

SOCIAL-SECURITY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7620) to provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment-compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 7260, with Mr. McREYNOLDS in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield myself such time as I may need and I would appreciate being notified when I have consumed 30 minutes.

The CHAIRMAN. The gentleman from Massachusetts is recognized for 1 hour.

Mr. TREADWAY. Mr. Chairman, I admire the lack of courage of the majority. There are two very apparent reasons why there has been quite a lapse of time since the Ways and Means Committee reported the social security bill.

First, it was necessary to receive instruction from the White House; and second, the majority were endeavoring to see whether they could muster votes enough to pass the bill under a gag rule. Having come to the conclusion that it was impossible to do this, it was decided to handle this "hot potato" under an open rule and take their chances on mustering enough votes to put the bill across in something like the form that the committee has reported.

They have taken the right course, but for the wrong reason. This bill contains such vital issues that it should be thoroughly and completely discussed, and, I hope, very materially amended, before it reaches a final vote.

LITTLE TESTIMONY FROM PRACTICAL PEOPLE

In his lengthy explanation of the measure yesterday, our distinguished chairman, the gentleman from North Carolina, stated that the Ways and Means Committee had given most careful consideration to this bill and that ample opportunity had been given to everyone to appear in opposition to this bill that desired to do so. Theoretically, that statement is correct; practically, it is not.

While this measure has been before Congress since the middle of January, and more than a thousand pages of testimony have been taken, I want to call attention to the fact that there was little testimony from persons of experience in business lines. Practically everybody who appeared had some part in drafting the legislation or was consulted with respect to the problems involved. There were not to exceed a half dozen persons who testified who were not a part of the present new-deal administration.

REVISED DRAFT NOT PUBLIC UNTIL AFTER APRIL 4

While the bill was being revamped, and while it was under consideration in the form in which it is now presented, the bill was not made public. Every copy issued to the members of the committee was marked "confidential", and the interested parties all over the country had no knowledge whatsoever of the contents of the present measure before it was introduced on April 4.

Moreover, it is such a complicated bill, containing so many different titles and different ideas, that the average citizen would have much more difficulty in understanding it than we Congressmen, who have had it before us.

OBJECTIONABLE TITLES SHOULD BE GIVEN ADDITIONAL CONSIDERATION

Such a departure from present-day policies as is contained in the objectionable titles of the bill should be given the greatest opportunity for study, analysis, and criticism. To say that hearings were held and witnesses did not appear is no argument that the country is for this measure in toto.

The only fair way that old-age annuities and unemployment insurance should be made policies of the Federal Government is after a disinterested commission, composed not only of college professors, members of the "brain trust", and "new dealers", but of people of experience and judgment, has studied such problems for an indefinite period and reached conclusions which could be recommended to the Congress.

I can hear my Democratic colleagues say that the Advisory Board set up by the President's committee was composed partly of such people as I have described. This Board might be regarded as qualified to study the problem, but their services were confined to very short periods and very little consultation. No report from them was submitted to the Ways and Means Committee. There is no evidence as to their attitude toward this measure, nor do we know whether they ever saw the revised bill.

THIS IS PERMANENT, NOT EMERGENCY, LEGISLATION

I cannot emphasize too strongly that very meager and insufficient study has been made of this proposed legislation, under which the Federal Government is to embark upon new and untried policies.

All recommendations of the present administration have been based upon so-called "emergencies", and the legislation has been of a temporary nature, either to be operated for a specified time or canceled in the discretion of the President.

An important part of the legislation contained in this bill is not only new and untried in this country, but haste is urged in the adoption of permanent policies. One of the men principally responsible for the preparation of the bill reiterated several times before the Ways and Means Committee that we should hasten this legislation through in order that it could be submitted to State legislatures before they adjourned this spring. Fortunately, many of these legislatures have already adjourned, and I hope they will adjourn several times more before this hastily and ill-conceived and apparently unconstitutional legislation becomes the permanent policy of the Federal Government.

NO COMPROMISE IN PRESENT BILL

There are two outstanding features in any legislative enactment: First, the possibility of compromise in order that views may finally reach a harmonious conclusion; and, second, the scale of merit.

The first one is not found in H. R. 7260. There is no compromise in it of any kind. The principles laid down in the bill correspond with the original suggestions contained in the report of the President's Committee on Economic Security, which indicates that the majority members of the Ways and Means Committee are entirely subservient to the instructions of the administration.

We therefore look to the second feature for a decision for or against the measure.

DEMERITS OF BILL OUTWEIGH MERITS

I feel that I have been fairly diligent in my attendance at the hearings and executive sessions of the committee, which have run over a period of several months on this measure alone.

It has been my firm effort to become convinced of the merits of the bill, and I have approached the several subjects with an open mind. However, I have come to the conclusion that the demerits of the measure far outweigh the merits.

SHOULD HAVE BEEN FOUR SEPARATE BILLS

If legislation of this character is to be passed by Congress, there should have been 4 separate bills instead of 1, divided into 2 categories: First, those which, according to the views of the minority of the committee, "spring from the desire of the Federal Government to provide economic assistance to those who need and deserve it"; and, second, those which are based upon the principles of compulsory insurance.

FAVOR OLD-AGE PENSIONS, AID TO CHILDREN, ETC.

In the first class are titles I, IV, V, and VI, granting aid to the States for old-age pensions, for the care of dependent children, for maternal and child welfare, and for public health. They carry with them an appropriation for each of the various purposes, which will aggregate less than \$100,000,000 the first year. I am in favor of all of these titles.

OPPOSED TO OTHER TITLES

The other group consists of titles II and VIII, relating to compulsory contributory annuities, and titles III and IX, relating to unemployment insurance. I am opposed to these four titles of the bill. They are not in any sense emergency measures. They would not become effective in time to help present economic conditions, but, on the contrary, would be a definite drag on recovery.

FAVOR INCREASE IN FEDERAL CONTRIBUTION FOR OLD-AGE PENSIONS

Title I of the bill provides for Federal cooperation with the States in establishing and maintaining State old-age pension systems. This cooperation is extended in the form of a grant to the States of one-half the amount expended by them for pensions for the aged, with a limitation on the Federal contribution of \$15 per month per person.

Of the 28 States which now have old-age pension laws, none has a rate in excess of \$1 per day or \$30 per month. If they continue the \$30 rate, the Federal Government will relieve them of one-half the cost, or they can increase the rate to \$45 without any new burden on the State Treasury.

With the Federal Government contributing not more than \$15, the tendency will be to freeze the rate at not more than \$30. I cannot bring myself to believe that a \$30 pension is adequate, particularly in cities, where rents and other living costs are much higher than in rural areas.

If it is to be the policy of the Federal Government to cooperate with the States along this line, I would favor a substantial increase in the Federal contribution for the purpose of meeting the conditions described in section 1, namely, assuring "a reasonable subsistence compatible with decency and health to aged individuals without such subsistence."

UNEMPLOYMENT INSURANCE

Titles III and IX of the bill seek to coerce the States into enacting laws for the payment of unemployment compensation. This coercion takes two forms.

Under title III the Federal Government agrees to grant to the States the sum of \$4,000,000 in the fiscal year 1936 and \$49,000,000 annually thereafter for the purpose of meeting the cost of administering their unemployment-insurance systems, if, as, and when set up. Only one State—Wisconsin—now has such a system in actual operation. The States cannot qualify for this Federal assistance unless their laws meet certain Federal standards of administration laid down in the bill.

The money appropriated is expected to be offset by the incidental revenue obtained from the tax under title IX. Titles III and IX are separated in the bill for constitutional reasons.

DIRECT COERCION ON STATES UNDER TITLE IX

The coercion under title IX, in the guise of a tax, is more direct. Employers of 10 or more persons are required, beginning next year, to pay a Federal tax on their pay roll, but are permitted to offset against this tax, up to 90 percent thereof, any contributions made by such employers to State unemployment-insurance funds.

If the employer's State has no unemployment-insurance law, he gets no credit, but must pay the Federal tax in full. His employees, however, get no unemployment benefits, since the receipts from the tax are simply covered into the general revenues of the Government. Thus, employers will have the burden of a pay-roll tax whether their State has an unemployment-insurance law or not, and they can escape the major portion of the Federal tax only by prevailing upon their State legislature to enact such a law. In effect, title IX forces employers to pay a tax either to the Federal Government or to the State.

RATES OF TAX AND TAX BURDEN

The rate of tax under title IX would be 1 percent in 1936, 2 percent in 1937, and 3 percent in 1938 and subsequent years.

The burden which it would impose on business and industry is estimated by the committee at \$228,000,000 in the first year, \$500,000,000 in the second year, and from \$800,000,000 to \$900,000,000 annually thereafter.

TAX WOULD INCREASE UNEMPLOYMENT AND WOULD BE BURDEN ON BUSINESS

At this point I want to say that I have approached the subject of unemployment insurance with an open mind. I believe in it in principle, and favor its ultimate enactment under State laws. However, I cannot support titles III and IX of the present bill, because I am convinced that instead of contributing to the relief of the unemployment problem they would aggravate it. This would result in the following manner:

First, by putting the penalty on pay rolls the tax under title IX would admittedly have the effect of increasing unemployment.

Second, by imposing a tremendous additional burden on industry and business the tax would seriously retard business recovery.

Moreover, there is a constitutional question involved, since the tax under title IX is not a true tax, but a legislative "club" to force State action along certain lines.

EMPLOYERS WILL REDUCE NUMBER OF EMPLOYEES TO ESCAPE OR MINIMIZE TAX

That the tax will increase unemployment should be rather obvious. In the first place, employers of less than 10 persons are exempted. The natural tendency for employers of slightly more than 10 persons will be to reduce the number below that figure and thereby escape all tax. If, for example, 11 or 12 persons are employed, the tax must be paid on the pay roll of all, but if only 9 are employed; no tax whatever is imposed.

The bill, therefore, offers a direct invitation to reduce the number of employees in a business to nine or less wherever that is possible. At the same time it offers an inducement to larger employers to get along with as little help as possible in order to minimize the pay-roll tax. It is quite apparent, therefore, that, although the tax is in the long run supposed to be of benefit to the unemployed, it actually will increase their ranks.

NO IMMEDIATE BENEFITS TO UNEMPLOYED

I might point out that even if the States promptly enact unemployment-insurance laws no benefits could be paid to the unemployed until after a reserve has been built up, and this, of course, would take several years. Even then benefits would be paid for only a few weeks, after a certain waiting period, and with the present number of unemployed the funds would soon be exhausted.

In this connection I cite the following language in the report of the majority, page 7:

It should be clearly understood that State unemployment compensation plans made possible by this bill cannot take care of the present problem of unemployment.

With respect to the payment of unemployment relief in the future, the report adds:

Unemployment insurance cannot give complete and unlimited compensation to all who are unemployed. . . . It can give compensation only for a limited period and for a percentage of the wage loss.

These statements in the committee's report make clear the fact that this is not in any sense emergency legislation which requires immediate enactment. No quick relief is intended. Hence there is no object in leaving titles III and IX in the bill, particularly when their result will be to increase unemployment rather than relieve it.

So far as the burden of the tax on industry is concerned, I will discuss that more in detail in connection with the tax under title VIII, relating to compulsory contributory annuities.

INOPPORTUNE TIME FOR ENACTMENT

To summarize my position on the subject of unemployment insurance, I may say that while I am in complete sympathy with its general purpose, I do not believe that the present is an opportune time to put it into effect, nor do I believe that the method adopted by the bill is the best or only method for dealing with the problem.

COMPULSORY CONTRIBUTORY ANNUITIES

I am strongly opposed to the provisions of titles II and VIII, which impose upon private industry a compulsory Federal retirement system for superannuated employees and exact a contribution from such employees and their employers, in the guise of a pay-roll tax, to set up reserves out of which to pay retirement benefits.

PLAN IS UNCONSTITUTIONAL

The Federal Government has no express or inherent power under the Constitution to set up such a scheme as is proposed. No one knows this any better than the administration and the Democratic majority of the committee. They have been working for months trying to give titles II and VIII some color of constitutionality. They are not very proud of their handiwork, but they think it is in the least objectionable form from the constitutional standpoint.

TITLES II AND VIII INTEGRAL PARTS OF SINGLE SCHEME

Titles II and VIII are just as closely related as a house and its foundation. The former provides for the compulsory premiums; the latter for the benefits. The two titles go together and neither one is intended to stand by itself.

The reason that these two titles are separated in the bill is that if they were combined, as they should be, they would on their face be unconstitutional, since the Federal Government cannot lay a tax for any other purpose than the raising of revenue for public uses. The tax imposed under title VIII is not a tax at all, but an enforced insurance premium for old-age annuities. The money raised by the tax is not intended for the support of the Government, but to pay the benefits provided under title II to the same employees who are taxed under title VIII. If you will look at the exemptions from the tax under section 811 (b), you will see that they are identical with the exemptions from the benefits under section 210 (b).

MAJORITY REPORT ATTEMPTS TO DECEIVE SUPREME COURT

The report of the majority makes no reference to the connection between titles II and VIII, because they know that the Supreme Court is eventually going to look at that report to see what the intention of Congress was in setting up these titles. They purposely omitted any reference to the connection between the two, because they wanted to try to delude the Supreme Court. I do not think the Court is going to be deceived, however. It is not going to let Congress do in a back-handed way what it cannot do directly.

REAL PURPOSE STATED IN PRESIDENT'S MESSAGE

On page 5 of the report of the majority the inference is left that title II is a Federal benefit system assuring support for the aged "as a right rather than as public charity." This is outright deception. The report also states that title II establishes a "system of old-age benefits, paid out of the Federal Treasury." That, again, is outright deception. Nothing of the kind is contemplated. The real purpose of titles II and VIII is stated in the President's message of January 17, 1935, in which he said that the object of these provisions was to set up a system of "compulsory contributory annuities", which in time would establish a "self-supporting system for those now young and for future generations."

CONSTITUTION SHOULD EITHER BE ABOLISHED OR RESPECTED

Personally, I think this attempt to delude the Supreme Court is rather childish. Either the Federal Government has the power to set up this compulsory-insurance system or it has not. The Constitution should either be respected or abolished. What is the sense of having it if we are going to spend most of our time trying to devise ways and means to circumvent it?

SCOPE OF TAX CHANGED FOR CONSTITUTIONAL REASONS

Under the original bill nonmanual workers earning more than \$3,000 per annum were exempted from the tax, and hence from the benefits, but in order to make the tax provisions, standing by themselves, less obnoxious from a constitutional standpoint, the tax was made applicable to the first \$3,000 of the annual wages of all employees regardless of the total salary. Thus, while it was not the intention of the original bill that this higher-salaried class of employees be covered, they were included for constitutional reasons.

Obviously, an alleged tax applying to low-paid employees and not to higher paid ones would arouse suspicion on the face of it. I am afraid that the changes made by the majority still has not removed this suspicion, because it appears rather strange for a tax to apply to the entire salary of a worker earning \$2,500 annually, but to only the first \$3,000 of the salary of a corporation officer receiving, for example, \$100,000 annually.

Usually, we have found that the person drawing a high salary or receiving a large income is the one whom an effort has been made to penalize by taxation. There is a distinct objection where the small-salaried man pays a tax on his whole income and the higher-salaried man gets almost complete exemption.

This again is a reversal of existing policy, in allowing a man of large salary or large income to escape tax on a large portion of his income while his less fortunate neighbor must pay a tax on his entire salary. We have frequently heard references made to socialistic tendencies and the creation of sentiment favorable to socialism. I know of nothing that will be more repugnant to the average wage earner than to think "I am to pay tax on my whole salary while the big fellow pays tax on only a part of his."

When this scheme of taxation becomes known, look out for storm signals.

PRINCIPAL OBJECTION IS BURDEN THE TAX PLACES ON BUSINESS

I know that it is useless to call the attention of Congress to the constitutional limitations on its powers. The administration is not going to play the legislative game according to the rules.

I therefore wish to say that my principal objection to titles II and VIII lies in the tremendous burden which they would impose upon employers and employees.

RATES OF TAX AND TAX BURDEN

Titles VIII imposes a pay-roll tax on employers, regardless of the number of persons in their employ, at rates ranging from 1 percent in the 3-year period from 1937 to 1939, inclusive, to a maximum of 3 percent after January 1, 1949. This tax is imposed on the first \$3,000 of the annual wage paid to each employee.

Title VIII also imposes a gross income tax on the first \$3,000 of the annual wage of the employee, which is deducted by the employer from the employee's wage envelope and turned over to the Federal Government. The rate is the same as that imposed on the employer, beginning with 1 percent on January 1, 1937, and increasing at the end of each 3-year period until the maximum of 3 percent is reached in 1949.

The additional burden on industry and business by virtue of the tax on their pay roll ranges from \$280,000,000, in 1937, to over \$900,000,000 in 1950.

A further \$280,000,000 to \$900,000,000 is annually withdrawn from the wages of employees, and hence from the channels of trade.

TOTAL PAY-ROLL TAXES REACH \$2,700,000,000 IN 1950

Considering the pay-roll taxes under titles VIII and IX together, industry and business are faced with an additional

tax burden of \$228,000,000 in 1936, \$800,000,000 in 1937, \$1,000,000,000 in 1938, and gradually increasing amounts in future years, reaching \$1,800,000,000 in 1950. This would be in addition to income, property, and other forms of existing taxes.

The latter figure does not include the \$900,000,000 annual tax on employees, which increases the total burden to \$2,700,000,000.

TAX MUST BE PAID EVEN IF BUSINESS IS IN THE RED

It should be remembered that the taxes imposed under titles VIII and IX will be collected from businesses operating in the red as well as those fortunate enough to make a profit, and they will have to be paid even if the Government has to take over the business in satisfaction of them.

PAY-ROLL TAXES WOULD PREVENT POSSIBILITY OF RECOVERY

In my opinion, the proposed imposition of the pay-roll taxes imposed under titles VIII and IX constitutes the greatest single threat to recovery of all the administration's ill-advised policies. Business and industry are already operating under very heavy burdens. Many businesses at the present time are barely able to keep their heads above the water, and if they have to face a pay-roll tax for retirement annuities, and another pay-roll tax for unemployment insurance, eventually aggregating 6 percent, they probably will be unable to continue in operation. This means more unemployment, and more uncertainty.

Aside from these taxes, the country is faced with additional income and excise taxes to pay interest upon and ultimately retire the ever-mounting national debt. Where the tax burden will end, nobody knows, and with business trying its level best to stage a recovery amid all sorts of difficulties, restrictions, and impediments, it is not going to help conditions any by putting additional millstones around its neck.

BUSINESS WILL ALSO FEEL EFFECT OF REDUCED PURCHASING POWER OF EMPLOYEES

Not only is business going to be affected by the direct burden imposed upon it, but it is going to feel the effect of having the purchasing power of employed persons reduced by from \$280,000,000 to \$900,000,000 annually. The administration seems to be so much interested in putting purchasing power into the hands of the masses, but here is a measure which will considerably reduce the already existing purchasing power of some 22,000,000 workers.

Mr. BOLTON. Mr. Chairman, will the gentleman yield?
Mr. TREADWAY. I yield.

Mr. BOLTON. Do I understand that the annuity tax, or the unemployment tax, goes into effect in 1937?

Mr. TREADWAY. The unemployment tax affects your pay rolls of 1936, collected in 1937.

Mr. BOLTON. Paid in 1937?

Mr. TREADWAY. Yes.

Mr. BOLTON. That is the reason for the date being put off to 1937 instead of 1936.

Mr. TREADWAY. I think there is a little policy involved with respect to the date, when it goes into effect, and I think the gentleman comprehends what that is.

Mr. BOLTON. Yes.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. RICH. This is going to exact a total tax on industry a 9-percent tax bill?

Mr. TREADWAY. Yes; 6 percent on the employer and 3 percent on the employee.

Mr. RICH. Then would it not be a good idea to call this a 9-percent tax bill?

Mr. TREADWAY. That would not be in accordance with the intentions of the proposers of this measure. They want to hoodwink the public and the country into thinking this is a great emergency bill, when it will not be effective for several years.

The CHAIRMAN. The gentleman from Massachusetts has consumed 30 minutes of his time.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. SAMUEL B. HILL. Has the gentleman from Massachusetts heard any member of the majority on the Ways and Means Committee claim that this is an emergency bill? Has it not been the contention all the while that this is permanent legislation?

Mr. TREADWAY. I called attention to the fact that this is the most important piece of legislation introduced by the present administration, because all our previous enactments have been emergency legislation, whereas this is a piece of permanent legislation, which strikes me as very foolish.

Mr. SAMUEL B. HILL. And it purports to be permanent legislation.

Mr. TREADWAY. Of course, I absolve the majority of the Ways and Means Committee of ever having represented it as an emergency measure except to this extent: Your chief advocate, to whom I have already referred, wanted to hurry us in the consideration of the most important problem I have ever known to come before the Congress in peace times in order, forsooth, to push it through the State legislatures and get this coercive proposition working quickly. Fortunately we were able to keep that down.

Mr. SAMUEL B. HILL. Is the gentleman disappointed because the Ways and Means Committee provided plenty of time for ample consideration?

Mr. TREADWAY. I do not consider they gave plenty of time when we consider that this is a permanent policy that you are setting up here, upsetting all business conditions, changing methods of doing business, inaugurating a new scheme of a permanent character. I consider that such a measure cannot be given sufficient study in 3 months' time and have it digested by the people. The members of my own committee realize this. I am one of them, and I will acknowledge that I cannot answer many questions that can be asked today about it; and as much as I respect the mentality of the leaders on the majority side, I doubt whether they can answer many questions that can arise here.

Mr. SAMUEL B. HILL. Is the gentleman from Massachusetts opposed to the bill?

Mr. TREADWAY. I shall vote most strenuously in opposition to the bill at each and every opportunity I get. Does that answer the gentleman's inquiry?

Mr. SAMUEL B. HILL. Yes; it does answer the inquiry; but I have a few comments to make a little later on about it.

Mr. TREADWAY. All right; but do not qualify my objection to the bad features of the bill offsetting its good features. You have plenty of window dressing in here and I am going to refer to that.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to my native Berkshire friend.

Mr. FITZPATRICK. The gentleman stated that there would be a tax placed on business now in the red.

Mr. TREADWAY. Yes.

Mr. FITZPATRICK. When the sales tax of 3 percent was brought up in the Seventy-second Congress it worked the same way, and did not the gentleman favor it?

Mr. TREADWAY. I am certainly, today, in favor of a sales tax that is fair to everybody, but this tax is a special rather than a general one.

Mr. FITZPATRICK. That tax would have affected all business that was in the red?

Mr. TREADWAY. Yes; it probably would; but that does not answer the question involved in this proposition. Here is a tax on pay rolls. You do not make any point in that comparison, Brother FITZPATRICK. A sales tax materially differs from anything in this bill. I would be glad to argue the difference if time permitted.

Mr. MARCANTONIO. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. MARCANTONIO. Is it not a fact that this House turned down the sales tax?

Mr. TREADWAY. It did; and I am sorry it did.

Mr. MARCANTONIO. Is not a pay-roll tax just as vicious as a sales tax?

Mr. TREADWAY. Yes; because this is a specialized vicious tax.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. VINSON of Kentucky. The gentleman from Massachusetts has made a strong argument against title 2 and title 8.

Mr. TREADWAY. I do not think the gentleman from Kentucky agrees with me.

Mr. VINSON of Kentucky. I wondered if it was prepared after the conference held by your Republican friends.

Mr. TREADWAY. No, sir; I have been prepared to go along with the members of the committee if they had stricken out the bad features of the bill. I did not have to wait for the President to return to get instructions from the White House as to how I stood on the bill. The Committee on Rules could not act until after they heard from the White House as to a gag rule.

Mr. VINSON of Kentucky. When the bill was under consideration—and I am not betraying any confidence of the committee, as it has been carried in the press—the gentleman from Massachusetts and his Republican brethren were not as strong in opposition to titles II and IX as at present.

Mr. TREADWAY. But we are not the proposers of the legislation. You men that propose such vicious legislation will take the blame. We will sit by on the side lines and see you operate this great measure. We only have 7 votes against your 18 votes. We know what a minority is. We sat there waiting for the emissary to come from the White House and tell you what was to go in the bill and what was not. I know what a minority is. I have been a Member of the majority as well as of the minority. We never got such instructions when we were in the majority and I hope we never will when we get in the majority again.

Mr. DOUGHTON. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. DOUGHTON. Let me say that, as far as I know, as the chairman of this committee, after the original bill was framed, that not one single word, either directly or indirectly, came from the White House or anyone representing the White House, as to what we should do with the bill.

Mr. TREADWAY. I am sorry the gentleman is so ignorant as to the procedure of the Ways and Means Committee. I did not suppose he would admit such ignorance as to what transpired in that committee.

Mr. DOUGHTON. Let me say to my good friend that I am not so ignorant that I cannot tell the truth. [Laughter.]

Mr. TREADWAY. Any time I fail to tell the truth I wish the gentleman would remind me of it.

Mr. DOUGHTON. I would be reminding the gentleman a good deal of the time. [Laughter.]

Mr. TREADWAY. Every time I make an argument contrary to the ideas of my distinguished friend the chairman of the committee, he says some harsh things, but he does not mean it, and we shake hands after it is all over.

Mr. KENNEY. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from New Jersey.

