
Fogarty	Mack, Wash.	Van Zandt
Forand	Madden	Velde
Ford	Magee	Vinson
Frazier	Mahon	Vorys
Fugate	Marcantonio	Vursell
Fulton	Marsalis	Wagner
Furcolo	Marshall	Walsh
Gamble	Martin, Iowa	Weichel
Gathings	Martin, Mass.	Welch
Gillette	Meyer	Werdel
Gilmer	Michener	Wheeler
Golden	Miles	White, Calif.
Goodwin	Miller, Calif.	White, Idaho

Whittington	Wilson, Ind.	Wolverton
Wickersham	Wilson, Okla.	Wood
Wier	Wilson, Tex.	Woodruff
Wigglesworth	Winstead	Yates
Williams	Withrow	Young
Willis	Wolcott	Zablocki

NAYS—14

Byrnes, Wis.	Davis, Ga.	Mason
Case, S. Dak.	Eaton	Smith, Kans.
Church	Gwinn	Smith, Va.
Clevenger	Hoffman, Mich.	Taber
Crawford	McMillen, Ill.	

ANSWERED "PRESENT"—1

Rankin

NOT VOTING—84

Arends	Green	Norrell
Baring	Gregory	Norton
Barrett, Pa.	Harrison	Patten
Bland	Harvey	Phillips, Calif.
Blatnik	Hays, Ohio	Poage
Bolton, Ohio	Hébert	Priest
Bonner	Heffernan	Reed, Ill.
Bramblett	Herlong	Reed, N. Y.
Brehm	Huber	Ribicoff
Buckley, N. Y.	Irving	Richards
Bulwinkle	Jackson, Calif.	Riehlman
Burnside	Keating	Rivers
Byrne, N. Y.	Keogh	Roosevelt
Carlyle	Kilburn	Scott, Hugh D., Jr.
Chatham	Kunkel	Shafer
Cole, N. Y.	Larcade	Smith, Ohio
Cooley	Lovre	Stanley
Crosser	McMillan, S. C.	Tauriello
Deane	McSweeney	Thomas, N. J.
Dingell	Mack, Ill.	Towe
Donohue	Macy	Wadsworth
Elston	Mansfield	Walter
Engle, Calif.	Merrow	Whitaker
Feighan	Miller, Md.	Whitten
Fellows	Morrison	Woodhouse
Flood	Morton	Worley
Garmatz	Multer	
Gary	Murphy	
Gavin	Norblad	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Arends for, with Mr. Wadsworth against.

Additional general pairs:

Mr. Rankin with Mr. Cole of New York.
Mr. Stanley with Mr. Towe.
Mr. Burnside with Mr. Reed of New York.
Mr. Harrison with Mr. Gavin.
Mr. Garmatz with Mr. Kilburn.
Mr. Huber with Mr. Lovre.
Mr. Ribicoff with Mr. Reed of Illinois.
Mr. Priest with Mr. Shafer.
Mr. Mack of Illinois with Mr. Smith of Ohio.
Mr. Cooley with Mr. Macy.
Mr. Donohue with Mrs. Bolton of Ohio.
Mr. Engle of California with Mr. Elston.
Mr. Blatnik with Mr. Harvey.
Mr. Hébert with Mr. Brehm.
Mr. Hays of Ohio with Mr. Kunkel.
Mr. Herlong with Mr. Merrow.
Mr. Patten with Mr. Norblad.
Mr. Tauriello with Mr. Morton.
Mr. Whitaker with Mr. Miller of Maryland.
Mr. Whitten with Mr. Phillips of California.
Mr. Deane with Mr. Riehlman.
Mr. Dingell with Mr. Hugh D. Scott, Jr.
Mr. Bonner with Mr. Bramblett.
Mrs. Norton with Mr. Fellows.
Mr. Morrison with Mr. Jackson of California.

Mr. RANKIN. Mr. Speaker, I have a general pair with the gentleman from New York [Mr. COLE]. I withhold my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

81ST CONGRESS
1ST SESSION

H. R. 6000

IN THE SENATE OF THE UNITED STATES

OCTOBER 6 (legislative day, SEPTEMBER 3), 1949

Read twice and referred to the Committee on Finance

AN ACT

To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Act Amendments of 1949".

TABLE OF CONTENTS

NOTE: The bill, H.R. 6000, was considered in the House under a closed rule permitting only amendments offered by direction of the Committee on Ways and Means, such amendments not subject to amendment. No amendments were offered and the bill passed the House without amendment as reported by the Ways and Means Committee. Accordingly, the substance of the bill as passed by the House has not been included.

The title page and the final page of the House-passed bill reproduced here show the only changes--identifying information and the signature of the clerk of the House.

302 (a) of this Act for payment to such State. Payments for work performed or information furnished pursuant to this section, including deductions authorized to be made from amounts certified under section 302 (a), shall be made in advance or by way of reimbursement, as may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age, Survivors, and Disability Insurance Trust Fund) for the unit or units of the Federal Security Agency which performed the work or furnished the information.

"(c) No information shall be furnished pursuant to this section in violation of section 1106 or regulations prescribed thereunder."

Passed the House of Representatives October 5, 1949.

Attest: RALPH R. ROBERTS,

Clerk.