Mr. KENNEY. To ask the gentleman whether he proposed any plan at all for an old-age pension?

Mr. TREADWAY. What a foolish, ridiculous question. What earthly good would it do for us to propose a plan when you Democrats deprived us of three votes on the Committee on Ways and Means. The gentleman should not ask foolish questions; he had better talk about his lottery. That would be much better.

Mr. KENNEY. Perhaps it was foolish to expect a different answer from the opposition, but I compliment the gentleman from Massachusetts for his contribution to my plan for a national lottery.

Mr. TREADWAY. Oh, the gentleman should talk about his favorite pastime.

Mr. KENNEY. Yes; I shall do so during the present emergencies, and credit is due the gentleman for mentioning it, because it was the lottery that put the gentleman's State on its feet, and a lottery conducted by the Government for public benefit, in my opinion, is not gambling.

Mr. TREADWAY. No State ought to expect to pay its bills through gambling devices.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. TABER. Does the gentleman attach any significance to the fact that the Chairman of the Committee on Ways and Means, in answer to the gentleman from Massachusetts in reference to the White House suggestion, stated that no "constructive" suggestion came from there?

Mr. TREADWAY. If the gentleman used that word, I think that qualified him.

Mr. ENGEL. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I will have to continue, if I may.

PAY-ROLL TAXES WILL DECREASE PURCHASING POWER OF THE MASSES BY INCREASING COST OF LIVING

The pay-roll taxes on industry will indirectly decrease the purchasing power of the public generally by adding enormously to the cost of living.

This form of tax, like the turn-over tax, will be applicable to every process of production and distribution and will be pyramided from one stage to another.

PAY-ROLL TAX FOR ANNUITIES ALSO PUTS PENALTY ON EMPLOYMENT

In discussing the pay-roll tax imposed under title LX, relating to unemployment insurance, I pointed out how it would have the effect of increasing unemployment by putting a penalty on employment. The same effect will be produced by the pay-roll tax under title VIII. Here, again, the tendency will be for employers to get along with as little help as possible in order to minimize the tax. This is another respect in which the pay-roll taxes tend to hinder recovery.

BILL GIVES NO RECOGNITION TO PRIVATE PENSION SYSTEMS

One further reason for my opposition to the compulsory annuity provisions of the bill is that they give no recognition whatever to the old-age retirement systems set up by individual employers. This means that these private systems cannot be continued, even though in most instances they provide more liberal benefits than are contemplated by the bill.

PROBLEM OF RESERVES

There is one feature of the compulsory annuity provisions to which I wish to call attention that is generally overlooked. I refer to the matter of reserves.

According to the report of the committee, the reserve for the payment of retirement benefits will reach a maximum of about \$32,000,000,000. That is more than the present national debt.

In his statement before the Ways and Means Committee, the Secretary of the Treasury, in referring to this matter, said:

It should be emphasized that the Federal Government, by inaugurating a national contributory old-age annuity system, is undertaking responsibilities of the first magnitude. Not only is it committed to paying a 3-percent return upon all collections in excess of current benefit payments involved, but it is also diverting for the purpose of old-age security a very large fraction of its possible tax revenues.

I do not very often agree with the remarks of the distinguished Secretary of the Treasury, but I do agree most fully with that statement that we are "undertaking responsibilities of the first magnitude." I suggest that gentlemen read that statement of the Secretary of the Treasury, and consider the underlying thought involved in it. He says we are not only undertaking responsibilities of the first magnitude, but that we are diverting for the purpose of old-age securities a very large fraction of possible tax revenues. There is a great deal of real meat in that.

Mr. PERKINS. And when the reserves reach \$32,000,000,000, how are they to be invested?

Mr. TREADWAY. I am coming to that.

Mr. HARLAN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Oh, I must yield to my old competitor and opponent always. He always has words of wisdom to expound.

Mr. HARLAN. I just noticed that this reserve of \$32,000,000,000 would not be reached until 1970.

Mr. TREADWAY. Then why store it over in the Treasury vaults, any more than silver and gold that the country is buying up so liberally?

Mr. HARLAN. The gentleman's statement was that our debt could not be reduced until the Republicans get in power.

Mr. TREADWAY. That is correct.

Mr. HARLAN. And I have just merely thought that 1970 would be about the time when that would happen. [Laughter.]

Mr. TREADWAY. Oh, we will take a chance of reducing it before that time with our party in control.

This statement of the chief financial officer of the Government should have careful and thoughtful consideration. It is quite apparent that the establishment of this contributory annuity system is going to have consequences which are little dreamed of in connection with its broader purpose. Yet these consequences are likely to be such that they should not be overlooked.

GOVERNMENT COMMITTED TO PAYMENT OF 3-PERCENT INTEREST ON RESERVE FUNDS

The fact that the Government is committed to the payment of 3-percent interest on the annuity reserve simply means that this country is faced with a permanent national debt of \$32,000,000,000 on that account. Even if the present national debt should be retired—and that could only happen when the Republicans are returned to power—even if our debt should be retired, our taxpayers would still have to pay nearly a billion dollars a year in interest on the annuity reserve.

RESERVE IS INVITATION FOR GOVERNMENTAL EXTRAVAGANCE

What would be the consequence of having \$32,000,000,000 of credit standing in the name of the National Government? Would it not be an invitation for all sorts of pork-barrel schemes and wild-spending sprees? We would have such an orgy of extravagance that even the unprecedented expenditures of the Roosevelt administration would seem small in comparison.

The report of the majority states that this reserve could be used to retire outstanding tax-exempt securities, but I wish to point out that the securities would still be tax-exempt when held by the Government.

Not only is there a large reserve account in connection with retirement annuities but under the provisions of section 904, all State unemployment-insurance funds must be paid into the Federal Treasury and held in trust by the Secretary. The Federal Government is committed to the payment of interest on this fund, which in time may reach large amounts. The existence of this second trust fund aggravates the evils in connection with the annuity trust fund.

It not only is evident that we are taking out of industry a very large annuity and unemployment fund but we are starting a dangerous policy when we commit the Government to paying interest on trust funds held for the States. This interest must be paid whether the Government has any use for the money or not, and the provisions of section 904 of the bill simply add another burden on the American taxpayer. Moreover, it is a burden which they are not essentially under any obligation to bear.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. ROBSION of Kentucky. The gentleman pointed out that industries or concerns employing 10 or more people would finally be subject to a 9-percent tax.

Mr. TREADWAY. Yes; including the tax on employees. The tax under title IX only applies to employers of 10 or more, but the tax under title VIII applies regardless of the total number.

Mr. ROBSION of Kentucky. I would like to hear the gentleman's views on how that will affect those who employ less than 10, for instance 9, who pay no tax.

Mr. TREADWAY. I think I have explained my position on that. A man employing just at that margin, 11 or 12 or 13, will discharge a number so as not to have to pay any tax under title IX.

Mr. ROBSION of Kentucky. If there is a 9-percent differential between those who employ less than 10 and those who employ 10 or more, what effect will that have?

Mr. TREADWAY. Title IX will give the small employer an advantage over the larger employer.

Mr. ROBSION of Kentucky. Is there anything in the bill to obviate that situation?

Mr. TREADWAY. No.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. JENKINS of Ohio. I think there may be some misunderstanding as between the gentleman from Massachusetts [Mr. TREADWAY] and the gentleman from Kentucky [Mr. ROBSION] with reference to the 9 percent. As I understand it, all of the 9 percent does not apply in the same category with these 10 people.

Mr. TREADWAY. No.

Mr. JENKINS of Ohio. Six in one group and three in the other.

Mr. TREADWAY. Six percent applies under title VIII, to employers and employees, and 3 percent applies under title IX, to employers of 10 or more.

Mr. ROBSION of Kentucky. The 3 percent applies on those who employ 10 or more?

Mr. TREADWAY. That is true of the tax imposed by title IX. The tax under title VIII has no such exemption.

Mr. ROBSION of Kentucky. Just one other question, if you please. The railroads of the country have set up a pension organization. Congress has authorized that, and it is now before the Supreme Court with regard to many other industries. Is there any way to reconcile that, to help those who have already got a system that they prefer to this?

Mr. TREADWAY. On the contrary, the question of private annuities was discussed very fully in the committee. I am breaking no confidence when I say that the majority, which of course has written this bill, would not show any consideration for the corporations that have their own systems of pensions. The gentleman does not blame our side for this composition which I hold in my hand, of course.

Mr. ROBSION of Kentucky. What will become of the tremendous sum that the workers in years past have put into these various annuity funds?

Mr. TREADWAY. There are two features, as I understand it. The first proposition is, they could liquidate, if it was an agreement between the employer and the employee. The other proposition is that if large corporations have insured their employees through an insurance company, those policies could be canceled.

Mr. ROBSION of Kentucky. But there are contracts. How do you get rid of those contracts?

Mr. TREADWAY. I hope I made it plain that I am not defending that proposition whatever. I am only trying to explain it a little bit.

Mr. ROBSION of Kentucky. Does this bill propose to do away with or destroy all those contracts that have been entered into?

Mr. TREADWAY. In effect; yes.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. TREADWAY. I am sure the gentleman from Kentucky will be able to give his colleague better support for the bill than I have been able to.

Mr. ROBSION of Kentucky. I am simply seeking information.

Mr. VINSON of Kentucky. I wanted to speak about that, because the gentleman from Massachusetts [Mr. TREADWAY] has caused the gentleman from Kentucky [Mr. ROBSION] to have an erroneous impression as to the tax upon concerns employing 10 or more and those employing less than 10. The gentleman from Ohio [Mr. JENKINS] is correct in pointing out that the tax on employers of 10 or more falls in one category. That is a 3-percent tax for unemployment compensation, but, after all, the employing of 10 or more does not affect the tax that is collected under title VIII. Old-age benefits will be paid employees regardless of the number employed.

Mr. TREADWAY. Would the gentleman mind giving his explanation in his own time and let me conclude my remarks?

Mr. Chairman, I do not care to yield in order to have speeches made in my time. When I have concluded, I will then be glad to leave the field open, as far as I am concerned.

I yield now to the gentleman from Pennsylvania.

Mr. DUNN of Pennsylvania. From the gentleman's address, I take it for granted he is really in favor of an old-age pension?

Mr. TREADWAY. I am in favor of title I, which is the old-age pension, whereby the Government will pay to States and pay it out and out, from general taxation. Title I does not set up a new taxing scheme. I am opposed to new taxes.

Mr. DUNN of Pennsylvania. I believe an adequate old-age pension would wipe out of existence the abominable poor-houses of the Nation.

Mr. ASHBROOK. Will the gentleman yield for a question?

Mr. TREADWAY. I yield.

Mr. ASHBROOK. I have very great respect for the gentleman from Massachusetts, and I always listen with great interest to whatever he has to say, even though I do not always agree with him. I understand the gentleman is in favor of an old-age pension?

Mr. TREADWAY. Yes.

Mr. ASHBROOK. And that the gentleman is of the opinion that the amount prescribed in this bill is not sufficient?

Mr. TREADWAY. No. I think I would like to see it raised a little, but you will notice the word "little."

Mr. ASHBROOK. The question I wish to propound to the gentleman is what he would favor? How much of a pension would the gentleman favor? What is the maximum pension he would favor?

Mr. TREADWAY. Well, that is a leading question. I admit it is a very fair question, but it is a difficult one to answer. I would refer the gentleman to the clause in the bill, which I think is well stated. Some of the gentlemen wanted an indefinite amount. Others realize that if we go too high we may add to this debt; but let me call the attention of the gentleman to the clause which I read in my remarks in section 1 of the bill:

For the purpose of enabling each State to furnish financial assistance assuring, as far as practical under the conditions in such State, a reasonable subsistence compatible with decency and health to aged individuals without such subsistence there is hereby authorized to be appropriated—

And so forth.

I think that is as close as I would like to go at this time.

Mr. ASHBROOK. Would something like \$50 a month be about right?

Mr. TREADWAY. Oh, I do not think we ought to get into a discussion of figures at all. Of course, it varies. It must vary in various places. I referred to that, and so does the report of the committee. The expense of taking care of these aged people must vary in different communities with different fundamental expenses such as rent, heat, and light.

Mr. ASHBROOK. But it would have to apply to all States alike, would it not?

Mr. TREADWAY. The Federal Government, by the contributory system under the bill, can contribute different amounts up to \$15, which the States must match. That is the provision of the bill. Under this bill, if a State was to have a law under which it put up a contribution of \$25, the Government would only be called upon to match \$15 of that, making a total of \$40 for the person affected.

Mr. ASHBROOK. I wish to say that I still have the same high regard for the gentleman from Massachusetts.

Mr. TREADWAY. It is reciprocal, because we have served together many years. I think it is fortunate that our colleague returned to our fold after so many years' absence, which, of course, was detrimental to the welfare of the Nation, not having him as a Member of this House.

Mr. ASHBROOK. I sincerely thank my distinguished old-time friend.

Mr. TREADWAY. Mr. Chairman, how much more time have I remaining of my hour?

The CHAIRMAN. The gentleman has 2 minutes remaining.

Mr. TREADWAY. Mr. Chairman, I yield myself 5 additional minutes.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield for a brief question.

Mr. LUNDEEN. Is there anything in this bill to take care of the present 15,000,000 unemployed?

Mr. TREADWAY. I should say absolutely not. The system cannot be set up inside of 5 years, and it will probably take a longer time.

Mr. LUNDEEN. Has it not been held out to these 15,000,000 unemployed that this bill would take care of them? It is mere camouflage.

Mr. TREADWAY. The gentleman does not belong, as I understand it, to either major party. He is not criticizing the minority; but he is passing out an awful indictment against the majority who are responsible for the bill that is now before us which contains, as the gentleman from Minnesota well says, a very distinct camouflage; and that is expressing it very mildly.

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. PERKINS. I am still curious to know how the \$32,000,000 of reserve is to be invested.

Mr. TREADWAY. I said I was coming to that. Perhaps I did not make that clear. There are provisions in the bill giving the Secretary of the Treasury authority to issue special bonds. One provision is in section 904 of the bill, on page 51. Another is in section 201.

Section 904 is of sufficient interest and importance that I shall take the time to read it. It is a very unique provision. I never saw it before in any legislation, but they are going to have so much money they will need special bonds to invest it in. I read:

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price.

This is the interesting part, and I think it answers the question of the gentleman. This is found at line 20 of page 51:

The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt.

In other words, if this section passes muster here, it extends authority under the Second Liberty Bond Act to authorize the issuance at par of special obligations exclusively to the fund.

Section 201 also relates to the investment of reserve funds by the Secretary of the Treasury.

Mr. PERKINS. That means the fund may be invested in Liberty Loan bonds?

Mr. TREADWAY. Yes; or a special bond.

Mr. PERKINS. How are they going to invest \$32,000,000,000?

Mr. TREADWAY. I think the authors of the bill on the other side will be obliged to answer that question.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Would the gentleman mind waiting until I have concluded?

Mr. VINSON of Kentucky. I wanted to call attention to the fact that the gentleman from Massachusetts was reading about the unemployment trust fund, and did not touch top,

side, or bottom of the question of the gentleman from New Jersey, who was inquiring about the reserve account for the payment of old-age benefits.

Mr. TREADWAY. Then tell the gentleman where it is.

Mr. PERKINS. Perhaps the gentleman from Kentucky can tell us where they will invest the money.

Mr. VINSON of Kentucky. I shall be very happy to if the gentleman from Massachusetts will yield me 2 or 3 minutes.

Mr. TREADWAY. I am near the end of my remarks. I know the wisdom of the gentleman from Kentucky can await the conclusion of my remarks before he answers the gentleman from New Jersey.

Mr. VINSON of Kentucky. At least I will not refer to the wrong section of the bill.

Mr. TREADWAY. I yield to the superior wisdom on this bill of the gentleman from Kentucky. I do not claim to know much about the bill, but I do not think either he or his colleagues in the House will know much more about it after they get through describing it either. [Laughter.]

CONCLUSION

At this point I repeat that while I am favorable to the humanitarian provisions of the bill making appropriations for aid to the States in providing for old-age pensions, in caring for dependent children, in providing for maternal and child welfare, and in extending public-health services, the other provisions of the bill are, to my mind, so objectionable that I feel obliged to vote against the bill in its entirety if they are retained.

At the proper time I propose to move to strike out the provisions relating to unemployment insurance and compulsory annuities, and if that motion should prevail, I would welcome the opportunity to vote in favor of the remainder of the bill.

BILL WINDOW DRESSED TO CATCH VOTES

Of course, the only reason so many worthy provisions are incorporated in the bill is to catch more votes and make it politically inexpedient to vote against it. I have come to the conclusion, however, that political expediency should be cast aside in favor of calm judgment, and the merits of the bill weighed against the demerits.

Although I would like to vote for the titles I have indicated, I cannot vote for the bill on final passage if I have to take with it other provisions which I deem obnoxious, at least so far as action at this time is concerned.

OBJECTIONABLE FEATURES ARE NOT EMERGENCY

As I have pointed out, the provisions to which I object are in no sense emergency measures. They are not intended for the relief of present economic conditions, but commit the Federal Government to a permanent program of social legislation. Since no form of quick relief is involved, there is all the more reason for considering each proposal separately on its own merits.

A VOTE FOR PAY-ROLL TAXES IS VOTE TO CONTINUE DEPRESSION INDEFINITELY

In closing, I want to emphasize again that the tax provisions of titles VIII and IX place upon business and industry and the employees therein a permanent future burden of \$2,700,000,000 annually—a sum equal to the entire internal-revenue receipts of the Federal Government in the last fiscal year.

For the reasons I have stated, it is my firm opinion that as long as the pay-roll taxes are a part of the bill a vote in favor of the bill is a vote to prolong the depression indefinitely.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Washington [Mr. HILL].

Mr. SAMUEL B. HILL. Mr. Chairman, I am somewhat confused as to the position my friend from Massachusetts and his colleagues of the minority on the Ways and Means Committee are taking with reference to this bill. In the first place, the gentleman from Massachusetts expressed himself in the early consideration of the bill as being afraid it would be hurried through and passed out of the committee with such promptness that we would not have time to give it proper consideration. When he discovered that the committee was going into every line and provision of the bill and did, in fact, devote about 2½ months to an intensive

study and consideration of the measure, he seemed to be disappointed because his first fears were not realized.

He expresses certain objections to the measure, but I take it that the principal objection he has voiced is based upon what he says is the fact, namely, that it is not an emergency measure and does not take care of the present unemployment situation. No one has ever contended that this is an emergency measure. In fact, the contrary has been asserted time and time again; but I am sure the Members of the House will recall that we have, only recently, passed through Congress what was known as the "Public Works Act", which was and is an emergency measure and which was designed to meet the present situation of unemployment by placing in the hands of the President the means to project public works and to put men to work. That bill did not come before the Ways and Means Committee because it was an appropriation bill. It was not included in this bill because it was not within the jurisdiction of our committee, but it was passed by the Congress, and my friend from Massachusetts and others on his side of the aisle were strenuously objecting to that measure, which was an emergency measure. So I say it is difficult to know how we are to proceed in order to please our friend from Massachusetts.

I have before me the statement of the minority views on the present bill, and in view of what the gentleman from Massachusetts has said in his address just delivered, I hardly know how to construe the statement in these minority views. They are signed by the seven minority members of the Ways and Means Committee. They say in the first part of the statement that the bill separates itself into several titles, which readily and naturally segregate themselves into two categories.

They say that all of the titles other than titles 2 and 3 and the two tax titles that go along with them are perfectly satisfactory to the minority. They engage in some discussion of these titles, but further down in the statement we find this language:

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

Just what do the gentlemen on the other side mean by that expression in light of the statements made by the gentleman from Massachusetts in his address delivered this morning? They emphasize the fact further in the statement that their opposition to those two titles is based upon the fact that this is not emergency legislation, and state:

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

Mr. Chairman, that is not a statement of outright opposition to this legislation. So I was at a loss to understand, and I asked the gentleman from Massachusetts whether he would vote against this bill. He assured me that he intends to do so. I regret very much, in view of the fine cooperation which the Members on the Republican side of the committee gave us in considering the bill, that he cannot go along with us on the final passage of the measure; but if that is his attitude, of course, we will labor along without his support.

No one contends that this legislation is a cure-all. One of the objections that the gentleman made was that title 3, which is the unemployment-compensation title, does not give full and complete insurance against unemployment. Of course, it does not, and no one has contended that it does. However, we do contend that with that title enacted and after reserves have been built up, it will furnish a fund for the maintenance of those who find themselves unemployed for temporary periods, so that in minor depressions, at least, they may be tided over until they can secure reemployment, and in most instances such fund will tide them over until they can get back their old job or can find a new job.

That is all unemployment insurance purports to do. If the gentleman from Massachusetts is looking for full and complete insurance so that full wages will go along for an indefinite period of time, then I think he might consult with

the gentleman from Minnesota [Mr. LUNDEEN], who has a bill here which proposes to pay to every unemployed person over the age of 18 years the full amount of his wages, so long as he is unemployed, and if he is only part-time employed to make up the difference between the full-time wage and his part-time wage. The lowest calculation of the cost of that kind of legislation to the Government, the lowest estimate that you can possibly put upon it, according to the figures given by witnesses who appeared before our committee, is \$10,400,000,000 a year. I wonder if the gentleman from Massachusetts favors that kind of legislation, the kind that calls for an impossible burden of taxation? That is the purport of his argument here.

Mr. Chairman, if the gentleman is in favor of the principle of unemployment insurance, what is wrong with title III of this bill? What kind of a provision can be brought in that would be more reasonable and more bearable as a tax burden than the provision which is in this bill as title III? We appreciate the fact that the character of this legislation is new. You may call it, in fact, revolutionary in comparison with other legislation which this Congress has been called upon to enact, but we are going through strenuous times which have taught us lessons that we must heed. These trying times have pointed out situations ahead of us that we must recognize and meet.

Mr. Chairman, this legislation is forward looking. It means to take care of the future and create conditions in the future operation of the industry and economics of this country that will absorb some of the shock of these panics and depressions; at least tend to stabilize industry and employment and carry the country along over the rough spots until conditions may be righted. The Members of this Congress should be progressive enough in their thoughts and ideas to recognize these conditions and have the courage to meet them. I submit that we are making a step in the right direction in the enactment of this legislation.

Mr. Chairman, I know that it is probably difficult for the Members generally to find the time to study this bill closely and to understand every detail of this legislation. That is no reflection on anyone. I want to confess it is difficult for the members of the Ways and Means Committee, who have studied it for weeks and weeks, to get the full purport and understanding of all its provisions and ramifications. We have done our best to bring in a bill worthy of your consideration and support.

Mr. CLAIBORNE. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from Missouri.

Mr. CLAIBORNE. Does the gentleman think a Member should vote for a bill that he does not understand?

Mr. SAMUEL B. HILL. That is a question for the Member himself to decide. I have an idea that many of us have done that time and time again. I am not recommending it, nor am I advising against it.

Mr. Chairman, titles 2 and 3 are the two titles which are the pet aversions of the gentleman from Massachusetts. Title 2 provides benefits to a certain class of employed people after they have arrived at the age of 65. The benefits are measured by the total wages which they earn over their working period from and after December 31, 1936, until they reach 65. If they have a total amount of wages of sufficient amount, they will be able to support themselves on the benefits without having to resort to the charity of old-age pensions. Certainly that is a commendable thing. If one of these employees at the age of 65 has earned wages over a period of at least 5 years of not less than \$2,000, he will be entitled to a monthly payment from the Government of \$10. Of course, that is not enough to support him, but you have the old-age pension; and if he is needy, he will be able to get additional support from that source. If he has total wages of \$3,000, he will get a monthly payment of \$15, plus a certain percentage of increase as the amount of wage rises above \$3,000. It is graduated upward, measured by the total amount of wages received, to the point where it is possible for one of these employees to receive as much as \$35 a month, but not more than that.

Mr. ROBSION of Kentucky. Will the gentleman yield?
Mr. SAMUEL B. HILL. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. The old-age pension is fixed at the age of 65. I find in the mining sections the big trouble is they will not employ men in the mines who are 45 years of age or over.

What is there in this bill that will take care of them; and, assuming that a lot of them cannot get back to work, what is there in this bill, either of old-age pension or employment annuities or insurance, that will take care of the something like 13,000,000 workers between the ages of 45 and 65?

Mr. SAMUEL B. HILL. The unemployment-compensation title is the only one that might reach them.

Mr. ROBSION of Kentucky. But if they are now past the age to get work and cannot get work, what is there for that group?

Mr. SAMUEL B. HILL. It will not carry them indefinitely. It will certainly not do that.

Mr. ROBSION of Kentucky. Would it carry them at all unless they get work?

Mr. SAMUEL B. HILL. It would carry them for some weeks at something less than their average wage, but it does not take care of them completely. There is nothing in this bill, under the old-age assistance feature or under the old-age benefit provision, that would take care of a man in that situation.

Mr. ROBSION of Kentucky. Was there any suggestion or any plan submitted to the committee that would take care of this great army of people between 45 and 65 that are now out of employment because of their age?

Mr. SAMUEL B. HILL. I do not recall any witness who appeared before our committee advocating what we would term an "old-age pension" on an age limit as low as that.

Mr. ROBSION of Kentucky. In seeking further information, may I suggest that, as the gentleman knows, these men between 45 and 60, who cannot get employment, have families and are sending their children to school. They cannot get work. What is to become of this great army of people in this country?

Mr. SAMUEL B. HILL. I am not so sure that men 45 years and over, under normal conditions, cannot get work. I appreciate the fact that at this time many people who have not even reached the age of 45 are out of employment and the part of the program that meets that situation now is the Public Works Act.

The purpose of that act is to give present employment and try to stimulate private enterprise and private industry so that they will get on their feet and also give employment to these unemployed men.

Mr. ROBSION of Kentucky. But the mining concerns and others for some years past have been drawing the age limit at 45, and the United States Government draws the limit at 50 years. There is no work for them to get.

Mr. SAMUEL B. HILL. I will say to the gentleman from Kentucky that this bill, through the old-age benefits or old-age pensions, does not meet that situation.

Mr. ROBSION of Kentucky. I was concerned to know if there was any plan that would reach it.

Mr. SAMUEL B. HILL. Only the administration of the Public Works Act.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. DUNN of Pennsylvania. Does this bill provide any relief for the unemployed farmer?

Mr. SAMUEL B. HILL. This bill does not.

Mr. DUNN of Pennsylvania. The farmers are not considered at all?

Mr. SAMUEL B. HILL. This bill does not take up that feature at all. The Public Works Act is the one that furnishes employment. It is designed to furnish employment to anyone who is employable—farmers, industrial workers, or others.

Mr. DUNN of Pennsylvania. The work-relief bill?

Mr. SAMUEL B. HILL. Yes.

Mr. DUNN of Pennsylvania. As the gentleman across the aisle said a moment ago, suppose a person between the ages of 45 and 65 is unable to obtain a position; will he be considered? In other words, is it absolutely essential that he must pay into the Government in order to obtain unemployment insurance?

Mr. SAMUEL B. HILL. We are not putting any tax on the employee at all.

Mr. DUNN of Pennsylvania. I want to make the point absolutely clear. Is it essential, in other words, that the man or woman must be employed in order to obtain employment insurance?

Mr. SAMUEL B. HILL. He must be employed and lose his job in order to get this unemployment-insurance benefit.

Mr. DUNN of Pennsylvania. Suppose they are unable to obtain jobs, how will they be taken care of?

Mr. SAMUEL B. HILL. It does not operate, so far as he is concerned, until he does get a job and loses it.

Mr. DUNN of Pennsylvania. Maybe the gentleman can clear up another point I have in mind. As a member of the Committee on Labor, we held a number of hearings last year on the 6-hour day, 5-day-week bill, and practically every man who appeared before our committee in opposition to the bill was the head of some large industry, and I made it a point to ask them this question: Do you have an age limit? And practically every one said yes; that the age limit was around 40 or 45. Unless our Government sees to it that employment can be obtained for men and women between the ages of 45 and 65, I do not see how they are going to be benefited under this bill.

Mr. SAMUEL B. HILL. Of course, you have to assume they will not be able to get employment at that age. It is possible that a lot of people at that age or over may find themselves out of employment, but there is no age limit on a man going out and getting a job. When, however, he gets to the age where he may be presumed not physically able to work, he will come under the provisions of the bill. You must draw some arbitrary age line and take care of them within those limitations.

Mr. DUNN of Pennsylvania. But it is true, is it not, that many of the industries in the United States, as well as the municipal governments, the State governments, and the Federal Government, have an age limit?

Mr. SAMUEL B. HILL. I appreciate the fact that after a man gets to be 45 years of age he is handicapped in competing with younger men in getting jobs. We all know that.

Mr. WOOD. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. WOOD. In connection with the question of my colleague the gentleman from Pennsylvania [Mr. DUNN], it is my opinion that this is a social-security bill and that this bill is not designed to cure all the evils of society.

Mr. SAMUEL B. HILL. The gentleman is correct in that statement.

Mr. WOOD. Is it not a fact that if this bill is enacted it will take care of three or four million aged people, and it will also take care of other millions of unemployed in purchasing power, and thereby lower the labor market; that the labor market will become such under the operation of the law that there will be less demand for labor, and that many men today that cannot get a job between the ages of 40 and 50 will be employed?

Mr. SAMUEL B. HILL. The gentleman has stated the matter clearly, and I thank him for the contribution.

Now, there is another feature that I want to touch upon. I am not going to explain all the titles, but the gentleman from Massachusetts was asked where the provision in the bill is that would authorize the investment by the Secretary of the Treasury of funds that would take up a considerable portion of the outstanding Government bonds.

The gentleman from Massachusetts referred to a section in title IX, under the unemployment tax feature. The real answer to the question is found on page 8 of the bill, subdivision (d), section 201, reading as follows:

It shall be the duty of the Secretary of the Treasury to invest such portion of the amount credited to the account as is not, in his judgment, required to meet current payments. Such investment shall be made in any interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States. The Secretary of the Treasury may at any time sell any such obligations. The interest on and the proceeds from the sale of any such obligations shall be credited to the account.

The account that is referred to is the "old-age reserve account" under title II appearing on page 7 of the bill, section 201 (a). That is the reserve account to which allocations and appropriations are made to meet the obligations under title II dealing with old-age benefits.

It was brought to your attention by the gentleman from Massachusetts that in 1970 the amount of reserve in that account would be \$32,000,000,000 plus—that it would gradually go up to that amount.

Then you have in addition to this fund, which by the provisions of the bill it is made the duty of the Secretary to invest in Government bonds and guaranteed bonds by the Government, the other provisions in title IX, to which the gentleman from Massachusetts referred, being the moneys that are to be used, trust-fund money of the States placed in the custody of the Secretary of the Treasury, to be paid out on the requisition of the States to take care of unemployment insurance. In the course of time that fund also would be absorbed into this investment in outstanding Government bonds about which you hear so much complaint as being tax exempt.

These bonds will be called in. They will be placed in these reserves as the Government's investment of the funds, and you will then have this great volume of outstanding tax-exempt bonds in the hands of the Government so that the people who now have their money invested in those tax-exempt bonds would not be so fortunate in the matter of investments that would relieve them from payment of income taxes.

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. PERKINS. With these humanitarian impulses under this bill I am in full accord, but I want to know whether it is true that it is expected ultimately to set up a reserve of \$32,000,000,000.

Mr. SAMUEL B. HILL. The reserve is set up with the effective date of this bill, and into that reserve fund will be paid such amount of moneys that are actuarially determined by the Treasury Department and for which estimates are made to Congress by the Bureau of the Budget, as shall be necessary to meet the obligations on the funds under the provisions of the bill.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 15 minutes more.

Mr. PERKINS. Will the fund ultimately become approximately \$32,000,000,000?

Mr. SAMUEL B. HILL. That is the estimate of the actuaries.

Mr. PERKINS. And that fund will be invested in Government bonds?

Mr. SAMUEL B. HILL. It will be, provided there are enough bonds to take it up. If there are not, there is provision that the Secretary of the Treasury issue special obligations that are nontransferable, nonassignable, so as to carry the investment. The obligation is on the Treasury to keep the fund invested, and if it does not keep it invested, except so much as is necessary for current expenses, it would be chargeable with the interest on it just the same.

Mr. PERKINS. The Government debt would have to be \$32,000,000,000 to keep the fund going.

Mr. SAMUEL B. HILL. Probably.

Mr. PERKINS. And it would have the beneficial effect of wiping out persons now exempt from taxes by reason of tax-exempt securities.

Mr. SAMUEL B. HILL. Yes.

Mr. SIROVICH. And it would force that money into trade and help industry and commerce in that respect.

Mr. SAMUEL B. HILL. Yes; where income taxes could be collected.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. MAY. And instead of remaining frozen, it would be liquid. I want to know what difference there is in the principle involved in the mechanics of this bill in setting up these reserves, and the practice now indulged in by substantial insurance companies in connection with the issuance of old-age annuities.

Mr. SAMUEL B. HILL. I take it there is a close parallel. The reserve is built up on the actuarial estimates such as those upon which insurance funds are built, only this probably is much larger than any individual insurance fund.

Mr. Chairman, title II of the bill is the biggest thing in the bill. It is the most important thing in it, and when you are striking at title II, you are striking at the keystone of the arch, which supports the social-security program of the administration. It is the biggest thing in the bill, and probably that is why my friend from Massachusetts [Mr. TREADWAY] is leveling his fire upon that one particular section.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. JENKINS of Ohio. The gentleman may have discussed this proposition, but the gentleman does not maintain, does he, that title II is necessary, that we must have title II in order to have old-age pensions?

Mr. SAMUEL B. HILL. Certainly not. And it is not necessary to have unemployment compensation, but it is necessary to have both of them if you are to have a rounded-out program of social security.

Mr. JENKINS of Ohio. Many people think, and I am one of them, that old-age pensions is the primary subject in this bill. I think the country is more interested in old-age pensions than in all the rest of the bill. The gentleman takes the position that title II is the heart of the bill, but I maintain that it is not.

Mr. SAMUEL B. HILL. And probably the country is not so familiar with this subject as with the old-age pension proposition, and probably that is why the people are not giving greater attention to old-age benefits.

Mr. DOUGHTON. And is it not a fact, if title II is stricken from the bill, and title I is left in the bill, that this burden will grow so rapidly and so enormously that it will be an unbearable burden on the taxpayers of the country generally in a few years.

Mr. SAMUEL B. HILL. That is true.

Mr. DOUGHTON. And if we do not prepare for setting aside these reserves for old-age pensions, if we depend upon the Federal Treasury for old-age pensions, and the extent to which it will grow, how does the gentleman think a tax would be raised to finance it?

Mr. JENKINS of Ohio. The chairman indicates that he directs that question to me. If in these days of depression we assume to pay an old-age pension throughout this country, and make it practically compulsory, and can do so, then I say it is not necessary for us to run forward and borrow a whole lot of trouble 50 years from now.

Mr. DOUGHTON. Oh, these old-age annuities will come before any 20 years or 50 years or even 10 years.

Mr. SAMUEL B. HILL. This old-age benefit title, title II, is designed specifically to make men as nearly self-supporting in their old days as is possible, by giving them this opportunity for thrift, to lay up something that will bring them in an annuity in their old days.

On the question of what it would cost under the provisions of this bill for the old-age pension alone, as I recall the figures, at the present rate fixed in the bill it would, in the course of a generation or so, be costing the Government \$1,800,000,000 or \$1,900,000,000 a year for the old-age pensions alone, whereas if we have this provision that is self-supporting, we reduce that to \$500,000,000.

Mr. MAY. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. MAY. I was wondering if title II was not designed by the committee for the principal purpose of gradually eliminating some of the direct old-age pensions, as the annuity fund increases.

Mr. SAMUEL B. HILL. That is true.

Mr. MAY. And that in the end it will help to reduce, rather than enlarge the responsibility of the Government for old-age pensions.

Mr. SAMUEL B. HILL. That is true. Of course, it will take a long term of years, but this is a long forward-view proposition.

Mr. MAY. I imagine the gentleman and his committee have figured out some period of years, long in advance when it would reach the apex, and level up that situation.

Mr. SAMUEL B. HILL. Yes. Of course, it does not take care of all the aged. They are not all included. Probably not over half of them are included, but it will take care of that great class, the workers, along about 1965 or 1970. It will put them on practically a self-supporting basis.

Mr. MAPES. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. MAPES. I should like to ask the gentleman a question about the unemployment-insurance provision. This may be an old question to the gentleman and the members of the Ways and Means Committee, but this thought has occurred to me. Employers are given a credit of 90 percent on the Federal tax if they pay a similar tax to the States. As I understand it, there is no unemployment insurance paid to anyone, unless the States pass legislation providing for it in their respective States.

Mr. SAMUEL B. HILL. That is true.

Mr. MAPES. Is it the gentleman's idea that the States will attempt to meet the cost of the unemployment insurance by a State tax, or that all of the money to take care of the unemployment insurance in the different States will be collected by the Federal Government, and that the Federal Government will then turn over sufficient funds to the individual States to meet the cost of administering their State laws?

Mr. SAMUEL B. HILL. The Federal Government turns over no money at all to the States under the unemployment compensation title. This bill would levy a 3-percent tax upon the employer, based upon his pay roll. That is a 3-percent tax on all employers throughout the United States.

Mr. MAPES. How is that collected?

Mr. SAMUEL B. HILL. Through the office of the Commissioner of Internal Revenue, in the ordinary way of tax collection.

Mr. MAPES. Then why does the gentleman say the Federal Government will not turn any money over to the States?

Mr. SAMUEL B. HILL. That is exactly the situation. They paid that money into the Treasury, and all the money that comes to the Federal collector from that tax goes into the Federal Treasury. I think I can explain what the gentleman has in mind. An employer who pays this tax or is charged with it, in order to get credit against the tax must have contributed to the State-unemployment fund, which is levied, of course, by the State, and he will be entitled to a credit up to 90 percent of his 3-percent Federal tax, if he has paid that much into the State.

Mr. MAPES. The particular point I had in mind was this, that inasmuch as the employers would be credited for only 90 percent of the Federal tax no matter how much they paid to the State, there would not be any State legislation as far as the tax is concerned, because the employers in all of the States would object to the State legislation inasmuch as they would have to pay 10 percent, at least, of the Federal tax.

Mr. SAMUEL B. HILL. The employer, of course, pays that tax, and the 10 percent which the Federal Government takes in any event, and that is the least it will get, goes into the Federal Treasury, but it is provided that the Federal Government shall contribute to the cost of State administration of its unemployment compensation act. I did not speak quite correctly when I said the Federal Gov-

ernment would not pay the States any money. It does provide that out of that 10 percent in the Federal Treasury there shall be paid to the States the amounts estimated to be necessary to pay the administration cost of the unemployment compensation act.

Mr. MAPES. Is it the gentleman's thought that the States will levy a tax on their own account, or will they look entirely to the funds collected by the Federal Government for the amount necessary to meet their unemployment insurance?

Mr. SAMUEL B. HILL. There is no such provision in this bill. The Federal Government does not pay any unemployment compensation at all.

Mr. MAPES. I understand that, but it seems to me that all the States, as soon as they can get to it, will pass legislation which will provide for unemployment insurance.

Mr. SAMUEL B. HILL. I think that is true. That is the hope.

Mr. MAPES. The question in my mind is this: Does the gentleman and the other members of the Ways and Means Committee think that in that case provision will be made for raising sufficient funds to pay the insurance, or will the States all look to the Federal Government to raise the money? It seems to me that the tendency of the employers in every State will be to resist legislation which will require the money to be raised under the State laws, because of this differential of 10 percent in the amount they have to pay.

Mr. SAMUEL B. HILL. I hardly think that result will follow. As I say, this 10 percent is kept for administration purposes, largely. In any event, there is not any doubt as to the Federal Government having authority to levy this excise tax upon the employers.

It is in this bill now. If it becomes a law, they will have to pay that tax if they are going to get any benefit from stabilizing their employment and stabilizing their own industries. It is to their interest to have State compensation laws whereby they can get a credit up to 90 percent of this Federal tax. Unquestionably the inducement will be for them to urge rather than to resist State legislation establishing unemployment compensation acts.

Mr. MAPES. It seems to me, up to the point where the tax is provided, that that will be the urge; but if that State can get this unemployment insurance without levying any tax on its own employers, it seems to me it will take this course.

Mr. SAMUEL B. HILL. They cannot get it. That is just the rub; they cannot get it.

Mr. MAPES. Is it not left entirely to the discretion of this board which is created as to whether or not it will accept the legislation of the State in that respect?

Mr. SAMUEL B. HILL. There are certain requirements set out here that must be provided in State legislation. When these requirements have been incorporated in any State plan, the board will approve the plan.

Mr. MAPES. I wondered if the witnesses before the gentleman's committee and the members of the committee had reached any judgment as to what the tendency in that respect would be.

Mr. SAMUEL B. HILL. Let me explain the situation to the gentleman from Michigan in this way: In the first place, why is it necessary to levy a 3-percent Federal tax? Why not just leave this whole thing to the States individually and let the Federal Government stay out of it? This is the reason why the Federal Government is levying this tax: If the State of Michigan, for instance, wanted to enact a State unemployment compensation act, very likely part of the burden would be thrown upon the industry of that State and part of the rest of it would be thrown upon the employees; but the burden would fall upon the industry of the State very largely.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. SAMUEL B. HILL. It is to keep down unfair competition between the industries of different States.

Mr. MAPES. I understand that feature, but there is this differential of 10 percent which the employer will have to pay extra over the State law if the State law provides a tax. If the State law is passed without any provision for a tax, then the State can get all the money from the Federal Government that is necessary.

Mr. SAMUEL B. HILL. The State probably will get most of it, because it will take practically all this 10 percent to pay the cost of administration throughout the various States.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. CRAWFORD. Let us assume that I have a \$100,000 pay roll, and I send in to the State my certified check for \$3,000 covering 3 percent; must I then send an additional \$300 check to the Federal Treasury, in that in making out my return I show a liability for \$3,000, my \$2,700 credit, which is 90 percent, and then there remains \$300 for the Federal Treasury.

Mr. SAMUEL B. HILL. That is right.

Mr. CRAWFORD. Thus costing me in all \$3,300 instead of \$3,000?

Mr. SAMUEL B. HILL. Not necessarily that. They might put the State tax down to 2.7 instead of 3.

Mr. CRAWFORD. Then I would receive credit for only 90 percent of the \$2,700?

Mr. SAMUEL B. HILL. No; the gentleman would get credit up to 90 percent of the Federal tax. If you paid more than 3 percent you could not get credit for more than 90 percent of the Federal tax, but if you paid just exactly 90 percent of the Federal tax to your State, you would get credit for the State tax.

Mr. CRAWFORD. I might pay 90 percent of the tax assessed by the State rather than the tax which I had paid to the State.

Mr. SAMUEL B. HILL. I do not know whether I quite follow the gentleman or not. Let me put it in a different way. The Federal tax is 3 percent. Whatever you pay to the State you will get credit for up to 90 percent of that 3 percent.

Mr. CRAWFORD. There is no way they can charge me in total for both State and Federal taxes in excess of 3 percent of my pay roll?

Mr. SAMUEL B. HILL. Yes; the State could put a 4-percent tax on you if it wanted to, but you would get credit for only 2.7 of the 3-percent Federal tax. This is a matter of State administration. In fact, all these titles except title II are administered by the States.

Mr. SIROVICH. And, if the gentleman will yield, it puts all States on a parity.

Mr. SAMUEL B. HILL. Yes; that is the point. This 3 percent keeps down discrimination and competition.

Mr. SIROVICH. Exactly.

Mr. SAMUEL B. HILL. As between States having and not having unemployment compensation acts.

Mr. MCGROARTY. Mr. Chairman, will the gentleman yield that I may ask one question to relieve my own mind and conscience?

Mr. SAMUEL B. HILL. I yield.

Mr. MCGROARTY. The gentleman stated that this bill was very difficult to understand. I find it so, and I want his advice to me as a colleague. The bill has just come into my hands and into the hands of the Members of the House. I understand I have 20 hours in which to study it before I must cast my vote on it. With my little brain, that time is not sufficient.

Mr. SAMUEL B. HILL. I am sure the gentleman is entirely too modest.

Mr. MCGROARTY. Would the gentleman advise me to vote for the bill—I belong on this side of the House—without understanding it?

Mr. SAMUEL B. HILL. I am not the gentleman's mentor, and I must decline to advise him. I recommend the bill to him, however. [Applause.]

[Here the gavel fell.]

Mr. WOODRUFF. Mr. Chairman, I yield 20 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, I am heart and soul with the aims of this legislation. To me there is nothing more tragic than dependent old age, and dependent crippled and neglected children. I am extremely sorry that I cannot go along with the majority in this instance, because they have worked long and diligently on the measure that is now before the House. It is a definite improvement over the original bill which was presented to the Ways and Means Committee nearly 3 months ago. I had much hesitancy in submitting a minority report because, due to illness, I was not able to regularly attend committee meetings while the measure was under consideration, but nevertheless I followed the committee's work closely.

I shall endeavor to set out as briefly as possible my objections to this economic security bill in its present form.

The measure is divided into nine substantive titles, as follows:

Title I, providing a Federal grant in aid to meet one-half the cost of State old-age pensions for persons of 65 years of age or over who are in need.

Titles II and VIII, relating to old-age annuities for certain classes of workers, and imposing a pay-roll tax on employers and employees to meet the cost thereof.

Titles III and IX, relating to unemployment compensation, and imposing a tax on pay rolls in connection therewith.

Titles IV, V, and VI, making appropriations for aid to the States in the care of dependent children, for maternal and child-welfare work and for public health generally.

I am opposed to titles I, III, VIII, and IX.

The social security bill is a great step forward in sociology, because it is a distinct recognition by our country of the necessity for nationally securing old age against want, and it indicates an acknowledgment that society owes an obligation in the care of crippled and dependent children.

CONFUSION OF SUBJECTS IN THE BILL

The measure under consideration should be broken down into several separate bills to avoid multiplicity of subjects in this one bill. In its present form, the bill is cumbersome and highly complex.

OLD-AGE PENSIONS

Insofar as the bill provides reasonable assistance to the States in meeting the cost of old-age pensions for those in need, its purpose is worthy and has my support. Nor can there be any objection to aiding the States in caring for dependent children, in providing for maternal and child health, and for public health generally. The cost of these projects would not be excessive, and can be met out of the general revenues of the Treasury.

To call upon the States to provide suitable pensions for the aged in this present economic depression is merely an attempt to shift the responsibility which must be borne by our National Government. Some States are now already bankrupt and in default on pensions now past due under their present wholly inadequate pension laws. Any attempt to rely upon the States in any old-age-pension plan will defeat the very object we seek to attain.

The administering of the proposed economic-security bill will result in discrimination because people who live in States with financial conditions satisfactory will receive benefits far beyond and out of proportion to the benefits given to citizens of a State which is bankrupt and unable to participate under the provisions of the administration proposal.

For instance, in the State of North Dakota, a pension which became due a certain pensioner for the entire year of 1934, amounting to \$150, was not paid because it could not be paid and finally, on January 3, 1935, pensioner was obliged to accept a mere pittance of \$3.96 in full payment of that \$150 obligation. In this kind of a situation, how could the State of North Dakota take advantage of the old-age-pension plan contemplated in this measure?

May I ask the gentleman from North Dakota, if he votes for this legislation, how is he going to make his people believe that he has voted to give them relief?

Mr. BURDICK. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from North Dakota.

Mr. BURDICK. Has the gentleman any figures in reference to the income from old-age pensions last year in the State of Minnesota?

Mr. KNUTSON. I have it here, yes. In Minnesota the old-age-pension law is optional.

Mr. KELLER. What does the gentleman mean by "optional"?

Mr. KNUTSON. It is up to the counties whether they will grant an old-age pension.

Mr. BURDICK. Then there is none in the State law?

Mr. KNUTSON. No. We have no State pension.

Mr. BURDICK. As little as our pension is, is it not better than that existing in the gentleman's State? [Applause.]

Mr. KNUTSON. If anyone can find it in his heart to applaud the payment of \$3.96 for a year's pension, I suggest that they move over to China where the people live on dried fish and rice.

Mr. SIROVICH. Still it is better than the gentleman's State, which is nothing.

Mr. KNUTSON. How does the gentleman know?

Mr. SIROVICH. Because it was stated that the gentleman's State gives optional pensions and the counties give nothing.

Mr. KNUTSON. I am sorry that the gentleman's power of understanding is so limited.

Mr. SIROVICH. It is very good. Will the gentleman state it himself?

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. According to the table here, it shows that Minnesota last year paid pensions to 2,655 persons and that there are 94,000 eligible; also that the average rate of pension was \$13.20 per month and that the yearly total paid was \$420,936.

Mr. KNUTSON. That is correct. The gentleman from New York will find that table on page 5 of the committee report.

Mr. ROBSION of Kentucky. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. I understand the point that the gentleman from Minnesota makes is that probably North Dakota will not be able to meet the conditions of this bill and will not get any of this relief.

Mr. KNUTSON. Why, North Dakota is not the only State that cannot avail itself of the provisions of this bill. Montana cannot, and neither can the State of Oregon, and I doubt very much if the State of Mississippi can.

Mr. MCGROARTY. And California.

Mr. KNUTSON. And probably California cannot. I presume if the matter were gone into fully it will be found that more than half of the States will be unable to take advantage of the legislation.

Mr. Chairman, that is the reason I am protesting against it, because it is an illusion bigger than anything we have had since the great Mississippi bubble.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. Referring to California and the same table to which the gentleman made reference a moment ago, it shows that at the present time there are 19,309 persons in California receiving an average pension of \$21.16 per month, or a total of \$3,502,000.

Mr. MCGROARTY. When was that?

Mr. VINSON of Kentucky. That is for the year 1934.

Mr. SIROVICH. Is there anything for North Dakota in there in that same connection?

Mr. VINSON of Kentucky. The table shows that in North Dakota no pension is being paid.

Mr. DISNEY. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Is it the gentleman's theory that we should absolve the States from any participation at all in connection with old-age pensions and put the entire burden on the Federal Government?

Mr. KNUTSON. It is.

Mr. DISNEY. If so, how far can the gentleman visualize that theory going?

Mr. KNUTSON. I may say to the gentleman why I feel that the Federal Government should shoulder the entire burden. Under the plan proposed by the administration you have discrimination in favor of people who live in States that are satisfactorily set up financially, and who will receive benefits far above the benefits received by people living in bankrupt States. Therefore I call it discrimination. Now, how can you discriminate between American citizens? In other words, you should not penalize some because they live in North Dakota or Montana.

Mr. VINSON of Kentucky. Or Minnesota.

Mr. KNUTSON. Or Minnesota or Kentucky. That is what you are proposing to do in this legislation. It is discrimination, and that is why I am protesting against this bill in its present form.

Mr. DISNEY. Is the gentleman going to solve all the ills of mankind by the process of the Federal Government, thereby relieving the local governments? From the standpoint of discrimination, nothing is equal.

Mr. KNUTSON. We might just as well pay the money out in pensions as to spend it for windbreaks.

Mr. DISNEY. That is not an answer to the question.

Mr. KNUTSON. We might better pay the money out in pensions than to create relief maps showing the movement of peoples in the second millennium in the Mediterranean and the Euphrates areas. I understand that they prepared one up in New York that cost the price of 18,000 tons of hay and yet our cattle in Minnesota are being shot because there is no feed for them. [Applause.]

Mr. WADSWORTH. Has the gentleman given any consideration to rhythmic dancing?

Mr. KNUTSON. Let me say that about all they will get out of this legislation will be rhythmic dancing.

Mr. MCGROARTY. Who will pay the piper?

Mr. KNUTSON. The music will be furnished with skulls and cross bones.

Mr. PERKINS. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from New Jersey.

Mr. PERKINS. As I understand this bill, all employers are taxed, whether the employees are in his State or not, and there is also the system of unemployment relief.

Mr. KNUTSON. Certainly, that is true.

Mr. PERKINS. So that if a State does not set up a system of unemployment relief, the employers pay and contribute to other States?

Mr. KNUTSON. Yes.

Mr. PERKINS. And the purpose of the bill is to induce each State to set up a system of unemployment relief?

Mr. KNUTSON. Not to induce—to coerce. There is a distinction between the two words.

Mr. PERKINS. May I ask the gentleman another question?

Mr. KNUTSON. Yes.

Mr. PERKINS. How is this so-called "9 percent on the pay roll" figured? I have not quite understood that.

Mr. KNUTSON. The gentleman should not ask a member of the committee too many embarrassing questions because there is not a man on the committee that really understands this bill. It was drawn by members of the "brain trust", many of whom, probably, had never earned a dollar in their lives and they are not earning anything now—theorists, college professors, young whippersnappers, some of them not dry behind the ears. [Laughter.] Although I will say that the Ways and Means Committee has greatly improved the measure that the "brain trust" sent up to us.

Mr. PERKINS. On page 5 of the committee report it appears that the number of pensioners in the United States is 180,003 and the number of eligibles in 1930 was 2,330,390.

Mr. KNUTSON. That is the number of those over the age of 65. The gentleman has brought up another matter. Is there anyone in this House—do you, Brother MCGROARTY, believe it is going to help the unemployment situation to limit the benefit of this legislation to those who have passed the age of 65?

Mr. MCGROARTY. No; and especially it will not in 1970. They will not be here.

Mr. KNUTSON. No; we will not be here and there will not be many of us left. [Laughter.]

Mr. MCGROARTY. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. MCGROARTY. The gentleman who preceded the gentleman now speaking, a member of the Ways and Means Committee, said this bill is very difficult to understand.

Mr. KNUTSON. Oh, we all admit that.

Mr. MCGROARTY. The gentleman is a member of the committee, is he not?

Mr. KNUTSON. Yes; and I do not understand it.

Mr. MCGROARTY. Then how, in the name of God, do they expect me to understand it on 20 hours' notice? That is what I want to know.

Mr. KNUTSON. Well, you are supposed to take it on faith.

Mr. MCGROARTY. Can it not be put over until the next Congress and give us some time to study it?

Mr. KNUTSON. What you should do is to go down and talk to the authors of the bill, and you might get some information.

Mr. MCGROARTY. Please give me their names.

Mr. KNUTSON. Well, they are given here in the report. They are a lot of college professors.

Mr. MCGROARTY. I refuse to talk to college professors. Give me the names of some practical people. [Laughter.]

Mr. KNUTSON. Well, go down and talk to William Green, president of the American Federation of Labor. He is a good, level-headed man.

Mr. MCGROARTY. Yes.

Mr. KNUTSON. But he is about the only one I see here in whose judgment I have full confidence.

Mr. FITZPATRICK. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. FITZPATRICK. What is the gentleman's plan to take care of the unemployment in this country?

Mr. KNUTSON. What is my plan?

Mr. FITZPATRICK. Yes.

Mr. KNUTSON. Reassure industry.

Mr. FITZPATRICK. How?

Mr. KNUTSON. By removing all the uncertainty that you folks have created. Let us assure industry and we will end unemployment in a short time.

Mr. FITZPATRICK. You had the opportunity from 1929 to 1933 and you did not remove it under the previous administration, but increased it.

Mr. KNUTSON. As I have told you on previous occasions, this depression is due to the war—the war that you folks promised to keep us out of. [Laughter and applause.]

Mr. FITZPATRICK. Why did you not cure the situation in 4 years?

Mr. KNUTSON. Because during the last 2 years of Mr. Hoover's administration we had a Democratic House and you folks were determined that there should be no recovery until after the election of 1932.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. LUNDEEN. If the gentleman will permit, I understand the statement was made by the gentleman from Washington, in reference to a national bill, that the cost of such a bill would exceed \$10,000,000,000. The report on the bill (H. R. 2827), to which I have called the attention of the Members, shows that the economists and other authorities

state that the minimum cost would be \$4,060,000,000 and not to exceed \$5,800,000,000, as given by the economist Dr. Gilman, of the City College of New York, and I thank the gentleman for an opportunity to correct that statement.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. VINSON of Kentucky. Referring to the members of the Advisory Council, if my memory serves me correctly, the gentleman from Minnesota represented that Mr. Nordlin, who appeared before the committee and testified on behalf of title I and particularly in favor of granting aid to States for old-age pensions, was A no. 1 in every particular, and I believe he happens to come from Minnesota.

Mr. KNUTSON. Yes; and after Senator Nordlin testified he called at my office and I asked him how many times he had been called in, and, as I recall, he said twice in 6 weeks.

Mr. VINSON of Kentucky. But we can follow Mr. Nordlin's testimony, can we not?

Mr. KNUTSON. We can; yes. You can follow Mr. Nordlin's testimony. He is a fine gentleman.

Mr. VINSON of Kentucky. And Mr. Nordlin is for the bill and particularly stressed title I, granting aid to States for old-age pensions.

Mr. KNUTSON. As the gentleman will recall, Mr. Nordlin applauded the purposes of the bill—

Mr. VINSON of Kentucky. The statement of Mr. Nordlin—

Mr. KNUTSON. I am sorry, but I cannot yield further.

Mr. VINSON of Kentucky. When I get hold of the printed page I notice the gentleman finds it convenient not to yield, but I shall insert in my remarks the statement he made that the Fraternal Order of Eagles that he was representing is very strongly back of the proposition of grants and aids to the States in order that these pension systems may be continued. That is just one thing he said that was very splendid.

Mr. DUNN of Pennsylvania. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. DUNN of Pennsylvania. Has the gentleman from Minnesota read the bill H. R. 2827, introduced by the gentleman from Minnesota [Mr. LUNDKEN].

Mr. KNUTSON. I do not want to be diverted by discussing other legislation.

Mr. DUNN of Pennsylvania. I think that would take care of the situation if enacted into law.

Mr. KNUTSON. Well, it would not be the first good thing that has come out of Minnesota. My idea of this legislation would be something that would aid recovery, something that would lift the burden of industry and remove all uncertainty.

Mr. FITZPATRICK. Will the gentleman tell us what will do it?

Mr. KNUTSON. You are not going to do it by putting a 9-percent tax on pay rolls, and that is what you are doing here. You are going to further increase unemployment by this legislation. You must take some other method than you are pursuing here. My heavens, you have tried everything but mustard plasters. [Laughter.]

Mr. FITZPATRICK. Will the gentleman give us his plan?

Mr. KNUTSON. You cannot justify a humiliating failure by asking me what I would do in a situation not presented to me for solution. That task is yours.

Under the unemployment-insurance title employers pay a tax on the pay roll for the calendar year of 1 percent, 2 percent for 1937, and 3 percent for the calendar year 1938, and each year thereafter.

According to the committee's own report, this means an additional burden on industry of \$228,000,000 the first year, and that is going to gradually increase until you put an additional annual burden on industry of \$900,000,000, or 90 cents for every minute since the Christian era.

(The time of Mr. Knutson having expired, he was given 10 minutes more.)

Mr. KNUTSON. Now, under the contributory provision, the employers pay another pay-roll tax of 1 percent for 1937, reaching 3 percent in 1949. That tax puts an entire burden

of \$280,000,000 on industry the first year, and gradually creeps up to \$900,000,000. There you have \$1,800,000,000 tax burden in the two taxes, which is another thing this bill does. Such a burden would not alone retard business recovery but would increase unemployment.

Mr. FITZPATRICK. Will the gentleman yield for another question?

Mr. KNUTSON. No; I decline to yield to the gentleman. He does not ask questions to get information, but merely to embarrass the speaker. If the gentleman were truly seeking light I would be glad to have him ask his question, but he is not. He will follow the orders he gets from down at the other end of the Avenue regardless of where such orders may lead him.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes.

Mr. ROBSION of Kentucky. It has been said here that these funds will be built up to amount to \$32,000,000,000. Can any of that principal be used as the years go by to meet these annuities, or is it limited only to the income from that fund?

Mr. KNUTSON. By the time that fund is created, if the Republicans are not then in power, the money will probably be used in operating the Government.

Mr. ROBSION of Kentucky. There is one other question. Is one entitled to participate in any of these annuities of unemployment insurance unless he has had 5 years of employment?

Mr. KNUTSON. I think that is required.

Mr. VINSON of Kentucky. Oh, not for unemployment insurance.

Mr. ROBSION of Kentucky. I am speaking of annuities.

Mr. VINSON of Kentucky. The payment of annuities does not begin until 1942. That is correct.

Mr. ROBSION of Kentucky. It has been stated that there are something like 13,000,000 workers in this country between the ages of 45 and 65, and we know, especially in the mining industry and in railroad work, that when you seek initial employment in the coal mines or on the railroads, you must sign a card that you are under 45 years of age. What is there in this bill to take care of those 13,000,000?

Mr. KNUTSON. There is nothing in this bill to take care of them. That is another shortcoming of this legislation. When a person is unemployable he is unemployable, whether he be 45 or 65, and they should be treated alike.

Mr. ROBSION of Kentucky. When will anyone get any of this old-age pension, provided the States will cooperate? When will the first payment be made?

Mr. KNUTSON. I think in some of the States it will go to the heirs. Here is another thing you are doing here. You are proposing to set up a new bureau. Of course, I realize that that is your long suit—setting up new bureaus. You were strong against them before election, but stronger than horse radish for them since. You are going to have a new bureau to administer this fund. Now, let us see, what is the name of that bureau?

Mr. WADSWORTH. The Security Commission.

Mr. KNUTSON. Oh, no, that is another bureau. The gentleman has the two confused and I do not blame him, because there are so many of them. What is the name of this bureau?

Mr. TABER. The Social Security Bureau.

Mr. KNUTSON. To be sure. I think I know what qualifications will be necessary for a job with that Bureau, but I shall not touch on that now. We now have the Veterans' Administration that is admirably and fully equipped to handle this old-age-pension fund. The Veterans' Bureau is handling all other pension matters, including the Federal retirement fund, but I suppose the opportunity for creating another bureau was just too great a temptation to resist. There is one thing I admire about you folks, and that is your ability to think up new jobs.

As I see it, the prime need of the hour is business recovery. This unemployment insurance and this annuity plan at best are but experiments. There is no immediate hurry

for any of this legislation, save old-age pensions, because if we do pass the bill, it cannot possibly go into effect until 1937 or probably several years thereafter.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Just let me finish my thought, please. Why do we not break down this bill into four measures, and let each one stand on its own bottom. There is no connection between old-age pensions and unemployment annuities. Let us pass an old-age-pension bill that will give adequate relief to the aged.

Mr. MARTIN of Colorado. And what is that? That is what I am looking for.

Mr. KNUTSON. I would say \$50 or better a month.

Mr. MARTIN of Colorado. To how many people?

Mr. KNUTSON. I am speaking of individuals.

Mr. MARTIN of Colorado. The gentleman is willing to give them \$50 a month?

Mr. KNUTSON. That would be the minimum. I would give them enough. Up in our country a person cannot live in comfort for less than \$100 a month where they have to pay rent and buy fuel.

Mr. MARTIN of Colorado. That sounds all right, but how many people are you going to take in on that?

Mr. KNUTSON. How many would the gentleman be in favor of taking in?

Mr. MARTIN of Colorado. Let me tell the gentleman.

Mr. KNUTSON. My time is running. Please let me get on.

Mr. MARTIN of Colorado. I will tell the gentleman when I get the floor.

Mr. KNUTSON. I will be glad to hear the gentleman.

Mr. DONDERO. Will the gentleman yield for a short question?

Mr. KNUTSON. I yield.

Mr. DONDERO. I am seriously concerned, representing a district in which considerable industry exists, whether or not the gentleman's committee gave any consideration to the possibility of how industry will raise this money to pay this 9-percent pay-roll tax. Can the gentleman answer that?

Mr. KNUTSON. We are just going to open the goose and see how many golden eggs she contains. That is what this bill will do. It will close all factories. It will do just exactly what the N. R. A. did, only much worse. Does that answer the gentleman's question? [Laughter.]

Mr. TREADWAY. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. TREADWAY. How long will that goose last, with the golden eggs?

Mr. KNUTSON. Well, I do not think it will last beyond one meal.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COOPER of Tennessee. The gentleman is a distinguished member of the Ways and Means Committee, and, of course, was present at the hearings. I would like to have the gentleman tell the House how many industrial leaders of this Nation appeared before the committee in opposition to this bill?

Mr. KNUTSON. Well, you know the industrial leaders do not dare to come to Washington and talk against any legislation—

Mr. COOPER of Tennessee. Very well. Can the gentleman answer the question or not?

Mr. KNUTSON. I am telling the gentleman why they do not come.

Mr. COOPER of Tennessee. How many people, speaking for industry, appeared in opposition to the bill?

Mr. KNUTSON. Oh, the gentleman knows why they did not appear.

Mr. COOPER of Tennessee. They appear here on everything else.

Mr. KNUTSON. The gentleman knows why they did not appear.

Mr. COOPER of Tennessee. How many of them were here?

Mr. KNUTSON. None.

Mr. COOPER of Tennessee. Very well.

Mr. KNUTSON. Because if they had appeared the R. F. C. would have called their loans.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman from Minnesota 5 additional minutes.

Mr. KNUTSON. The gentleman from Tennessee [Mr. COOPER] knows why they did not appear. They did not dare to appear. That is plain. Certainly Mr. Emery appeared, and, in a very temperate statement, stated as forcibly as he dared, his opposition to this bill. You know that he represented American manufacturers, many of whom are probably beholden to the Reconstruction Finance Corporation or some other governmental agency, or some bank on which the R. F. C. has a stranglehold. If you will read Mr. Emery's statement, you will find that he seriously doubted the wisdom of this legislation and called particular attention to the fact that industry could not carry the additional burdens we were proposing to impose upon them.

Delay in the present situation is dangerous. Under the proposal in the administration bill pensions cannot become effective for 2 or more years in those States wherein the legislature has already adjourned without having made any proper or adequate provision to enable such States to participate.

The Federal Government has no power to compel any State to adopt laws in accordance with this proposal by the administration, or to enact any pension law, and in any State which does not adopt a pension law to conform to the proposed measure, there can be no immediate pension relief for the aged, and these old people must be taken care of now.

Aside from these practical considerations entering into the tax features of this proposal, there is also a grave question of constitutionality, particularly in the case of the joint tax on employer and employee for the purpose of setting up a fund for the payment of retirement annuities.

Congress may impose taxes only to provide revenue for the Government. This tax on its face is not for the purpose of providing revenue for Federal purposes, but it is simply an enforced contribution for the benefit of a certain class of persons.

COMPULSORY CONTRIBUTORY ANNUITIES AND UNEMPLOYMENT INSURANCE

As to the provisions of this proposed bill relating to contributory annuities and unemployment compensation, it is my belief they cannot be justified at this time.

In my opinion, the passage of this proposed legislation will further and definitely increase unemployment. I fear that titles VIII and IX hold out an incentive or inducement to employers to reduce the number of their employees to a minimum in order to avoid or reduce the taxes imposed upon them by these two titles. I am convinced that at this time the annuity and unemployment provisions constitute a serious threat to recovery because they impose two distinct pay-roll taxes, one of which falls entirely upon the employer and the other jointly upon the employer and employee.

I believe the age limit of 65 years is too high to be of assistance in solving the unemployment problem. We well know that it is exceedingly difficult for a person to secure employment after passing the age of 60. This is a machine age, and industry wants young and active workers. At 60 workers generally are considered unemployable. The question then arises, What shall become of those who are laid off at age 60 and who are unable to find other jobs? We cannot let them starve, and it is not fair to make them paupers before granting relief. Shortening the hours of toil will not solve this problem.

Under the unemployment-insurance titles the employer pays a tax of 1 percent of his pay roll for the calendar year 1936, 2 percent for the year 1937, and 3 percent for the year 1938 and subsequent years. According to the committee report, this means an initial burden of \$228,000,000 the first year, \$500,000,000 the second year, and from \$800,000,000 to \$900,000,000 annually thereafter.

Under the contributory-annuity provision the employer pays another pay-roll tax, which begins with a rate of

1 percent in the year 1937 and reaches a maximum of 3 percent in the year 1949. This tax begins with an initial burden of \$280,000,000, which gradually increases up to \$900,000,000 annually.

Considering these two taxes together, employers will be required to bear an additional tax burden of \$228,000,000 in the year 1936, \$800,000,000 in the year 1937, and a gradually increasing amount thereafter until the maximum of \$1,800,000,000 per annum is reached in 1949. This staggering total would be in addition to the present Federal, State, and local taxes. How long will industry be able to carry this burden?

The tax on employees also begins with a 1-percent rate and reaches a maximum of 3 percent in 12 years. It will be deducted from their pay envelopes in an amount ranging from \$280,000,000 in the first year to a maximum of \$900,000,000 annually.

In general terms this bill imposes a maximum tax of 3 percent on employers for unemployment insurance. It imposes another 3-percent tax on employers for retirement annuities. It also imposes a 3-percent tax on employees. The result is that by January 1, 1949, there will be a triple tax on pay rolls of 9 percent, imposing on employers and employees a total burden of nearly \$3,000,000,000 annually in addition to all other taxes.

Business recovery at the present time hangs in a very delicate balance. Every additional burden of this kind upon business, however small, tends to make recovery more remote; hence, imposing directly upon industry such a tremendous burden as I have mentioned is bound to cause a reaction which will result in prolonging the depression indefinitely.

Not alone will business be affected by the direct burden which is imposed upon it by this bill, but business will be seriously affected and depressed by having taken from it annually the \$280,000,000 to \$900,000,000 which is taken from the annual pay roll of the working class and withdrawn from the channels of trade.

The tax on pay rolls will fall alike on all kinds of business, whether operating at a profit or operating at a loss and may mean the difference between solvency and insolvency. Moreover, since this tax imposes a penalty on employment, it will tend to cause employers to get along with a minimum number of employees, and thereby it will tend to increase unemployment. This tax, when applied to the employee, operates as a gross-income tax, and it is, therefore, discriminatory.

When this tax is applied to the consumer it has the same effect on prices as a turnover or general sales tax. There will be a tendency to pyramid the tax for the various operations, from raw material to finished product, and this will cause a material increase in the cost of living.

If the administration cannot see its way clear to adopt a manufacturers' excise tax (with food and clothing exempted) for the purpose of making up a part of the Treasury deficit, I do not see how it can conscientiously support the tax on pay rolls and pay checks for the purpose of furnishing unemployment relief and old-age annuities.

UNNECESSARY AND CUMBERSOME BUREAUS

I do not approve the growing tendency of Congress to constantly set up needless, complicated, cumbersome, and expensive governmental machinery to carry into effect new policies and programs that are more or less experimental.

For 125 years this Government followed a pension policy in dealing with its defenders that had proven highly satisfactory to pensioner and Government alike.

But in the year 1917 Congress created, over my protest, the so-called "War Risk Insurance Bureau", now known as the "Veterans' Administration", to deal with pensions, and this Bureau has already cost the American people endless hundreds of millions of dollars for its administration, using money that should have gone to the veterans, and without giving the veterans any increased benefits.

In this social-security legislation it is proposed to repeat that expensive mistake, as you would set up another costly and cumbersome bureau to administer a new experimental

pension system by and through which we will again spend hundreds of millions of dollars, over a period of years, to operate a new and unnecessary Government machine, and again the cost thereof will come out of the pockets of the taxpayers and the beneficiaries.

The Bureau of Veterans' Affairs is already equipped to handle some of the benefits to be granted under this legislation.

The Children's Bureau will administer the benefits granted by title V.

The Public Health Service will administer the work under title VI.

Why do we talk against the establishment of new bureaus and yet constantly vote to create them? Why extend further this generally recognized evil, especially in this time of great national distress when there is so great a need for rigid economy?

REAL ECONOMIC SECURITY

The administration proposal does not provide any real increase in the buying power of the American people, neither will it provide work for the idle and unemployed; in fact, it will do the opposite by imposing a burdensome tax load without giving any immediate benefits.

In the first place, I believe that this measure should be so drawn as to be of immediate aid in ending the business depression. It should set the age limit of beneficiaries at 60, so as to take up a considerable portion of the present unemployment slack. It should fix the benefits at such a figure as will make possible dependable commodity consumption, production, and employment, thereby bringing to an early termination this distressing business depression, which is daily growing worse.

The prime need of the hour is recovery, not social reform. Since these proposals to which I am opposed are definitely within the scope of social reform, there is no compelling reason for taking them up at this time unless when so doing we provide a proper measure to restore business volume.

I am very sympathetic toward these social reforms. They should and must be given thoughtful and friendly consideration. However, it should be kept in mind that neither the old-age annuity nor unemployment insurance provisions of the bill are intended to provide immediate relief in their respective fields. They have no bearing upon the present unemployment situation, and my opposition to them at this time in no wise constitutes any lack of appreciation of the problems of those now in need. Rather, I feel that I am doing them a distinct service by insisting that nothing be allowed to impede business recovery and the resumption of normal working conditions. After all, a job is better than a dole.

My idea of an old-age-pension plan is one that will retire from gainful employment all persons at the age of 60 and over, thereby making places for the young who are now unable to find work. The plan should carry a sufficient annuity to give such buying power as will immediately tend to place production and consumption upon a firm, dependable, and permanent basis. That would largely obviate the danger of future depressions. Such a plan would be absolutely sound and workable in every respect. It should be financed in a manner to equalize the burden.

Our country is now in a precarious condition, and the demand is for immediate relief. No half-way measure will suffice. It is our manifest duty to provide adequate relief, and to do so at once.

The administration bill cannot provide any relief before the year 1937 and years will elapse before it can give any tangible benefits. We cannot wait that long. To do so will imperil the very safety of our country.

This prolonged business depression will not be overcome until we adopt a definite plan to make adequate provision for, and to enforce, spending and buying by the public in sufficient amount and volume to absorb the products of industry and agriculture required for our standard of living.

The national situation is now far too serious and critical to permit any mere gesture in this matter. We must have a measure that will actually and permanently afford relief

to our aged people and give employment to approximately 10,000,000 workers who are now idle, and who, together with their dependents, are being supported by Government money procured by bond issues which steadily increase the public debt.

This Congress will be derelict in its duty if it fails to enact a measure that will enable and permit the business of our country to resume activities in a manner to furnish employment for all citizens who should now be employed, to equitably distribute the rewards of honest labor, and to give security to our aged people in a dignified manner without reducing them to pauperism.

CONCLUSION

For the reasons stated in the foregoing, I favor a change in title I and the elimination of titles II, III, VIII, and IX.

Mr. Chairman, I herewith append my supplemental report:

SUPPLEMENTAL VIEWS OF MR. KNUTSON

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

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

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

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

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

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

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

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

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

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, I have been studying this bill ever since it was reported out by the Ways and Means Committee about a week ago. I believe this bill will go down in history, not as the social security bill, but as the 9 percent pay roll tax bill, a bill designed to impose taxes upon the employer and employee amounting to 9 percent. Frankly I cannot figure any way it can come out of anyone except the employee, because the purchasing power of the country will not absorb any higher prices than we are carrying now, and the employers are now mostly operating in the red, so that they will not be able to absorb that tax. Three percent of it is levied directly upon labor. The bill is designed to cost approximately four to four and a half billion dollars in all. There is approximately \$3,000,000,000 on account of the 9-percent pay-roll tax; approximately eight or nine hundred million under the old-age relief, and it will run from two to three or four million under the other items in the bill. Frankly I do not see how the people of the United States can bear the burden. In addition to that, there is this situation: Many industries have already set up old-age-retirement propositions for their employees. Many industries are taking care of unemployment insurance themselves. No exemption is made for those people. In addition to the burden they are now carrying, they will have to meet the pay-roll tax, and their

employees will have to meet the pay-roll tax that is set up in this bill. Frankly I do not believe the bill has had the kind of consideration that a bill should have, to be brought here by the Ways and Means Committee.

Mr. WOOD. Will the gentleman yield?

Mr. TABER. I yield.

Mr. WOOD. Can the gentleman tell me what industries are taking care of their employees on unemployment features?

Mr. TABER. I know that a great many of them are.

Mr. WOOD. Can the gentleman name one?

Mr. TABER. I know that a great many of them are locally, in my part of the country. I am not going to name them in detail, but a great many of them are.

Mr. WOOD. I would like to have the gentleman mention one of them.

Mr. TABER. Many of them are taking care of them. The American Telephone & Telegraph Co. is taking care of those to a very large extent.

Mr. WOOD. That is not unemployment insurance.

Mr. TABER. Oh, but it is, if the gentleman would study it.

Mr. TREADWAY. Will the gentleman yield?

Mr. TABER. I yield.

Mr. TREADWAY. Was the inquiry relative to the number of employees that private corporations are caring for?

Mr. TABER. No. The inquiry was with reference to unemployment insurance. A great many of these people are paying their help when they are out of employment—sick, and a great many of them are being paid when they are unable to provide them with employment.

Mr. FITZPATRICK. Will the gentleman yield?

Mr. TABER. I yield.

Mr. FITZPATRICK. With the private pension system, after a man had worked for 15 or 20 years and was laid off or discharged, he would lose the pension; is that not true?

Mr. TABER. Some corporations have a rule that if they are laid off or discharged prior to the attainment of their retirement privilege they would receive no compensation. Others take care of them just as well as this bill takes care of them. This bill provides nothing unless they have worked for 5 years in continuous employment.

Mr. FITZPATRICK. But, after that all citizens are provided for?

Mr. TABER. Oh, no; only those who have worked steadily for 5 years.

Mr. VINSON of Kentucky. The gentleman is not correct in that assumption.

Mr. TABER. What is it?

Mr. VINSON of Kentucky. It is not continuous service.

Mr. TABER. Is it service at all?

Mr. VINSON of Kentucky. It is 5 years' service.

Mr. TABER. Under that he might work 1 day a year. But it is limited to a certain percentage of the amount of their earnings during that period.

Mr. VINSON of Kentucky. That is correct.

Mr. TABER. And if they are not employed any great length of time the annuity will not amount to anything.

Mr. VINSON of Kentucky. But certainly the gentleman does not want to leave the impression that it has to be continuous service with one employer.

Mr. TABER. Perhaps that is correct. I thank the gentleman for the correction. At the same time, the pension will not amount to anything unless a man has steady employment; there is no question about that. These people will be on the old-age roll just the same unless they have had a long, continuous service.

I want to call attention now to some of the other high points that seem to me to stand out in this bill. I may be mistaken about this one, but I want to call the attention of the committee to pages 10, 11, and 12, where the gross amount that can be repaid to any employee is limited to 3½ percent of the amount of the wages he has received. When this bill gets to swinging, the amount of tax that will have been paid is 6 percent of the amount of the wages the employee has received, yet he is limited in the gross amount he may receive

to 3½ percent of the amount of those wages. That leaves, if I understand it correctly, 2½ percent for administration. Two and one-half percent is 41¼ percent of 6, so this means 41¼ percent for administrative expenses. Is not that correct?

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. SAMUEL B. HILL. Please explain how the 6 percent that is paid in is arrived at.

Mr. TABER. I did not say that the employee paid it in. I said that there had been paid in under title VIII, under the gross pay-roll tax there provided, 6 percent. Is not this correct?

Mr. SAMUEL B. HILL. The employer will pay 3 percent and the employee will pay 3 percent.

Mr. TABER. Well, 3 and 3 make 6.

Mr. SAMUEL B. HILL. They make 6.

Mr. TABER. Yes.

Mr. SAMUEL B. HILL. He gets back all he pays in, certainly, and more.

Mr. TABER. He gets back for what his employer has to pay, one-sixth; that is what he gets; and that means that this bill is setting up a law that requires a 41¼-percent cost for administration.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield further?

Mr. TABER. Yes.

Mr. SAMUEL B. HILL. The gentlemen is referring to cases where this payment is made to the employee before he arrives at the eligible age of 65 for the annuity.

Mr. TABER. Not the way I understand this language, because as I understand the language it means that this is the rule with reference to any individual who dies after attaining the age of 65 or who has received annuities thereafter which run over 3½ percent of the total amount of the pay that he has received.

Mr. SAMUEL B. HILL. If the gentleman will yield further, that is exactly what I was trying to direct the gentleman's attention to. The employee gets back more than he pays in.

Mr. TABER. Of the amount he has paid in, but not more than he and his employer together have paid in. That means that there goes into this fund 41¼ percent—I find I was correct in this situation—for administration. It means that the employee will pay the whole of that 6 percent in the long run and the gentleman is using a set-up requiring 41¼ percent out of the pay rolls of the poor to provide jobs for the faithful. That is just what it means.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield? The gentleman always is fair.

Mr. TABER. I try to be.

Mr. VINSON of Kentucky. He is very accurate generally.

Mr. TABER. Let me find the trouble, tell me.

Mr. VINSON of Kentucky. Close up to the age of 65 are the near-aged. The 3½-percent repayment to those dying before 65 is the principal plus one-half percent which is conserved as interest.

In the old-age benefits there is the problem, what might be called unearned annuities to the near-aged. For example, if a person were 59 years of age and earned \$3,000 over a period of 5 years under the present bill, he would get \$15 a month; whereas the 3½-percent feature to which the gentleman refers to, would give him only \$105 as a total lump-sum payment. In other words, the near-aged, those who are near the 65-year age limit, get the break in what might be termed unearned annuities, which are made possible by payments of employers. Consequently, the gentleman's figure of 41¼ percent for administrative costs, must be materially reduced. In fact, we were told in the committee that the administrative costs would be about 5 percent of the benefits paid.

Mr. TABER. I am very frank to say I cannot understand the gentleman's explanation, although I have tried to.

Mr. VINSON of Kentucky. I am trying to help the gentleman; I would like to if I could.

Mr. TABER. I appreciate that, but my time is limited and I cannot yield further. When the gentleman gets the floor in his own right I would like to have him explain why my figure of 41¼ percent for administrative cost is not correct.

Frankly, from what the gentleman from Washington told me, and insofar as I have been able to follow what the gentleman from Kentucky has told me, the 41¼ percent figure for administrative cost is correct.

There are other things to which I wish to call attention. Insofar as I can follow title III, there is no definite set-up of benefits, or no concrete definition of how unemployment insurance should be set up. It is left to this board which is to be created. Now, why should we delegate more authority to boards if we are going to have anything of this kind? Frankly, I think it is an impossible burden which is being placed upon the public. We ought to meet the responsibility ourselves of setting up definitely what is to be done rather than to have the thing turned over to somebody else to work out. I think we have had altogether too many boards, altogether too much delegation of authority.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield for a question?

Mr. TABER. I yield.

Mr. JENKINS of Ohio. Would not the gentleman much prefer the board provided for in this bill rather than to have the present Secretary of Labor designated to make this set-up as was provided in the original bill?

Mr. TABER. That would be worse.

We ought to set up what we are going to do definitely and not vote for a "pig in a poke."

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. There is one thing in this set-up that was most shocking to me, and I know it would shock the gentleman much more, and that is in connection with the original bill the "brain trusters" and those who put the bill together thought that this great, colossal matter should be administered by one institution in charge of the present Secretary of Labor.

[Here the gavel fell.]

Mr. TREADWAY. I yield the gentleman five additional minutes.

Mr. TABER. I think the set-up that came over from the "brain trust" was worse than this one. I think we ought to strike from the bill titles II and III.

Mr. TREADWAY. May I say to the gentleman that striking titles II and III would make title VII simply a political set-up with nothing to do.

Mr. TABER. That is correct. We should strike title VII and we should also strike titles VIII and IX.

Mr. TREADWAY. That is correct.

Mr. TABER. Unless you go ahead in an intelligent way to meet this problem you are not going to meet it at all. Title I of the controversial titles is all there is to this bill that deserves any consideration whatever. Title I is the section that relates to old-age pensions. Unquestionably we have to meet the situation in some way, and I do not care to shirk that responsibility. Frankly, I feel it is a matter that the States should ultimately handle for themselves rather than for the Federal Government to handle it, but I do feel in the present emergency and in the present situation the Federal Government should make a temporary contribution. We should also keep titles IV, V, and VI.

Mr. Chairman, I think we should go ahead and pass a bill providing something of this kind which will take care of people who are in distress, but I do not believe we should attempt a broad set-up along the line as outlined in sections under titles II and III with the tremendous 9 percent pay-roll tax. I do not think we should think of such a thing until we have observed how the old-age situation will work out and how it will take care of the people. If we attempt to burden industry with more drawbacks and with more things that will prevent business recovery, we are going to be just exactly where we are now, and get worse and worse every day. That is the difficulty with the existing situation.

Mr. PERKINS. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from New Jersey.

Mr. PERKINS. I would like someone to explain why we hear the words "9-percent tax" quoted so often. How does the gentleman figure this 9-percent tax?

Mr. TABER. Well, 3 percent on the employer under title VIII, 3 percent on the employee under title VIII, and 3 percent on the employer under title IX; 3 plus 3 plus 3 make 9. That is the way it goes, as I understand the matter. Is that not correct?

Mr. JENKINS of Ohio. The gentleman is right.

Mr. VINSON of Kentucky. As of 1949.

Mr. TABER. That is at the final wind up. The amount of the tax and the percentage in effect on any particular day is given in a table that appears on page 44 of the report, according to estimates. Whether those estimates are right or not, I do not know. The members of the committee can tell you more about that than I can.

Mr. Chairman, it seems to me that this tremendous tax should not be imposed on industry in such a way that it will stop and clog recovery. I think that this Congress has done almost nothing but attempt to prevent recovery ever since the 1st of March 1933. I think we ought to stop those bills that are designed by the "brain trust" and which can have no effect upon the situation in America today except to prevent and restrain and keep back business from recovery. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL. Mr. Chairman, I did not expect to speak on this bill. I am for an adequate old-age-pension law. Up until the time this bill was reported by the committee I thought I was for unemployment insurance. After looking over the bill and looking over its provisions I am wondering whether or not I am for unemployment insurance.

Mr. Chairman, my district consists of 11 counties. The major portion of the population is rural. My experience covering a number of years in State legislative work tells me that in the final analysis every tax is paid by the consumer. It is passed on to the consumer, and I do not believe this tax is going to be an exception. The factory owner and the industrialist will have to add his share of the tax to his cost of production, which will in turn be added to the cost of the article manufactured, and, of course, increasing the purchase price of the article.

Mr. Chairman, I am informed, and I think correctly, that 40 percent of the purchasing power of the country is in the farmer. If this bill is to cost approximately \$2,000,000,000 a year, as stated in the report of the committee, \$800,000,000 of this amount is going to be passed on to the consuming farmer. If it is true that you are going to have a reserve fund of \$32,000,000,000, it means that \$12,800,000,000 of this reserve fund is going to be paid by that part of the consuming public known as the "farmer." In view of the fact that he is exempt from the several subdivisions of the bill—that is, the unemployment section and the old-age reserve fund—and would properly be so exempt, I am wondering just what I can tell the farmers back home in justification of a vote for this measure. I may say frankly that I do not know at this time how I am going to vote on the bill. I am wondering just where we are going with this sort of legislation.

Mr. COOPER of Tennessee. Will the gentleman yield?

Mr. ENGEL. I yield to the gentleman from Tennessee.

Mr. COOPER of Tennessee. The gentleman understands that the farmers are entitled to benefits under title I?

Mr. ENGEL. Yes; but the gentleman also understands that the \$2,000,000,000 does not finance title I. It finances the unemployment insurance and the old-age annuity which is paid by the pay-roll tax.

Mr. COOPER of Tennessee. The gentleman is talking about some figures given by some gentleman on that side of the aisle. I am talking about the provisions of title I, which, of course, provide benefits for the farmers that the gentleman is concerned about.

Mr. ENGEL. Absolutely; and he is paying for that out of a \$49,000,000 appropriation provided for in the bill.

Mr. VINSON of Kentucky. If the gentleman will permit, the benefits under title I with respect to old-age pensions are paid for out of the General Treasury and not out of the reserve account, and the unemployment compensation is not paid out of the reserve account. The gentleman must keep in mind that there is an unemployment trust fund and a reserve account and then the Treasury of the United States.

Mr. ENGEL. That is very true; but this \$32,000,000,000 you are talking about—

Mr. VINSON of Kentucky. That is a reserve account and the farmer is not paid out of that under the old-age benefits. The farmer is not taxed under title VIII and is not taxed under title IX, and as I understand the gentleman, he agrees that they should be exempted.

Mr. ENGEL. He is not taxed directly, but if that tax is passed on to the consumer, as it always is—

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. ENGEL. If that tax, as every other tax, is passed on to the consuming public, the farmer, constituting 40 percent of the consuming public, is going to pay 40 percent of this tax which is going to be passed on to him; 40 percent of this tax of \$32,000,000,000 reserve fund or trust fund is \$12,800,000,000, and I would like to know how you are going to get around that.

When an individual is sick, the doctor leaves a bottle of medicine and says, "Take a teaspoonful every 2 hours and you will get well." The patient gets well, but every once in a while some fool comes along and swallows the whole bottle and dies. Some of these social reforms are all right, and I am in favor of them. If we take a spoonful at a time, we might get well; but I am wondering what will happen if we swallow the whole bottle. [Laughter and applause.]

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. DUNCAN].

Mr. DUNCAN. Mr. Chairman, Dr. Sirovick has just suggested to me that I state to the gentleman who just preceded me that it is sometimes necessary to try several kinds of medicine before you can find out what is wrong with a patient, and it might be necessary to give him a dose of each kind.

I do not think I have ever observed quite as much pessimism in all my life concerning the future of this country as I observe here today coming from our friends on the other side of the aisle. I am certainly glad that it is not catching. My friends over here are very much like the Arkansas traveler. When the sun is shining they do not need any roof on the house and when it is raining they cannot put one on.

I think if we are going to get anything out of this depression, the experiences we get ought to enable us to look into the future and make plans to prevent another one.

With respect to old-age pensions, I think every man and every woman in this House is agreed that we are going to have them. You know, I think the most unfortunate thing that has happened to this country is the fact that the hopes and aspirations of the old people have been built up to believe that they are going to get a lot of money, which every man who thinks sanely upon the question knows they are not going to get. The letters we get from the old folks in our districts are pitiful. They believe honestly in their hearts that they are going to get \$200 a month or \$100 a month.

Mr. MCGROARTY. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. Gladly, sir.

Mr. MCGROARTY. On what do you base your prophecy that they are not going to get it? What do you know about it?

Mr. DUNCAN. On the fact that this Congress is not going to pass such legislation, either now or at any time in the future.

Mr. MCGROARTY. How about the next Congress?

Mr. DUNCAN. The next Congress is the same way.

Mr. McGROARTY. How do you know?

Mr. DUNCAN. And for one, I want to say to the gentleman that I think the Membership of this House is not going to sacrifice the financial structure of this country upon the altar of political expediency. [Applause.] I believe this to be true. I think the Membership of this House is still thinking soundly and is not permitting itself to be carried away by any of the visionary schemes that are being suggested to bring us out of this depression.

We must all recognize that because of the depression there are thousands and thousands of old men and old women in this country who have lost their savings, who have lost their jobs and never again will they be able to have employment. I am one who does not believe the Government owes to any man a living, but it does owe to him the right to make a living for himself, and when the Government finds itself in the position where, through its own short-sightedness, he is not able to make a living, then we do owe him something and we are going to have to take care of him.

If you have an old-age-pension law that is national in its scope, and by that I mean exclusively financed by the Federal Government, it must apply everywhere alike, and every man in this House today realizes that conditions differ in different parts of the country. They differ in the different communities of your own States, or in different portions of your own States. I for one have long advocated an old-age-pension law of some kind, and I honestly want to see one passed and I want to support one here that can become a law. This bill can become a law and I think the Membership of this House is in the temper to pass it. I am comparatively new in the Congress. I am a new member on the committee that has worked on this bill for 11 long weeks.

The method of preparing the bill has been discussed by gentlemen on the other side of the House. I do not think there has been a bill come into the House since my Membership to which the committee has given more thought and made more changes in the bill than in this. It comes to you after weeks of labor and thought, the best that the members of that committee could work out.

The plan of old-age pensions will enable the States to determine their own problems. My own State is in the same situation that many others are in. It is difficult to get money, it is difficult to collect taxes, but they are paying the money for relief that can be used for pensions.

Mr. LUNDEEN. Will the gentleman yield?

Mr. DUNCAN. I yield.

Mr. LUNDEEN. Is this the Wagner-Lewis bill?

Mr. DUNCAN. This is the Wagner-Lewis bill, now the Doughton bill. Mr. Lewis and Mr. DOUGHTON introduced the bill in the House, and these different bills were taken up by the committee, and we have spent 11 weeks considering all of them, and this is the result of that labor.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. DUNCAN. I yield.

Mr. VINSON of Kentucky. After 30 days hearings on these different bills, we went into executive session, and after weeks of consideration of other bills this H. R. 7260 was introduced, after we had made 13 different drafts.

Mr. DUNCAN. That is correct; and this bill is the result of that labor. After the consideration of these bills this was worked out.

Now, there is one provision of the unemployment insurance that I do want to discuss. A number of the States now have unemployment laws. It is fundamental to me that we cannot have unemployment-insurance laws in this country unless it is national in scope. You must place the States on a basis of equality in the matter of taxation, so that if one State fails to have unemployment insurance and a neighboring State does have unemployment insurance the industry in the State that does have such laws will not be penalized because of the fact. So the tax has been placed on all industry alike. So it will cause the employers and the employees to demand the passage of such laws, as they ought to do.

Do you know your Uncle Sam has outgrown his pants and we are obliged to make a new suit of clothes for him?

Some have gone along not knowing of any change in the economic conditions. They do not realize the changes that have come to us—that we are living under changed economic conditions. They sit at their desks and think that we are going back to the old order of things. If they continue, we will go on further and further into the depths of depression. [Applause.]

[Here the gavel fell.]

Mr. DUNCAN. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and include therein a statement by Dr. E. E. Witte.

Mr. TREADWAY. Mr. Chairman, I reserve the right to object. I shall not object to any ordinary statement that my colleague wishes to make but I should to the inclusion of statements made by people not in any way connected with the hearings.

Mr. DUNCAN. May I say to the gentleman that the statement I refer to is now in the report of the committee and it concerns the Townsend old-age-pension plan.

Mr. TREADWAY. Oh, the gentleman is making an extract from the committee hearing?

Mr. DUNCAN. Yes.

Mr. TREADWAY. That is satisfactory. I did not understand.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DUNCAN. Dr. Edwin E. Witte, executive director of the Committee on Economic Security, made an analysis of the Townsend plan which I think is of interest, and is as follows:

COSTS

The Townsend plan proposes that pensions of \$200 per month shall be granted to all citizens of the United States who are 60 years of age or over, other than habitual criminals, and who will forego all gainful occupation and agree to spend the pensions during the month in which they are received. No income or property limitations whatsoever are prescribed; even millionaires would be entitled to the Townsend pensions.

There were 10,385,000 persons over 60 years of age in the United States in 1930, as shown by the census of that year. At this time the number is considerably greater, being estimated at 11,562,000. The number of habitual criminals among the aged is very small and the number who are not citizens only about 600,000. While 4,155,495 persons over 60 years of age were in 1930 still "gainfully occupied", the great majority of these persons would gladly forego gainful occupation and agree to spend their pensions each month as received if they were assured a pension of \$200 per month. Even if one-fourth of all now gainfully occupied would refuse the pensions, the total number of the pensioners under the Townsend plan would still approximate 10,000,000. This is the figure for the number of pensioners most commonly given in the Townsend literature, although sometimes 8,000,000 is stated as the number to be pensioned.

If there are 10,000,000 pensioners, the cost is \$2,000,000,000 per month, or twenty-four billions per year, if there will be only 8,000,000 pensioners, these figures would be reduced to \$1,600,000,000 per month, or \$19,200,000,000 per year. Either figure is considerably more than double the present combined Federal, State, and local taxes, which in 1932 totaled only \$8,212,000,000. (Source: Annual Report of the Secretary of the Treasury, 1933, p. 306, and the report of the United States Census Bureau, Financial Statistics of State and Local Governments, 1932, p. 9.)

These figures would represent the costs only in the first year. Persons who reach age 60 still have more than 15 years of life ahead of them on the average. Under the Townsend plan the average pensioner would be entitled to \$200 per month for more than 15 years. Actuaries employed by the committee on economic security have computed that merely to pay pensions to those now 60 or over represents a cost to the Government of a present value of \$245,000,000,000, which is to be compared with a total estimated public and private debt of \$126,000,000,000 at the peak of the boom period in 1929. (Source: The Internal Debts of the United States, by Evans Clark, p. 10.) This total almost equals the entire estimated taxable wealth of the United States, which the report on Double Taxation in 1932 of a subcommittee of the Committee on Ways and Means of the House of Representatives in the Seventy-second Congress, second session, page 294, places at less than \$260,000,000,000, and is 50 percent greater than the actual assessed value of all property, found by this subcommittee to be \$163,000,000,000.

As the plan contemplates that not only shall pensions of \$200 per month be paid to those now 60 and over but also to all persons as they become 60, the actual liability assumed by the Government is much greater than this staggering total of \$245,000,000,000.

For many years to come the number of pensioners will increase each year, and the annual cost and total liability will mount rapidly.

TAXES

To finance the Townsend pensions, the McGroarty bill (H. R. 3977), which is the official Townsend-plan bill, provides that a 2-percent tax—which may be reduced by the President to 1 percent or increased to 3 percent—shall be levied "on the gross value of each business, commercial, and/or financial transaction", to be paid by the seller.

In the Townsend literature the claim is made that the total money value of all transactions in 1933 was 1,200 billion dollars, and the Fifty-fifth Statistical Abstract of the United States is cited as authority for this statement. The page where this information appears, however, has never been given, and a careful examination of the Fifty-fifth Statistical Abstract of the United States indicates that no figure for the total money value of all transactions appears anywhere in the volume. The nearest approach to such a figure is the total of all bank debits, representing the total of all business transactions in which bank checks, drafts, etc., are used, in the 141 principal cities of the country, which in 1933 was \$304,769,000,000. (Source: Statistical Abstract of the United States, 1933, p. 254.) It is estimated by Mr. Horbett, of the Federal Reserve Board, that the debits of all banks outside of the 141 principal cities are one-third of those in these cities. On this assumption, the total of all bank debits in 1933 was \$442,000,000,000, while, roughly representing the total of all "business, commercial, and/or financial transactions", not all of this amount will be taxable under the Townsend plan, as it specifically exempts "salaries for personal services." Allowing for this exemption, approximately \$400,000,000,000 of transactions would have been taxable in 1933. At the 2-percent rate in the McGroarty bill, this tax would have yielded \$8,000,000,000, or about one-third the amount needed for the Townsend pension. A rate, not of 2 percent or 3 percent, as provided in the McGroarty bill, but of 6 percent is indicated as necessary for the payment of the Townsend pensions on the basis of 1933 money value of all transactions.

Even a 2-percent rate on the money value of all business, commercial, and financial transactions, to say nothing of a 6-percent rate, is so heavy that it would stop all business and could not possibly be collected. It would mean a tax of 2 percent of the face value of every check written in the course of ordinary business transactions. It would apply to manufacturers' sales, wholesalers' sales, and retail sales, and for nearly all commodities would represent a duplication of taxes, which, inevitably, would have to be added to the price paid by the consumers. In glassware, for instance, 11 transactions are customary between the producer of the raw materials and the consumer. On all of these transactions there would be a 2-percent or 3-percent tax, and at each stage something more than the tax (to allow for investment and handling charges) would be added to the price.

Such increases in prices would have a pronounced tendency to restrict purchases. Many other types of transactions would be rendered entirely impossible, while in the Townsend literature the claim is repeated time and again that a very large part of the entire cost of pensions would come from the sale of stocks and bonds, the probable effect of a tax of 2 percent (or 3 percent) on the money value of all sales of securities would be to close all stock exchanges, since the margin at which business is done on these exchanges is much less than 2 percent. A tax of 2 percent on the money value of all transactions would dry up the sources of revenue and would probably produce much less than the \$8,000,000,000 per year indicated as the probable yield on the basis of the 1933 business of the country. In fact, it is doubtful whether such a heavy tax could be collected at all.

ADMINISTRATIVE PROBLEMS

Aside from the difficulties of collecting three times the amount of the Federal, State, and local taxes combined (which, as noted, would require a tax rate not of 2 percent but of 6 percent on the money value of all business, commercial, and financial transactions) the Townsend plan involves other great administrative difficulties. It provides that all sellers shall be licensed by the Secretary of the Treasury. The Bureau of the Census in 1933 had a record of 2,359,497 establishments engaged in manufacturing, wholesale and retail trade, hotels, service industries, and places of amusement, and this is by no means the entire number of sellers who would have to be licensed and from whom taxes would have to be collected monthly. Provisions would also have to be made for up-to-the-minute lists of pensioners and their identification, to prevent frauds. Under the McGroarty bill further local pension boards would have to be set up in each of the 3,071 counties, and approximately 3,500 wards in cities of the country.

Most difficult of all would be the necessary checking to see that the 10,000,000 pensioners all spent their \$200 within the month in which received. This would require going into the private affairs of the pensioners to an extent never before attempted, and would necessitate a vast army of additional Government employees.

FINAL APPRAISAL OF PLAN

The Townsend advocates base practically their entire argument on the "revolving" feature of their plan. If there does not result from the plan a very great increase in incomes and in the money value of transactions, the promised pensions cannot possibly be paid for any length of time without wholesale inflation. The total income of all of the people of the United States in 1933 was only \$46,000,000,000. The people who are over 60 years of

age are less than 9 percent of the entire population of the country. The Townsend proposal consequently might be described as a plan under which more than half the national income is to be given to the less than 9 percent of the people who are over 60 years of age. Unless there is a very great increase in the national income, this could be done only through reducing the incomes of the people under 60 years of age by approximately one-half.

The Townsend advocates claim that such a result will not be produced, because business will be enormously stimulated through placing such a large amount of money in the hands of the old people to spend within the month in which received. They say nothing about the fact that the people under 60 will have approximately the same amount less to spend, as they will have to pay in taxes the amount which the people over 60 will get in pensions.

The Townsend literature states that the United States Government would have to pay only the \$2,000,000,000 required for the first month's pensions and that the plan would thereafter be self-sustaining, because it would create enough new business to return to the Government the entire pension costs without burdening the taxpayers. As the rate of tax proposed is only 2 percent, it is manifest that the \$2,000,000,000 paid out in the first month would have to increase to one hundred billion during that month to justify the expectations of the Townsend advocates. The Townsend plan contemplates that pensioners shall spend their money within the month in which received—that is, that all of the pension money shall be turned over once during the month—but in order to produce sufficient revenue to pay the pensions of the second month, without burdening the people under 60, there must be 50 turnovers of the pension within the first month.

Even the Townsend advocates acknowledge that this is impossible, but they are reduced to the dilemma either of burdening the people under 60 with heavy taxes, which will greatly reduce their incomes, or of having the Government pay the pension costs for a much longer period than the first month. Since it is inconceivable that the people under 60 would submit to have their incomes reduced by one-half, the latter course is the only possibility. This will mean a rapid increase in the national debt and, in effect, pronounced inflation.

Through inflation it may be possible to keep up the pension payments for some time. The final result, however, cannot be in doubt. The inflation and duplicate taxation involved in the Townsend plan will cause prices to soar, and soon, even with \$200 per month, the pensioners will not be better off than they were before, while those below 60 will be immeasurably worse off. The Townsend plan is one which involves not only revolving pensions but revolving taxes. It is a plan which arouses great hopes, but actually will give the old people little or nothing.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Illinois [Mr. KELLER].

Mr. KELLER. Mr. Chairman, I am very much delighted to know there are so many students of Jeremiah in this body. I did not know it before. It does seem to me that we ought to face this question as a real current matter of very great importance. It seems to me we ought to view this as a great step which the American people have had a right to take for many years past, and that we are just now seeking to take it. Naturally, there would have been, and there has been, a very great divergence of opinion as to how to go at this thing, how far we should go, and what will be the result, whichever way we did go. In 1913, as a member of the State Senate of Illinois, I had the great pleasure and honor to put forward in that body an old-age-pension bill. The bill failed because the people of Illinois were not ready for it at that time. The first session that I came into this body I became a member of the Labor Committee, and I put forward an old-age-pension bill which came before that committee. That bill provided for \$30 a month.

When this session came upon us I did another piece of work that I want to put on record here. Having learned from long experience with hearings before the Labor Committee during the past two sessions that we were not thoroughly together on our ideas of what part the State ought to bear and what part the Nation ought to bear, the first thing I did was to write to every Governor of every State in the Union. I received 30 answers from 30 Governors within the first 10 or 15 days.

I turned those letters over to Dr. Witte, Chairman of the President's Committee on Welfare, which was working on this bill at that time. It will be of interest to note that of the 30 answers I received, 28 specified in their belief that \$30 a month was the best figure. One advocated \$40 a month, as the amount that ought to be paid, and one said that no amount whatever ought to be paid. The remaining answers, or several of them, came in after that and were turned over to that committee; but of the first 30 alone I kept account. I was convinced, therefore, that the amount

that many of us had thought of was correct, because most pension bills put forward had been to that extent alike; and why? For this simple reason: To my mind the first thing to do when studying a bill which we hope to become law is to find out what we can do for a certainty, and then when our experience has increased, when we know we can do better, then go ahead and do better.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Yes; certainly.

Mr. VINSON of Kentucky. Certain gentlemen have objected to the burden upon employees in the payment of 3 percent in 1945 to secure old-age benefits. As I recall, the gentleman was a leader in the fight to secure retirement benefits for the railroad workers of this country.

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

Mr. VINSON of Kentucky. I would like to have his opinion as to whether or not the workmen of the country would appreciate the opportunity to build up a fund for old-age benefits.

Mr. KELLER. I thank the gentleman for the question, because it has a bearing here, and it ought to be considered in this body at the present time. I think I received no less than 50,000 letters from the railroad workers all over the United States, and to say that they were unanimous in the opinion that they ought to have the right to build up an old-age-retirement fund is entirely within the truth. They did stand for that, and they do stand for it now. Not only that but we found also that the railroads themselves had been establishing railroad pensions all over the country, and that 90 percent of the entire mileage was already paying a pension of some kind. So we did the thing that occurred to us as being rational at that time. We divided the burden as you have divided it, as I understand it, in this bill. We put on industry, on employers, a two-thirds burden, and put one-third on the men, and that ought to be fair, because that is the way it figures out in practice.

But we are going to go much further along that line; it seems to me that anyone who studies clearly and uses his vision cannot doubt that at all. We are going further, and we are going to take many steps of which this is just the first one, and the political party that fails to see that will not get back, even in 1970.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Surely.

Mr. LUNDEEN. I think the gentleman deserves a great deal of credit for having introduced an old-age-pension bill 22 years ago. Did that bill provide for paying \$30 out of the National Treasury?

Mr. KELLER. The bill was presented 22 years ago in the State Senate of Illinois and was for a State old-age pension.

Mr. LUNDEEN. Then the gentleman introduced one here?

Mr. KELLER. Yes. The bill I introduced here was purely a national old-age-pension law in which the Government should pay the entire amount.

Mr. LUNDEEN. Out of the National Treasury?

Mr. KELLER. Yes, sir.

Mr. LUNDEEN. I agree with that.

Mr. KELLER. I am going now to disagree with myself upon that.

I am going to say that the committee has done a wiser thing than I had sought to do, though we are looking at the same subject with the same object in view. That is this: I was perfectly willing that the Government should pay, but when I came to study it over I had to agree that as a matter of organization, the people in the locality know what ought to be paid to the different ones better than any possible Government agency. As I understand it, that is the view of the committee, and I think it is a wise view. I think it is the only rational thing to do.

Mr. LUNDEEN. Will the gentleman yield?

Mr. KELLER. Certainly.

Mr. LUNDEEN. Should not all American citizens be treated alike?

Mr. KELLER. I agree with the gentleman, because, let me confess, I am a nationalist, broadly speaking, but I must, nevertheless, understand and keep in mind that there is a reason for the existence of the States and their sovereignty as it has existed. I am not going to overlook that fact. I must hold that in mind as a matter of plain, ordinary horse sense.

Mr. COLDEN. Will the gentleman yield?

Mr. KELLER. Gladly.

Mr. COLDEN. As a student of old-age pensions for many years, I would like to ask the gentleman if he believes there is a relationship between the amount that can be paid and the national average or per capita income?

Mr. KELLER. Oh, yes; there is no question about that. Answering that, I want to say further that I took up with Dr. Witte, head of the President's committee, which worked out much of the information these gentlemen have had the pleasure of using, the proportion that the Government ought to pay. I wrote him insistently saying that in my judgment the Government should pay 75 percent instead of 50 percent. When I was told that the administration would stand for 50 percent and probably no more, I made this suggestion, and I want to suggest it to the committee. That is, that at the beginning, we will say, while so many of the States are in practical bankruptcy, the Federal Government should pay 75 percent and let the States pay 25 percent; and then reduce the amount which the Government pays and increase the amount which the States pay during a series of years, according to what we think is good judgment.

I want to say to you here if this body does what I believe it will do, we are not going to get excited over any part of this pension bill. We are not going to quarrel over nonessentials. We are not going to mix the thing, as has been done to a remarkable extent by the speakers who have preceded me, especially on the Republican side. We are not going to submit to any mixing of the facts in this case. We are going to insist, I am sure, on keeping the record entirely straight, in thinking this thing straight through. The reason I am speaking of that especially is this: I have, as you all know, been against what we call "gag rules", and I am going to remain against them, because I have said from the beginning that I have never seen a bill pass this body under a gag rule that would not have passed this House under the most liberal possible rule, and to the advantage not only of this body itself, to its dignity and to its duty, but to the very great advantage of the American people, because, after all, if you think the American people are not following the doings of this body you had better guess again and wake up. They are studying what we are doing. They are reading what we are saying here. They are forming opinions of what we express, and about us from our consideration of them.

Mr. MARCANTONIO. Will the gentleman yield?

Mr. KELLER. I yield.

Mr. MARCANTONIO. I realize the gentleman is an authority on the question of old-age pensions and unemployment insurance. I call the gentleman's attention to the testimony of Miss Perkins before the Senate Finance Committee at page 117, as follows:

Senator BLACK. Miss Perkins, I want to ask you one or two questions. Senator COUZENS brought up the question as to the imposition of contribution on the people at work. Is it not true that the tax employed under the bill necessarily is, in the main, a tax on the people at work?

Secretary PERKINS. Well, it will not be collected directly from them.

Senator BLACK. Certainly.

Secretary PERKINS. You mean, sir, I suppose, that it can be translated into the price?

Senator BLACK. Most of the consumers of consumable goods, are they not the people of low income?

Secretary PERKINS. Yes, sir.

Senator BLACK. Then is it not true that under this tax, as imposed, it will, in the main, be loaded upon those who purchase consumable goods and therefore will, in the main, be loaded upon those with smaller incomes?

Secretary PERKINS. Yes, sir.

What is the gentleman's opinion about that?

Mr. VINSON of Kentucky. Will the gentleman read the next two sentences?

Mr. MARCANTONIO. Certainly. [Reading:]

Senator BLACK. Then is it not true that up to that extent it does not increase the aggregate purchasing power of the Nation? Secretary PERKINS. I think it will increase the purchasing power.

Does the gentleman want me to read further?

Mr. VINSON of Kentucky. The gentleman is a good reader.

Mr. MARCANTONIO. It does not modify what I read at all.

Mr. KELLER. I think there is no question but what Miss Perkins answered entirely correctly. I do not think there is any dispute in the minds of the Members on that subject. What I am trying to do most of all is to keep this thing perfectly clear in mind. I am talking mostly, as you understand, for a direct old-age pension. I have very specific ideas on the possibility of unemployment insurance. My honest belief is that there is only one possible effective unemployment insurance, and that is the guarantee of a job for every man and woman who wants to work. That is my opinion of it, but I am not injecting that here, because I am going along with this bill. This same idea that we are putting forward here has been tried already in a number of countries with some success; not a lot of success, but some success. I think the United States is going to step forward, far ahead of any other country along that line, within the very next few years.

I am glad to see this step taken, however.

Mr. HOUSTON. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. HOUSTON. Does the gentleman know what percentage of the pay roll is required to build up this fund for future unemployment insurance or old-age pensions?

Mr. KELLER. I have not studied that matter sufficiently to answer the gentleman directly. I think if the gentleman will study the hearings he will find it explained much better than I can give it. I would not like to answer a question I have not studied specifically.

Mr. HOUSTON. Who pays this, may I ask?

Mr. KELLER. As I understand it two-thirds is paid by industry directly and one-third by the man who receives the benefits.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 additional minutes to the gentleman from Illinois.

Mr. HEALEY. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. HEALEY. For the purpose of the RECORD will the gentleman, if he has the information, kindly state how many States now have old-age pension laws in effect?

Mr. KELLER. Twenty-eight States now have old-age pension laws, but they are just like my State. We have pensions for the blind and pensions for widows, but we are not paying them, and it is for that reason I say now that the Federal Government ought for the next 4 years to pay a minimum of 75 percent so as to induce the States that are hard up, and Illinois is hard up, to resume payments and other States to begin the system. I believe it would be a very great incentive. Does that answer the gentleman's question?

Mr. HEALEY. May I ask one further question?

Mr. KELLER. Certainly.

Mr. HEALEY. The enactment of this legislation will assist those States which are actually paying old-age pensions.

Mr. KELLER. Of course it will, and it will help the others that have not enacted such laws to enact them.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. DOUGHTON. Is it not a fact that this is the first administration and the first Congress that has taken any step at all so far as national assistance is concerned in the direction of old-age pensions?

Mr. KELLER. Of course it is.

Mr. DOUGHTON. Other administrations have made the State carry this whole burden, which we all know is a heavy burden and which, if it is to be universally applied, must have a national set-up and Federal help.

Mr. KELLER. Mr. Chairman, I want to say to the gentleman from North Carolina, the Chairman of the Committee on Ways and Means, which wrote and reported this social-security bill, that if this bill becomes a law, and it will become the law, the gentleman has connected his name with a thing that will bring such fame to him as he at the present time does not dream of. [Applause.] That is true, gentlemen. I am not handing an empty compliment to the Chairman of the Committee on Ways and Means. This is the first step, and it is a great step and a wise step, but it is not the only step, for we shall take more as we go along.

Mr. DUNN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. DUNN of Pennsylvania. If this bill is enacted into law in its present form, will it provide pensions for those people who have attained the age of 65, but who have not contributed to the fund?

Mr. KELLER. Yes, certainly. The old-age feature of the bill is just a plain, straight-out old-age pension. We are mixing here, of course, old-age pensions and old-age benefits; but the old-age-pension feature, I may say to the gentleman from Pennsylvania, is just a plain, straight old-age pension right straight out of the Treasury of the United States.

Mr. DUNN of Pennsylvania. When will the payment of these pensions begin if this bill is enacted into law?

Mr. KELLER. It goes into effect the 1st day of July, as I understand it, but it actually goes into effect on the 1st of January, as soon as the set-up, the organization can be gotten together and arrangements made to administer the law, and the names of those eligible have been gathered. It will be a New Year's gift to the old people of America from Uncle Sam.

Mr. DUNN of Pennsylvania. Will the gentleman yield for one further question?

Mr. KELLER. I yield with pleasure to my colleague on the Labor Committee.

Mr. DUNN of Pennsylvania. Will the citizens of those States that do not provide pensions themselves derive any benefits under this act?

Mr. KELLER. Not until those States pass appropriate laws.

Mr. DUNN of Pennsylvania. Suppose those States should refuse to pass legislation granting pensions, what would happen?

Mr. KELLER. The citizens of those States at the next election would vote against incumbent officials, and put in other officials who would pass such legislation; there is no question about that.

Mr. DUNN of Pennsylvania. I believe the real solution of the problem would be for the Federal Government to pay adequate old-age pensions regardless of what the States may do.

Mr. LUNDEEN. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. LUNDEEN. Is not the statement of the gentleman from Pennsylvania an added argument in favor of the Government paying these pensions?

Mr. KELLER. I may say to the gentleman I suggested that, of course.

Mr. LUNDEEN. Just one other short question. President Green, of the American Federation of Labor, described the Wagner-Lewis bill as pitiable and utterly inadequate. Will the gentleman say that this characterization applies to the Doughton bill?

Mr. KELLER. I do not think so.

Mr. LUNDEEN. It is a different bill.

Mr. KELLER. The truth of the matter is that in my last campaign I made speeches all the way along the line for an old-age pension, and I stood for \$30 a month. I have not

yet received a single letter from the large number of aged people in my district objecting to that. They are all only too glad to think they are going to get it.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. DONDERO. The gentleman stated that 28 of the States pay \$30 a month old-age pension. Is that about what they think the Government can carry out?

Mr. KELLER. That is true, of course, but the States have not specified that in their laws. Twenty-eight out of 30 of the governors of the States to whom I wrote to get a cross section of State administration views on the whole matter gave me as their opinion that \$30 was the most practical amount and that the Federal Government should pay from 50 to 75 percent, and some went even as high as 80 percent.

Mr. WOOD. Mr. Chairman, will the gentleman yield for one question?

Mr. KELLER. I am anxious to continue with my statement, but I yield for a question to another of my colleagues on the Labor Committee. Make it a straight question, please.

Mr. WOOD. I wish the gentleman would tell me wherein William Green, president of the American Federation of Labor, has testified before any committee that the Wagner-Lewis bill is a pitifully inadequate bill.

Mr. KELLER. I do not know.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. COOPER of Tennessee. Further extending the observation of the gentleman from Minnesota, I believe it is but fair to say that in the statement of Mr. Green, the president of the American Federation of Labor, when he appeared before the Ways and Means Committee, in his remarks on the question of unemployment insurance which is contained in this bill under title III, he stressed two particular points:

One was that the funds should be pooled in the States and not allow company reserves, and that is carried forward exactly as he suggested here. The second point was that the amount of the excise tax should be levied upon the pay rolls to be paid by employers, and it is exactly provided in that manner in this bill.

Mr. KELLER. I thank the gentleman for his observation.

Mr. TREADWAY. Will the gentleman yield?

Mr. KELLER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. I want to clear up just a little uncertainty in my own mind as to the statement the gentleman made with reference to when any of these old-age payments will reach the individuals. I understood him to say very shortly.

Mr. KELLER. No. I stated the law would go into effect on the 1st of July, and it would take until about the 1st of January before the entire machinery is set up, and bring the money really into the hands of those who need it. That is my own judgment.

Mr. TREADWAY. May I call the gentleman's attention to two provisions in the bill? One is that an appropriation is authorized for the fiscal year ending June 30, 1936. That is in section 1. Then in section 3 the Secretary of the Treasury is authorized to make payments to States which have an approved plan for old-age assistance. In other words, the plan of the States must be approved by the Social Service Board before the States are eligible to receive Federal assistance.

Mr. KELLER. Certainly. It would make for chaos if it were not provided in that way.

Mr. Chairman, there are two bills I want to talk about, namely, the Townsend bill and the Lundeen bill. I am not excited about nor am I disgusted with either one. The truth of the matter is that I have read everything that has been sent to me on this subject, and that has been plenty, which would enlighten me. I have received many letters along this line, and I want to say that the Townsend bill as it first came before this body was, in my humble judgment, a wild

plan. May I say to the gentleman from California [Mr. McGROARRY], that since he has worked it over it can no longer be termed a wild plan. On the contrary, it is a very intelligent presentation of an idea. However, it is not an idea, in my judgment, that we are in position to accept at the present time because I believe we have to go to work and make money before we can pay out the money. It may be because of my lack of vision, but I do not see that by spending money in the way suggested in that bill that we will start things going.

[Here the gavel fell.]

Mr. DOUGHTON. I yield the gentleman 2 additional minutes.

Mr. KELLER. For this reason, I have been fighting for the right to give men jobs in this country. When you put everybody to work and restore your national income to where it was in 1928 or 1929, prior to the panic on the New York Stock Exchange in October of 1929, then we are ready to look at some of these plans; then we are ready, Mr. Chairman, to consider providing what we might call an adequate pension out of this pension bill. We can do that after we have had experience. In my judgment, we are not ready to do that until we have put men to work, and until we have found out just what we can do.

The Lundeen bill is an idea, and it is a broad-gaged idea. It is an idea that is worth the time of any Member on this floor giving attention to, because I am not willing to say it might not hereafter become the ideal plan to be adopted by the American people when we have arrived at the place where we can consider it as a possibility. It does seem to me that we should pay this pension here provided for now, and increase the payment, if found to be inadequate, until the pension becomes adequate. That is the way American people do things.

Mr. Chairman, may I say in closing that we ought to keep our heads entirely clear. We ought to know that a vote for this bill, whether we can agree with all parts of it or not, is going to be a vote for the most forward-looking piece of legislation in the history of the American Government. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. SAUTHOFF].

Mr. SAUTHOFF. Mr. Chairman, I am going to address most of my remarks to the gentlemen on the Ways and Means Committee, because I am in favor of this bill. As I have read it and studied it, however, I have come to the conclusion that there ought to be some changes, and I come before the Committee now in a spirit of friendly cooperation in order to try to do something constructive to aid the bill, not in an attempt to tear down the bill by vicious criticism that offers nothing in its place.

We of Wisconsin have had nearly every bit of this legislation in our State, some of it for 20 years, and we claim that we have the finest State in the Union, at least as far as social security is concerned. [Applause.] We challenge comparison with any other State in this respect. In fact, up to this year we were the only State in the Union that had unemployment insurance.

Mr. Chairman, these various social, economic, and industrial measures I have heard debated for 35 years in my State, and invariably the only argument that was ever advanced against such legislation was that it would destroy industry. We do not destroy industry and we never have destroyed industry in the State of Wisconsin. I well recall back in 1911 and the years immediately preceding when we had the fight for workmen's compensation. The same battle was waged against that measure that has been waged against all social-security legislation in our State, namely, that it would destroy industry in the State. Well, we adopted the Workmen's Compensation Act. We were called the "Guinea Pig State" and the State of experimental industrial legislation, but we have lived to see the day that not only the other States of the Union have adopted this legislation but the Federal Government in addition has also adopted it. [Applause.] Furthermore, we are better off today than the majority of

our States. Not one child has been denied education because of lack of funds, and all this we have done without one dollar of bonded indebtedness. That is an exceptional record, especially in these difficult and trying times.

Mr. Chairman, I do not expect that this is going to be a perfect piece of legislation. My own personal experience, both in drafting legislation, in debating it, and in voting on it, has led me to the conclusion that no legislation is perfect when it is first passed. That is the common experience. We have to change all of the laws. We will have to change this bill if we pass it in its present form. As time goes on it will be improved with experience. Trial and error will point the way for us to take in the future. Coming generations will have different problems to meet in this respect, just as our problems differ from those of a previous generation. Let them deal with their problems when they face them, just as we are dealing with ours as we face them.

Mr. Chairman, I am in favor of passing this legislation, not because I believe it to be perfect, but because it is a beginning of a new era for the less fortunate and the under privileged.

My anxiety about this bill is this: It is a splendid forward step in the march of progress in social security. [Applause]. I want to keep on with that forward march just as long as we can possibly do so. I appreciate the fact that there are those who would prefer to pass only old-age pensions and discard all the rest of this splendid program. I am not unmindful of the fact that there are those who would pass only some legislation on unemployment insurance and discard all the rest of this program.

As far as I am personally concerned, the 9,000,000 children who come under this beneficial legislation are more important than either the old-age people or the unemployed, because we have taken care of the unemployed with the \$4,880,000,000 work-relief bill. It now remains for us to make some substantial contribution to the future in securing not a temporary relief measure, but a definite, permanent, social-security plan, and this is it.

I now want to ask a few questions of the committee in regard to this matter and may I say to the members of the committee I have received two telegrams today, both from my home at Madison, Wis. One is from John Callahan, the superintendent of public instruction, addressed to me. He says:

I am hoping for the passage of H. R. 7260, especially interested in title 5, parts 2 and 4.

JOHN CALLAHAN.

Then this other telegram:

Nine thousand, five hundred crippled children and over 14,000 physically-handicapped juveniles and adults in Wisconsin plead your help. Urge title 5, part 4 and part 2, relating to vocational rehabilitation and services for crippled children as included in H. R. 7260.

W. F. FAULKES,

State Supervisor, Vocational Rehabilitation.

Now, if the gentlemen of the committee will bear with me, I will try to get a little help from them in respect to some of the provisions that I think ought to be changed.

In the first place, I am not satisfied with the contribution of \$50,000,000. I think it is utterly inadequate. I cannot lend myself to a program in this House, which has voted and will vote for \$1,500,000,000 for the Army and the Navy and less than \$100,000,000 for this entire social security set-up. This is why I say that in my judgment it is utterly inadequate and will not take care of the wants and the needs of those whom it seeks to help.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. SAUTHOFF. I cannot refuse the gentleman, but I would prefer to continue.

Mr. COOPER of Tennessee. I understood the gentleman was directing his questions to members of the committee.

Mr. SAUTHOFF. That is all right; go ahead, I yield.

Mr. COOPER of Tennessee. I did not want to intrude upon the gentleman, but I understood him to say he wanted to direct his questions to members of the committee.

Mr. SAUTHOFF. That is correct and I yield.

Mr. COOPER of Tennessee. On that point I invite the gentleman's attention to the fact that 29 States and 2 Territories now have old-age-pension laws. The total amount that is used for all of these purposes is \$31,000,000. Of course, this represents over one-half of the States of the Union. The best estimates of those who were in a position to know more about it than anybody else assured the committee that the sum of \$50,000,000 for the first year, when we know that many of the State plans cannot be put into full operation, would be ample and sufficient to take care of that length of time.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. COOPER of Tennessee. And, of course, in future years the gentleman will observe there is no limit set at all. The amounts necessary are here authorized to be appropriated.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. SAUTHOFF. Thank you very much, Mr. Chairman.

On page 3, lines 5 and 6, referring to the language in parentheses, I think the civil service is omitted there, and with respect to subsection (7) under (a), I have the feeling that in the case of homesteads there should be an exemption on homesteads for the benefit of the surviving spouse. It should not be possible, upon the death of the husband, to sell the homestead of the widow. Let her live in the old home the balance of her days.

On the next page, in lines 23, 24, and 25, beginning with "not counting" in line 23, and ending with "\$30" in line 25, we ought to strike that all out of the bill. I am in favor of raising the amount and would make no limitation on the States, but permit them to provide more generously, and the Federal Government also.

This, of course, is a matter of personal opinion, but I have the feeling that \$30 is not adequate, and secondly, I want to give the States all the possible help I can in passing their own legislation.

On page 9, line 4, beginning with "on the date he attains the age of 65", I feel there should be a limitation there restricting it to those who have retired, in order that it might bring out what I conceive to be one of the purposes of this bill, namely, by taking those that have attained the retirement age out of employment, so as to make room for others that need the work, and thereby create more employment by getting rid of those who retire.

Mr. VINSON of Kentucky. Referring to the objection the gentleman had to the \$50,000,000 appropriation, I might say that that is for the first year. The second year, the Federal fund would be \$104,000,000, and in 1945, it goes to almost \$450,000,000.

Mr. SAUTHOFF. Yes, I understand that; I have read the report. Now, on page 14, in the exemption in subsection 7, I am somewhat concerned that the exemption of private industry plants might endanger the whole program. I say this because you can pass Federal legislation only on the grounds of interstate commerce or taxation, and such taxation must be uniform.

I want to refer to one thing more. On page 18, I want to ask this question. The 500,000 families now on relief will be eligible under this title, will they not?

Mr. VINSON of Kentucky. Yes.

Mr. SAUTHOFF. On page 20, line 20, you have one-third of the total amount expended. I am assuming, and I may be right or wrong—I am assuming that probably the original theory was that the Federal Government should supply one-third, the State one-third, and the county one-third. Was that the original idea?

Mr. VINSON of Kentucky. It may be done that way. In Wisconsin the average amount for each child would be \$10.13. This would permit the amount to be increased to \$15.13, with the Federal contribution of 50 percent paid by the State.

Mr. SAUTHOFF. Here again I have the feeling that the amount is inadequate. Eighteen dollars per month for a young mother with a minor child is utterly insufficient to

supply even the barest necessities of life, and I therefore feel that we should raise this amount to a sum sufficient to supply their needs, without forcing the young mother out of the home to earn enough to support herself and her baby.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. HULL].

Mr. HULL. Mr. Chairman, the Chairman of the Rules Committee warned yesterday that "there is going to be a day of reckoning for the people who are advocating this Townsend plan when our poor, distressed people wake up to the situation and find the snare and the delusion they have been drawn into."

At about the same hour a prominent official of the administration was testifying before a congressional committee, and in effect said that a law which fails of its purpose was worse than no law at all.

This so-called "security bill", if passed in its present form, will bring "the day of reckoning" to those who are playing fast and loose with the demand for old-age pensions. It will be another of the laws which so fail of their purpose that they are worse than no law at all. The bill covers unemployment insurance and other features which, if amended, may offer an excuse for its consideration. Its provisions as to old-age pensions are wholly insufficient, the appropriations are inadequate, and the results which will follow its enactment will be both insufficient and inadequate.

Regardless as to how people may differ as to the Townsend plan, or what may be their opinion of the original McGroarty bill, or of the new bill presented by Mr. McGROARTY which greatly modifies and changes the plan of the original measure, it must be conceded that the millions of people who have organized the movement are sincere in their advocacy of the plan, both as to the relief for the aged and the business recovery which they believe their measure will bring about. Along with other old-age pension organizations, they have been influential in forcing the issue into national attention, which they would not have been able to do but for deplorable situations which surround six or eight millions of old people, who, after giving their best years to the development of their Nation as well as to that of their home communities, now are facing the poorhouses or various emergency relief agencies in order to keep body and soul together.

In answer to the demand of the millions who have petitioned Congress for this form of governmental aid, this bill is offered. It purports, among other things, to provide national aid to States for old-age pensions. In fact, it merely seeks to reduce the present emergency-relief allowances by the Government by taking the aged and unemployable from the regular relief rolls and placing them on a new relief roll, and taxes the States for one-half the cost. It will empty no poor houses, it will not lessen the burdens of municipalities whose depleted treasuries have been so drawn upon during the depression, it will offer no assistance to a multitude of old folks who have labored long and earnestly to provide for their own declining years but who now, through no fault of their own, are unable to carry on.

This bill provides \$49,750,000 for old-age benefits. It is expected that States will provide a like amount, bringing the total fund to \$99,500,000. Divided among all the six millions who have attained the age of 65 years, the amount to each would be \$16.58. Assuming that only one-fifth the number of people might desire to apply for old-age benefits the allowance would not exceed \$82.90 per annum. And that would be the amount which both State and National Governments would be required to furnish under this measure. The bill would limit the allowance to \$30 per month, but with the total appropriation at less than \$100,000,000, not one-fourth that sum could be paid each individual. The bill, therefore, seems to indicate that a much smaller sum will be allowable.

The total appropriations for national expenditures at this session of Congress will exceed \$9,000,000,000. There are still about \$2,000,000,000 available for expenditure from the appropriations of the preceding Congress. The appropriation

for work relief and business recovery is close to \$5,000,000,000. Still, when 6,000,000 of our good people ask for a reasonable but adequate old-age-pension law, their demand is met with the proposal that they may have \$49,755,000, and we are warned by the White House that the amount must not exceed that figure.

We are building a billion-dollar Navy. The profits which will go to the builders and those furnishing materials and munitions will be \$200,000,000 or more. From the Senate investigation of the profits of munition makers and armament manufacturers it is likely that more than 20 percent of the cost of the billion-dollar Navy will go to the making of more millionaires. This bill would give only the amount which will be expended on a couple of warships for old-age pensions.

It is estimated that half the \$4,000,000,000 about to be expended for work relief under the President's direction will go to the purchase of material for construction purposes. Under the provisions of the N. R. A. codes, there must be allowed a profit of at least 10 percent. Nobody believes that a mere \$200,000,000 will be all the profits which will go to the great corporations which will furnish the steel, cement, machinery, and other purchases made for the construction program. Profits are conspicuous features in Government work.

The House has just passed a river and harbor bill for \$162,000,000, which carries \$59,000,000 for the improvement of a couple of canals, nearly \$10,000,000 more than this bill provides for old-age benefits.

Recently a bill was rushed through the House adding \$38,500,000 to naval appropriations, which will be expended for new buildings, drydocks, and, among other things, for palatial homes of naval officers at various points. From the P. W. A. funds allocated to the Navy by the President last year, over \$119,000,000 are still available.

Under the relief program about \$700,000,000 will be spent upon 600,000 young men in the C. C. C. camps the coming year. However laudable may be that expenditure, the funds to be spent will be 12 times as great as the appropriation in this bill for those of the 6,000,000 of aged people, who have lived, worked, and paid taxes for a lifetime and now are in dire need.

These are only a few instances of what the huge appropriations of this Congress will include.

The best feature of the bill before us is that it may be amended, drastically amended, if Congress wakes up to the problem and votes in the amendments. The total appropriations should be increased manifold. The entire fund should come from the Federal Government. The requirement for State contribution should be eliminated. The amount of old-age benefits should be sufficient for its much-needed purpose. A nation that can spend billions for war preparations can and should be able to care for the aged and infirm.

The demand for old-age pensions cannot be met by bluffs and gestures. This bill is hardly either in its present form. [Applause.]

Mr. THOM. Will the gentleman yield?

Mr. HULL. If I have time.

Mr. THOM. I call attention to the fact that under the law providing for the enlargement of the Navy the profits are limited to 10 percent.

Mr. HULL. In 1935 you had \$38,000,000 for auxiliary cruisers. How much profit was there?

Mr. THOM. The law restricts profits to 10 percent.

Mr. HULL. The law is one thing, but the administration of it is another when you come to naval appropriations.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman and gentlemen of the Committee, if you will permit me to finish my statement, and then get me additional time, we will open the whole matter for a free-for-all as far as questions are concerned.

Mr. Chairman, I trust this Congress will not adjourn until it has passed a comprehensive and effective old-age-pension

law. There will be many plans before us, and the advocates of each will insist upon their method as the only method open to us. We need to have patience—we need to exercise a charitable attitude toward those who may disagree with the plan offered by someone else. Personally, I am an advocate of the McGroarty bill, known in this House as "H. R. 7154." In my judgment, the plan proposed in that bill is the best plan before the American people, and it was introduced in this House by one of the ablest men who ever was honored to sit in this Congress. Often I have heard some Member say, "This horrible, this visionary, this ill-considered Townsend bill." Members who are ignorant enough to say that, or make similar statements, are not to be censured but pitied. I trust I have sufficient training and experience in life as to prevent me from making any such rash statements concerning any bill intended for the relief of any class of our citizens. While an advocate of the so-called "McGroarty bill"—Townsend bill—I hope I have the good sense to keep an open mind throughout this debate and thus be in a position to exercise my best mental power to contribute my small part to the accomplishment of a long-delayed task—that of providing security for the aged of this country.

Just criticism of the bill before us is, no doubt, welcomed by the sponsors of the measure, but I hold that this criticism should be constructive and emanate from worthy motives, and not be brought forward in any spirit of ridicule or for the purpose of defeating the measure by methods that are unfair and unethical.

Personally, I feel the present bill will not give that security to the aged that we all hope for. My reasons are:

First. It seems to me we have appropriated enough under a system of selling interest-bearing Government bonds. The revenue to support the present bill provides for a general appropriation and will continue the same system of bond issue. We have now reached a point where the interest burden, public and private, is more than we can pay.

Second. The payments to old people, under this act, will be, prior to 1942, nothing more or less than a dole, and the recipients will still be objects of charity under a system that will permit only a bare existence.

Third. The present act is the most brazen attempt to submerge the sovereignty of State governments to the will of the General Government ever attempted in American history. Every State is compelled to pass laws such as will be approved by the board in control of payments under this act. Had any such attempt been made in 1861 to do the same thing this Government would not be known to the world today as the United States of America. Today we see the sovereign power of States disappearing entirely and the Federal Government reaching out in all directions to control the destiny of the American people. Why have any State legislature at all, if they must pass such laws as Congress and the executive branch of the Government shall direct? When will this tendency to overshadow State governments cease?

Fourth. The present act will not remove any of the aged from employment, for the payments under the act will not support the aged people now employed. This act will not create any new jobs for the unemployed, who are young and will work if they can secure work. This act will not remove the four million from relief, but will extend the same situation for years to come.

Fifth. This act creates another Federal bureau, with high-salaried administrators, who in all probability will be no more in sympathy with the needy than are the various directors and administrators of the multitude of Government set-ups handling relief today. It creates more Federal Government when we have enough as it is.

Sixth. This act will not place the purchasing power down in the grass roots, but will continue our present business policy of hand-to-mouth planning. It will not start the factories that are idle or bring a living price to those who produce raw materials. It will not restore business activity, but by bond issues will further increase the tax burden and further retard business.

WHAT THE M'GROARTY BILL WILL DO

First. It will lessen the crime wave, for the lack of opportunities and idleness, without legitimate incomes, is now known to be a major factor directly responsible for crime.

Second. It will stop the ever-increasing stream of unfortunates on their way to the insane asylums.

Third. It will close out every poorhouse in America.

Fourth. It will take 4,000,000 people over 60 off relief rolls.

Fifth. It will put 4,000,000 unemployed young people to work in the place of 4,000,000 old people now working.

Sixth. It will take 2,000,000 old people off private relief and ease the burden of their relatives who support them.

Seventh. It will start the buying power of the American people at the grass roots among the retailers, and from there back to the factories and producers. The demand for employment will increase. Factories will start, producers of raw materials will find a market for their products, the unemployed now on the outside of factories looking in for a job will have a job. The whole intricate business machinery of the Nation will start that has been paralyzed since 1920, and especially so in the East since 1929.

Eighth. To do this will cost the Government nothing.

Ninth. Relief will be in the hands of the aged and sympathetic instead of some hired and unsympathetic and scientific nuisance.

Tenth. It will drive out that fear of a fateful future which has weakened the minds of millions and has filled the poorhouses and the asylums.

Eleventh. It will be doing for our aged what this Government should have done in the very beginning of it.

Twelfth. Everyone seems willing to give their support to the conservation of our national resources, but we have forgotten the greatest resource of all—the fathers and mothers of this Nation. Our civilization and progress cannot be measured by our fields, our mines, our factories, our churches, our buildings; but it can be measured by the people who live here. Their condition in life should be the greatest concern of any system of conservation, and the condition of the aged and their treatment by the Government under which they have lived and which they have helped to build is the true test and standard of progress and civilization of this or any other Government.

Thirteenth. This act will not control the action of any State legislature, but leave the sovereign power of the States intact.

Fourteenth. This act will create no new bureaus or administrations, but will use the machinery which we now have.

Out of a class of 100 college graduates, graduating at age of 25, the amazing results are as follows at the age of 65: 3 are financially comfortable; 1 has become rich; 4 have accumulated partially enough to live on; 65 are day laborers or paupers or living on charity, public or private; 27 are dead.

It should be remembered that this group has had the advantage of special training, and therefore much more able to fight the battle for existence than those who have had no such advantage.

There are now four million 60 years or older on relief.

There are four million 60 years or over employed.

Those who are accepted for insurance, at 60, have a life expectancy of 15 years. This applies only to those accepted. Of all, at the age of 60, the life expectancy does not average over 6 years and 8 months.

There are approximately 10,000,000 of the age of 60 or over in the United States. There are, therefore, about 2,000,000 not employed and not on relief and probably supported by relatives. Their status is unknown.

The Townsend bill will put relief in the hands of our old people, with sympathy and understanding, instead of with administrations that are hired to do the work and who are cold-blooded and unsympathetic.

Our old people who have reached the age of 60 only have a life expectancy of a little less than 7 years, and after having worked nearly all their lives in building up our civiliza-

tion, shall we in the future do as we have done in the past—turn them out to die neglected? Remember that 65 out of every 100 at age of 65 are day laborers or wholly dependent upon charity, either public or private. We condemn the Eskimos for murdering their aged parents, but have we not done the same thing under the cloak of modern civilization? We are not as honest as the Eskimos.

We have authorized the President to use \$4,000,000,000 to create artificial jobs for the unemployed. These are forced jobs and when forced, much of such planning must necessarily be futile. Much of it will be unnecessary, and no matter if the work is planned to be of permanent value to the country, such forced work can never take the place of natural demand born by necessity. Many of the forced jobs will not spring from any necessity, arising from the natural development of our civilization, but will be born by that other necessity, temporary in character, immediate in demand, and without natural impulses, namely, the necessity of finding something for those to do who are out of work, out of relief funds, and in dire need of the necessities of life.

Turn half of this \$4,000,000,000 into an old-age annuity fund, to start the Townsend plan, and our unemployment problem will be settled. The fund will be augmented by receipts from transactions, and each transaction will leave along in its path new employment, springing from natural causes, not artificial, and the advances made by the Government in cash will be returned. Let the President spend the four billion on artificially created jobs, and the Government will never be repaid, and the work accomplished will be of most doubtful permanent value to the country. I cite this, not in the hope of preventing the expenditure of the four billion by the President, for that has now been authorized. I cite it to show those who condemn the Townsend plan as visionary have plenty of material in the \$4,000,000,000 work bill to keep their visionary tendencies under complete control.

If these old people on an average only have less than 7 years still to live, can we in this Congress justify ourselves in voting for a bill that shall take them off the public-dole system and put them right back on a pension dole? That is what the provisions of this administration bill means. Anyone knows that the payments provided for per month is not enough for any old person's maintenance under any standard of decency. They can exist on the dole, they can exist on less, but we are here today to break the chains that have bound us in the past to an ignorant, unhuman, and now unthinkable policy of dealing with the aged. We are here to give them what they should have had at the very beginning of this Government. Because of lack of vision the old have been sent to the poorhouses, to the asylums, and to their graves. We have missed the greatest human problem for which free governments are instituted.

We are here today to change the program—we are here not only to give the aged a new deal but new hope. We shall miserably fail in our duty should we be content with providing a fund for the aged that shall merely keep body and soul together.

With their few years yet to live, let us pass legislation that shall recognize their service to a great country. Let their remaining days—just a few days—be days of gladness, days of hope, days in which they can devote their time and declining energies, not in labor of the strong, but in acts of kindness to their friends, neighbors, and the community.

It seems that as the last few years have sped past, we have been so engrossed in the mad policy of making more money, more profits, collecting more interest, that we have forgotten how to live. Neighborly deeds immortalized by James Whitcomb Riley live only in the history of the past. The specter of want—something to eat, and a place to stay when we are old—has pursued our people relentlessly. It has produced in the minds of the old and in the minds of the young a constant and dreaded fear of the future. I personally cannot remember a time, since I was old enough to understand, but what that common dread, that specter of want has not pursued me. I can well remember when the song *Over the Hills to the Poor House* filled my eyes with

tears, even when I was confident that I had the power to fight and overcome this dragon of want.

This mental attitude has had a devastating effect upon the American people generally. It has weakened minds, it has weakened the aged in their fight for existence. It has filled the poor houses, it has over-filled the asylums. When the young witness the treatment of the aged, under our present system, they know that soon they will be next, and this mental disturbance has dangerously affected the American mind. Today, if we attack this problem correctly, we can drive out this fear, we can destroy this dragon, we can establish clear minds, we can think of our neighbor, we can bring happiness and joy to ten million of our aged and hope to the young, and relieve the mental strain on our entire population. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. FOCHT].

Mr. FOCHT. Mr. Chairman, I ask unanimous consent to extend my remarks and to include therein a short statement and a short bill in connection with that statement.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FOCHT. Mr. Chairman, we have had whatever there may be of two sides to this question. As you all well know, that great philosopher, Tom Reed, who at one time presided over this House, said it mattered not how thin a pancake might be, there were still two sides to it. And there are therefore two sides to this question as a whole. Much has been said in compliment of the eminent gentleman from North Carolina [Mr. DOUGHTON], and I always have something to say in praise of him, the best I could say about any man, the fine courtesy he always exhibits to the Members, and the great patience shown here during his splendid explanation of the bill. Next we have the distinguished gentleman from Massachusetts [Mr. TREADWAY], saying why he is against the bill. I am inclined to think that many who may be against the bill are against that portion of it which seems to be very much involved. We can go back to that immortal decision of the great jurist John Marshall, and find the genesis of this proposition which we have here. It was when he wrote into a decision the thing that made America great and powerful, and which stands as the reason today for America being the greatest country in the world. I refer to the decision where he removed the barriers between the States, providing for the free flow of all commerce between the Commonwealths of the Nation. That is something that the European nations have been, to emphasize the matter, too dumb to understand, except in the time of Napoleon when he made an attempt and lost his throne for doing so. So let us separate these measures. Let each be free from hindrance of any other and be considered on its own merits.

When we come to the question of evolving something new, I am reminded that it is about 40 years now since we passed the Interstate Commerce Act, and yet not a day passes but you have arguments between the brightest minds of America before that Commission, and nothing seems settled about traffic or about freight rates. I heard read in the Senate by Senator Aldrich a report on the Federal Reserve question some 20 years ago, and I thought that was about right, but it is not now what it was then. It was understood at that time that if you had a piece of commercial paper you could have it discounted, and when you got tired of paying 6-percent interest upon it you could redeem that piece of paper. You can no more do that than fly. The only way that you can get any money now is to offer gold dollars and get your wife and all your relatives to endorse your paper and put up your farm, and then you may have some difficulty in getting it.

There is no such thing as perfection of human wisdom, and however great the men may be who framed this bill, however great you may be who discuss it here today, you will find in every State where there is an important State law, or where we have application of the Federal law, that after it gets through the committee and through the House and the Senate and the conference committee and the

Attorney General passes on it and the President signs it, and it gets down for real contact with the laws of Nature, that is where Nature unfolds the flaws. Hence, you do not have a perfect bill today. I would not be suspicious, I would not sound a note of that kind; I have too much respect for this House, and particularly its integrity, and I always challenge anyone who inveighs against this House and against its sincerity, much less its integrity.

But I have been in the legislative business so long that when I see such a righteous part of a bill relieving old women and men of the country, whose limbs are weakening under them and whose hands are palsied, connected up with an involvement of something else, I become suspicious. The same kind of a bill has been adopted by 28 States, for old-age pensions, and the reason they are not a howling success is that they do not have the money to put them into effect. The sentiment is there and the system is perfect enough. Yet you bring out a bill for old-age pensions, but hang something to it that makes me suspicious, as I say, for I learned long ago that there are more ways than one to kill a dog, and if that is what you are doing then I ask you to shift your position, for it would be an outrage to imperil the old-age-pension bill. Can you not get through this old-age pension and save these people and let them dry their tears and take the burden from their souls without involving it with something else, even though there is virtue in that something? It will take you 20 years to work out to completeness this thing of guaranteeing the payment of wages, and we want old-age pensions now. Look how long it has taken in England, and yet see what a little thing it is. I am going to put this into the Record. Germany had compensation many years before we did, and after the British Parliament had worked at it from 1920 to 1925, this is what they have done. But if they can do that, it seems to me that we can solve this problem without involving it with old-age pensions. I am afraid that this thing may fall down on account of this involvement. Right in my own district we have the great Logan Iron Works and the Burnham Steel Works.

I have many personal friends who now, at a time when these institutions are silent, when no smoke curls from them and no flame is to be seen from them at night, who are receiving pensions from a fund accumulated over the years. When we go through the valleys at night there all is as silent as death. As the lady said here the other day, when you walk through one of those towns in New England where the mills have been shut down it is like going through a graveyard; and yet, as I say, notwithstanding that, I have friends up there who are receiving pensions from a fund accumulated over the years. That is the case in many institutions. To iron out the difficulty you will have as between employer and employee will take you some years. You have already passed here 20 major pieces of legislation. It took you 18 months to bring out any tariff bill that was ever brought before this House. It took 30 or 40 years to evolve the Interstate Commerce Act and 20 years for the Federal Reserve. It should have taken 2 years for every one of them, or 40 years, and you passed them all in 4 months, and you are bringing them all back to iron them out again. I hope the genius of direction and the understanding of legislation on the part of the gentlemen in charge of this bill will in some way separate that old-age-pension bill from the others; although I will take it all rather than see old-age pensions fail.

I realize that in the consideration of initial legislation or new legislation there are two very divergent views, especially so when you are considering legislation with reference to social security. There are those who are ultraconservative. Then there are others who are very extreme. Always between those two extremes, legislation takes the middle course and reaches fruition.

I realize there are a great many imperfections in this bill. I do not expect it to be perfect, but I do know there are a great many questions of national importance, embracing almost every phase of social legislation in this bill. In addition to old-age pensions and unemployment insurance we have a provision providing for dependent children, infant and maternal welfare, welfare service for children, vocational rehabilitation, care of crippled children, Federal Public Health Service. All of those are very vital questions which are embodied in this legislation.

Now, with reference to unemployment insurance: The wage earners, those who could act in unison, have been carrying on an incessant struggle for the enactment of unemployment-insurance legislation. For 10 or 12 years the American Federation of Labor exerted its efforts for the enactment of a Federal employees' retirement act. That law provides, as you know, for 3 percent of the earnings of the Federal employees to be checked off and become a part of the fund. The railroad employees have been attempting to build up some sort of a retirement fund. We enacted in the last session the railroad-retirement law and, as you all know, that is now before the Supreme Court. The State of Missouri, my State, has just enacted an old-age-pension law. The house and senate have passed the law but the Governor has not yet signed it. That provides a maximum of \$30 a month. If this bill is enacted, that will make it possible for some old folks to secure a maximum of \$45 a month. In any case they will receive at least \$25 a month, although they draw the minimum as provided in the Missouri law. Now, if this bill is passed it will not directly affect men between the ages of 45 and 65, but by the enactment of the Railroad Men's Retirement Act, if it should go into effect, it is estimated that in the first year it will take out of service approximately 250,000 railroad men, placing them on a pension or annuity. That would naturally make openings for 250,000 younger men. In the railway-train service there are very few men now working for a railroad who have less than 30 years' seniority. Many of them are over 45 years of age; so that 250,000 young men will be placed in the service. I say that will have the effect of creating employment.

What I am interested in especially is the establishment of the principle. To my mind, this is the most far-reaching piece of legislation and is the most constructive and most humane proposal that this Congress has considered, or any other Congress has considered, for many years past. It is establishing that great principle of caring for our old folks, for the aged and the needy, caring for the children, crippled children, caring for the unfortunate mothers in maternity welfare. There are so many angles to this bill, and it reaches down into so many phases of social security that I think it is the most humane and constructive piece of legislation that we have ever considered.

Mr. DUNN of Pennsylvania. Will the gentleman yield?

Mr. WOOD. I yield.

Mr. DUNN of Pennsylvania. The gentleman is president of the State federation in the State of Missouri, is he not?

Mr. WOOD. Yes. It was not necessary to mention that, however.

Mr. DUNN of Pennsylvania. But I wanted to make a point.

Mr. WOOD. The gentleman has asked me that two or three times. I tell the gentleman again that I am. Every time I have spoken the gentleman asked me that. I hope he finds out some day that I am.

Mr. DUNN of Pennsylvania. You are then affiliated with the American Federation of Labor?

Mr. WOOD. Oh, yes. I have told the gentleman that, too.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. Wood].

Mr. WOOD. Mr. Chairman, I am glad this Government has finally decided to consider seriously the great social-security questions now involved in this bill. The questions of old-age pensions and out-of-work insurance have been given more earnest consideration at this session of Congress than at all the sessions of Congress since the Constitution of the United States was adopted.

Mr. DUNN of Pennsylvania. All right. Now, this is the point I want to make.

Mr. WOOD. Now the gentleman is taking up my time. Mr. DUNN of Pennsylvania. No. This is on the question of labor. I was informed when this bill was first introduced that the American Federation of Labor was against it. Now I have been informed they are for it.

Mr. WOOD. I do not know who the gentleman's informers were, but they misinformed the gentleman.

Mr. DUNN of Pennsylvania. Has the American Federation of Labor endorsed this bill in its present form?

Mr. WOOD. I do not know whether they have in its present form. They endorsed the original bill. They endorse the principle.

Mr. DUNN of Pennsylvania. Then they are not opposed to this bill?

Mr. WOOD. Even if the American Federation of Labor or the Manufacturers Association or any other association have or have not endorsed it, I am for this bill, because I believe it is right. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Mississippi [Mr. FORD].

Mr. FORD of Mississippi. Mr. Chairman, I am sorry that in an age of advanced civilization the United States has come thus far along the road of national development without establishing a plan and furnishing funds for taking care of the old people of our country.

England, Germany, France, Belgium, Australia, and Canada have excellent old-age-pension systems. The United States stands alone with China, of the major countries of the world, in its failure to provide for the aged people of the Nation. A total of 42 foreign countries now have old-age pensions and they have found it to be more economical than an almshouse system with all its congregation of misery. Denmark, a little country with only 5,000,000 people, pensions all its citizens over 50 years of age who have no means of support. With the economic advantage in mind it would appear that all would favor a well-established system of old-age pensions, even if they refuse to recognize the existing moral obligation.

I want to tell you that providing for those who have spent a lifetime of honest toil is not charity from the Government. I resent that sort of an interpretation being placed by some on this matter. It is a duty of humane civilized government to care for those citizens who have spent a lifetime in promoting their country by being good citizens. I can easily see where the path of duty lies on the matter of old-age-pension legislation and I regret that there is any opposition to the passage of a bill that will guarantee our aged citizens relief from the mental and physical torture of poverty in old age.

There is no justification whatsoever for a great, powerful, wealthy country like America leaving its aged people to shift for themselves while suffering the impediments of old age. After a life spent in rearing a family, paying taxes, and assisting in generally maintaining the country they are left to gaze toward the sunset of life with the ghastly figure of economic uncertainty appearing on all sides. There are no steps taken to help them combat the strenuous battle of life. My friends, everyone knows that the majority of our old people are not responsible for being unemployed or without funds. The inescapable disabilities of age prevent work. A bank failure, a bad investment, or a false friend may have swept away the savings of a lifetime. All their lives have been spent in a battle against a stubborn, adverse economical system.

Mr. Chairman, with this in mind I cannot agree that the several States should be required to match dollar for dollar with any funds furnished by the Federal Government for payment of old-age-pension benefits. Many States are absolutely unable to furnish any funds at all for this purpose, thus preventing any aged, needy citizens from receiving help in those States while citizens of other States are being granted assistance. It is my contention that the Federal Government should set a definite sum per person to be

granted each State for all persons in that State above a certain age. If the State is able to furnish additional funds it should be allowed to do so. If the Federal Government agrees to furnish a certain sum per month for every person over a certain age, then let it furnish that sum, without requiring that the State furnish an equal sum per person. I can name a number of States which will not be able to furnish any additional sums to match Federal assistance. I ask you if it is fair for the citizens of those States to be barred from the same relief that is going to other States because the other States happen to be richer. The richer States need it the least, and under the provisions of this bill they will receive it the most easily, while the States really in need will have no relief at all. I most earnestly ask you to amend this bill so as to see that all American citizens receive equal benefits, benefits to which you know they are entitled.

Mr. Chairman, I want to remind you of that clause in the Democratic platform of 1932 which said, "We advocate continuous responsibility of the Government for human welfare . . ."

I ask the Democratic Members, who are in such vast majority here, to discharge their obligations as Congressmen, as well as fulfill the obligations of the party. That means that we should all vote for an old-age-pension law that will bring some adequate relief to the aged citizens of our country, for they are entitled to a law that will bring relief without discrimination between the rich and poor States.

Mr. WOOD. Mr. Chairman, will the gentleman yield?

Mr. FORD of Mississippi. I yield to the gentleman from Missouri.

Mr. WOOD. Would the gentleman consider the 28 States which have passed old-age-pension laws as the richer States?

Mr. FORD of Mississippi. I do not think I would consider all of the 28 States as the richer States of the Union; but I call the attention of the gentleman to the fact that if he will check up on the legislation that has been passed by the 28 States which he refers to he will find a mere handful of people receiving pensions under the State law. I had hoped that we might enact a law that would provide a uniform system of benefits to the old citizens of our country who are unable to work or financially care for themselves. If, however, certain States cannot meet the requirements of the act now under consideration because of financial inability to do so, the aged people of those States, just as deserving as the aged in the rich States that can comply with the requirements, will not be able to share the benefits proposed by the legislation.

Mr. HOUSTON. Will the gentleman yield?

Mr. FORD of Mississippi. I yield to the gentleman from Kansas.

Mr. HOUSTON. Does not the gentleman know that at the present time over 50 percent of the Federal taxes are collected from six States?

Mr. FORD of Mississippi. That may be true, but does not the gentleman also know that most of the wealth that is now in those particular six States came from the people in the poor States and that it is now in the hands of the very few in this country? If the poor States have produced the wealth and we are trying to reach a better social position in this country, we cannot help the old people of one part without helping the old people of another part. Why should not the rich States be willing to say, "Yes; we will help the aged people in the poor States and put them on the same basis as those who live in the richer States"?

Mr. HOUSTON. Is this a share-the-wealth campaign?

Mr. FORD of Mississippi. The gentleman might term it that if he desires. I am trying to reach all of the people of the country. If we help a selected few in some of our States and do not reach out and get those in the poor States, we might as well throw this piece of legislation into the wastebasket for the good it will do the people as a whole. We cannot help a few people in the country and fail to help those who cannot help themselves. If we are going to ac-

as legislators in Congress, we have to think about the country as a whole. [Applause.]

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, I yield 1 minute to the gentlewoman from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. Mr. Chairman, I am going to devote my time to speaking on title IX of the social-security bill, which refers to unemployment compensation. The committee report in title IX states in part:

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

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

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

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

I want to bring to the attention of the House the enormous importance of keeping our industries running in order that wages may be paid. Again I wish to bring to the attention of the House the fact that ruin is certain if something is not done to save the great cotton-textile industry. The people of the country ought to realize also that no one on relief will receive a particle of benefit from this title. It is of great importance that the wheels of industry be kept turning and wages paid.

Tuesday President Roosevelt is reported to have said to the press that the processing tax is vital to the farmers. I speak not for the cotton farmers alone. I speak not for the mill owners alone. I speak for the 440,000 mill workers and for the 9,000,000 workers who earn their livelihood from raw cotton. I speak for the people of the entire United States—for every individual in every city, town, and hamlet in the United States is affected. It is vital to them that the burden of the processing tax be lifted. I took my demands to President Roosevelt this morning. He has not yet acted to save the cotton-textile industry, but I believe he will. The industry is in direst need; it cannot carry on without relief of some kind. I am vitally concerned with the interests of our people and will fight with every ounce of energy I possess to maintain and protect a basic industry which under normal conditions affords the opportunity for thousands of people to work and earn their living. I appeal to you to fight shoulder to shoulder with me—to demand of those who have the power to use it. President Roosevelt has full authority to save the situation. He must do it. We have a right to demand that. It is only through work that a nation can survive. If the sources of employment are allowed to disintegrate and disappear the very existence of the Nation is threatened. For our American people to be forced into unemployment by difficulties which can be corrected or forced into other channels of work, if such could

be found, for which they are not trained and cannot successfully perform, is not only gross but willful inefficiency, the responsibility for which should be definitely placed. A nation cannot afford to be inefficient, especially during a period of depression.

When your home and family are in danger you fight, even though the odds against you may be overpowering. With your back to the wall you grasp at every advantage and every aid. That is exactly how the cotton workers feel today. They are desperate. They are on the verge of hysteria with the tragedy of it all. They appeal to the Nation for the right to exist, the right to earn a normal living and enjoy the privileges to which every American is entitled. While their battle is an economic one, it is just as serious a war as any yet fought, and its effects quite as far-reaching.

During these days of tremendous economic readjustments we cannot assume a set of economic premises and rationally deduce conclusions helpful to the solution of our problem. We are living in a practical, rapidly changing world—not a world of assumed conditions. We must face the issues of our problems as they actually exist and try to reach a conclusion as judicial as possible for all concerned in view of those conditions. The textile industry is one of the oldest basic fundamental industries in America. The first cotton mill was established in Rhode Island in 1790. The industry has had and still has a tremendous influence on the development and industrial life of our Nation. There are thousands of our people who are dependent upon the industry. They need the industry. They are anxious to earn their incomes.

Two important factors contribute to the cause of this blight which has fallen upon one of America's greatest industries—the cotton-textile industry—one the processing tax and the other the destructive competition from Japan.

Many of my listeners are familiar with conditions in a mill town when work is plentiful. We of New England have known the happiness and contentment of steady work and wages. For the last few years, however, we have seen the cotton-textile industry steadily decline. We have seen factory after factory move away to establish elsewhere, to take advantage of wage differentials or economic conditions. We have protested and urged that the differentials be adjusted equitably. But that is not what is worrying us now. It is something bigger, more devastating; something that does not affect New England alone, but every part of the United States.

It is not difficult to visualize the vast number of people affected by the alarming conditions in this industry. Its ramifications reach into every home in the land. The cotton farmer of the South, the small-town merchant of the West, the exporter at the gateways of commerce, all are dependent upon the well-being of this tremendous business. If it falls, they fall.

Conditions in the industry are alarming. It is dying a slow death. In my section of the country there is no necessity for calling attention to it. It is only too evident. But you who are sitting before your radios in other parts of the land, to whom the textile industry means nothing until you notice perhaps that the price of your favorite brand of cotton sheeting or print goods has advanced to a noticeable degree—it is you I want to reach. As you know, the Government has placed a levy called a "processing tax" upon the manufacturers of cotton goods, the money so collected to be used in paying the cotton farmers for reducing their acreage and so limit their crops. From August 1933, when the tax was first levied, to December 1934, these taxes amounted to the tremendous sum of almost \$200,000,000. The effect of this burden has been a substantial increase in the cost of cotton. In some instances this increase has resulted in sales resistance and the substitution of other fabrics by the buying public. How heavy a burden it is can be appreciated when I tell you that the levy amounts to approximately one-half of the amount the industry pays in wages. The ultimate payment of this money falls with the greatest burden upon the poorer people. In its operation the cost of the actual amount of the tax

per yard is far heavier in the cost of heavy goods purchased by the workingman than in the finer semiluxury goods. You know how many of the working people must wear cotton clothing, must buy cotton sheeting and cotton pillowslips and towels. It is working a tremendous hardship upon them. It seems as if they must always pay the price. But these people cannot afford to pay more, with the result that the tax remains with the manufacturer.

To add to the troubles and worries caused by this processing tax comes another factor which must be faced and faced immediately. Japan, with its low-priced labor, home workshops and thousands of hand looms, has set out to capture the textile market of the world. Practically all of her larger cotton mills are equipped with automatic-weaving machinery far superior in speed to ours and operated by trained girls who think nothing of tending from 30 to 40 of these looms for as little as 20 to 25 cents a day. Japan can import American raw cotton, transform it into cloth, export it back to America, and sell it for less than the American manufacturer can make cloth. How can Japan do this? Because of thousands of these little Japanese girls, content with their 25 cents a day, living on rice, in surroundings no American laborer would tolerate, regimented into an army of workers to battle against our textile employees who rightfully enjoy the comforts and privileges of a decent existence. It is a battle of human bondage against normal existence, and thus far human bondage seems to be winning. Is it not absurd to allow us to be beaten by an army of little Japanese girls?

The result of this competition is obvious. Our exports of cotton-finished goods have dropped to almost nothing. Central and South America, which bought thousands of bales of cotton cloth each year, are now flooded with Japanese textiles landed at a price which approximates our cost of manufacture. If it stopped there we might survive. But the importations of Japanese textiles into the United States for the first 2 months of 1935 surpassed the importations for the entire year of 1934 by several millions of yards, and it is increasing month by month.

This loss of trade, this cessation of orders, has dramatically called the attention of the entire country to one of the basic reasons for our inability to compete. As the boa constrictor tightens its coils about its victim, squeezing and pressing until the lifeblood ceases to flow, so has the processing tax sapped and squeezed the operations of our cotton mills until one by one they are dying from lack of orders and from inability to function profitably.

Picture if you can a mill city, where block after block of mills line the streets, employing thousands of workers. I wish you could see the bustle, the life, and activity when one of these immense factories lets its workers out at the end of the day. A veritable army of men, women, and girls surges forth to scatter to their homes, to their diversions, or to trade in the stores. Happy, contented, tired, with the satisfaction that comes of a hard day's work well done.

Picture again that same city with its mills closed, its people idle, its looms still and silent. It is like a city of the dead. The thousands of windows of the mills look down upon streets devoid of activity; about the gates stand loiterers wistfully hopeful that news may be gleaned of the watchman of an early reopening. Even the children playing about the yards have caught the slowing tempo of dejection and despair. It sounds funereal, but I assure you that it is more permanent, more devastating. You see it in the faces of all the people, in their mannerisms, and their activities. Nothing disrupts family ties so much as uncertainty of income. The life of the community is changed entirely. Hardly a business but that is affected materially. Do we want our cities to become cities of the dead? That is what is happening today. But they can be saved.

In this country we have in the neighborhood of 440,000 textile workers. Their yearly wages approximate \$300,000,000. These figures were given me by a Government department and are conservative rather than excessive. I quote them simply to show you the magnitude of the business which is facing certain ruin under present conditions.

The textile industry as a whole, and of which the cotton-textile group is an important part is America's largest and most important business, employing a million and a half people.

Our export market for raw cotton, as you know, has gone the way of the finished goods. Japan was our last heavy customer, and now they are looking to fill their needs with Brazilian cotton, far cheaper than ours, but said to be equally good. The Soviet Government expects to export a million bales more cotton this year than last. Already the American price is so much higher that it is actually found profitable to bring back from Japan raw cotton stored there for sale. Of what avail will be the millions of dollars now going to the southern cotton planters if they have no market for their raw cotton at home or abroad? This Government at present has 6,000,000 bales in storage. Think of the effect upon the cotton pickers and their families. Distressing as conditions were when cotton dropped to 5 or 6 cents a pound, the present outlook appears worse. The workers of the South, depending upon the united labors of their families during cotton-picking time, in order to carry them on during the year, are the ones who will be affected most.

We all ask, "What is the remedy? What can we do to save this industry?" There are several methods of relief. The President of the United States has the power, given him by Congress, to place an embargo or quota upon the importation of these goods. He has the power to adjust the tariff. He also has the power to lift the burden of the processing tax and save the industry. Another avenue of escape from destruction and tragedy is contained in the amendment to the work-relief bill, introduced by the Senator from Georgia (Mr. GEORGE). This amendment authorized the President to use the money at his discretion. In other words, he has the power to take the burden of the processing tax from the manufacturers and provide the money to pay for acreage reduction from the vast sum just authorized.

The question in everyone's mind right now is: "Will the President do this?" Will he come to the rescue of a dying industry and redraft the tariff regulations so that foreign competition will not close our mills? He can limit Japanese imports to a percentage of the total consumption of cotton goods in the United States. Will he equalize the wage differentials in this country to bring about a more equitable manufacturing cost in the industry? Will he lift the burden of the processing tax from the industry?

The answer lies with him. The people of my home city of Lowell are writing to President Roosevelt, using their own words, describing local conditions, and urging him to avert this tragedy and give the matter immediate consideration before it is too late. He has all the authority necessary to save the industry. Congress gave it to him. Now is the time for him to use it. We have a right to demand it. There is hardly a person in this country but who is affected by the question. I hope you all will become actively interested. It is not a sectional matter. It does not affect New England alone, or the South alone. It is vital to every one of us—the farmer, the manufacturer, the worker, the merchant, the consumer. Many of you know the agony of losing your jobs. Is the agony not greater when you know it could have been prevented? Let the North, the South, the East and the West join together and win the fight. The textile industry can be saved. It must be saved.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Puerto Rico [Mr. IGLESIAS].

Mr. IGLESIAS. Mr. Chairman, it is not my intention to enter into a discussion of the divers views in regard to this bill. I cannot ascertain at this time what the bill in its final form will be as passed.

I feel it my duty to call to your attention a matter of great importance to the people of Puerto Rico. My appeal at this time is in connection with the social-security legislation recommended which the House already has begun to consider.

I want to refer to one provision of this House bill No. 7260, which contains a definition of the United States, embracing Alaska, Hawaii, and the District of Columbia, but it does not include Puerto Rico. Chairman DOUGHTON's original bill and similar bills introduced by Congressmen MEAD and LEWIS do include Puerto Rico in the definition of this Nation.

I feel, Mr. Chairman and Members, that it is not wise to exclude the people of the island from participating in the obligations, responsibilities, and benefits of so far-reaching a national measure of social and economic character not only from the standpoint of fairness but also to instill the principles of the Nation's progress, humanity, and social education.

I request, Mr. Chairman and members of the Committee, and I trust, that your recognized sense of fairness and justice will lead your good spirit of justice to find the best way of recommending the incorporation of Puerto Rico in the definition of the United States into this humanitarian measure through a proper amendment.

Certainly Puerto Rico, an organized Territory, whose people are citizens of the United States, is an integral part of the United States, and in all fairness and justice the people of Puerto Rico should be permitted to participate in the obligations, duties, and benefits, as well as in the obligations and responsibilities, of so far-reaching a social program.

In this connection may I prevail to the extent of asking the chairman and members of the committee who are in charge of the stated bill now under consideration, and the Members of the House who will vote for the measure, requesting them to favor the inclusion of Puerto Rico in this legislation through amending it.

The plain facts of my request are that Puerto Rico has been American territory since 1898, and since 1917 all Puerto Ricans have been declared American citizens by action of Congress.

The following resolution was unanimously approved by the National Labor Convention of 1933:

Whereas the American Federation of Labor was always ready at all times to give its worthy support to the cause of the people in general and labor in Puerto Rico and to help our island: Therefore, be it

Resolved, That the president of the American Federation of Labor be authorized to earnestly urge and lend his moral support and help before the President and Congress of the United States to every measure and plans of rehabilitation as set forth in previous reports and recommendations of the executive council and the resolutions passed by the last three conventions, 1929, 1930, and 1931, of the American Federation of Labor.

Puerto Rico, gentlemen, stands today as the first best buyer of American goods in all Pan America, and the eighth of all European nations. The fact that Puerto Rico has bought and is continuing to buy millions upon millions of dollars' worth of goods from continental United States is vitally interesting, and it is vitally interesting to know that two-thirds of the wealth and riches produced in the island comes to the United States and remains in the United States. As a matter of record, Puerto Rico has already bought about two thousand million dollars' worth of goods in the last 34 years. Two-thirds of this money has gone to the various corporations and commercial businesses in the United States.

Gentlemen and friends, I request you to look into this great little Puerto Rico as an integral part of our Nation, that you may know more about it and cultivate more and more the best feeling, extending to the people of the island the benefits and obligations of every congressional Federal measure intended to relieve and treat the island as an integral part of the Union.

Puerto Rico is American economically and socially in its industry, trade, and its practices under the American flag.

Mr. Chairman, we have in the island pension laws which provide for the employees of the insular government and for the police. Other general pension bills have been pending in the legislature for some time and which involve about the same principle as is advocated in this bill now under consideration.

For the last 34 years our men, women, and children have been educated under the American flag. The industries of

America have gone over there and are leading the island in its progress forward and helping the great bulk of the people over there. We have obtained in the last 34 years the benefits of much of the progress that exists in America, but we want the measures of progress of the Nation to be extended to the island. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McREYNOLDS, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 7260, had come to no resolution thereon.

COST OF ADEQUATE, GENUINE UNEMPLOYMENT, OLD-AGE AND SOCIAL SECURITY—SOURCES OF REVENUE FOR FINANCING THE LUNDEEN WORKERS' BILL, H. R. 2827

Mr. LUNDEEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including therein a statement from the Department of Labor as to the cost of social insurance as reported at a hearing of the Committee on Labor.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. LUNDEEN. Mr. Speaker, many of our good friends, who are favorable in principle to the payment of average local wages or not less than \$10 per week plus \$3 for each dependent for unemployment, old-age, and social insurance, are asking: "What about the cost; and where can you get the money to pay for it?"

The hearings on H. R. 2827 recently held by the House Labor Subcommittee answer the question. They show that the Lundeen bill is not only an adequate but also a practical measure. By referring to the index of the hearings, Members of this House can find under the heading "Costs of H. R. 2827" the complete evidence presented in support of the statements I now wish to make.

SUMMARY OF ESTIMATED COST

To determine the cost of the social insurance which would be provided in H. R. 2827 requires several estimates, which should be used with caution. In the first place, the United States has no current basis for ascertaining accurately the number of unemployed.

The second and more important point requiring caution relates to the estimate of the effect of social insurance upon purchasing power, and its consequent results in decreasing the amount of unemployment through stimulation of reemployment. No experience in this country is available to indicate the extent to which an increase in consumers' purchasing power for those in the lower income groups would stimulate production and increase employment.

If it is assumed, however, that the entire amount of benefits paid under the provisions of this bill would appear in the market as new purchasing power, economists have calculated that 60 percent of this total would become available as wages and salaries. Therefore, on the basis of given average wages and salaries, it can be estimated how many persons could be reemployed, and this would result in a corresponding decrease in the number of unemployed eligible for benefits, and therefore in a reduction of costs.

Having in mind the above cautions, it may be said at once that if there be 10,000,000 unemployed, the annual gross cost, after taking care otherwise of those who should receive old-age pensions and those who are unemployed because of sickness or disability, and eliminating those under 18 years of age, to whom the bill does not apply, would be \$8,235,000,000. Deducting from this the estimated decrease in the cost of unemployment insurance on account of the reemployment of workers following the establishment of a social-insurance program, \$6,090,000,000, and adding to it the cost of old-age pensions, sickness, disability, accident, and maternity insurance, and deducting present annual expenditures for relief amounting to \$3,875,000,000, we would have a net annual increase for the Federal Government imposed by the provisions of the bill amounting to \$4,060,000,000.

If the number of unemployed be equal to the average number estimated as unemployed in 1934, as 14,021,000, then the annual net increase in cost, after deducting present expenditures for relief and estimating the reemployment which

would follow adequate social insurance, would be \$5,800,000,000.

The estimate of total costs of the program for social insurance under the bill should be compared with the amount that workers have lost in wages and salaries since the beginning of the depression. According to estimates published in the Survey of Current Business for January 1935, total income paid out to labor since 1929 was as follows (in millions):

	1929	1930	1931	1932	1933
Total income.....	\$52,700	\$48,400	\$40,700	\$31,500	\$29,300
Loss from 1929.....		4,300	12,000	21,200	23,400

The total loss to workers in wages and salaries in the first 4 years of the depression has amounted to \$60,900,000,000. It is with these huge losses sustained by American workers during these 4 years that the costs of security provided by the bill should be compared. Furthermore, considering the inadequacy of present relief measures, it must be realized that the cost of truly adequate relief would be the cost of this bill.

AUTHORITY FOR ESTIMATES

These estimates of the cost of an adequate unemployment, old-age, and social-security program are based on the statement of Dr. Joseph M. Gilman, economist of the College of the City of New York, who testified at the hearings held by the House Labor Subcommittee, representing the Interprofessional Association for Social Insurance. In accordance with permission granted me, I will now submit for the RECORD portions of Dr. Gilman's statement, taken from the hearings.

The first excerpt from Dr. Gilman's statement shows the estimated cost of the Lundeen bill on a basis of 10,000,000 unemployed, and may be found on page 585 of the hearings.

Cost of 10,000,000 unemployed

Number of persons unemployed (hypothetical)..... 10,000,000

Deductions:

1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	320,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pensions.....	2,250,000
3. Estimated number unemployed because of sickness or disability.....	250,000
Balance of unemployed.....	7,180,000
I. Annual cost of unemployment insurance (7,180,000 by \$1,147).....	\$8,235,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program.....	6,090,000,000
III. Annual net cost of unemployment insurance.....	2,145,000,000
IV. Annual cost of old-age pensions.....	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance.....	1,200,000,000
VI. Annual cost of maternity insurance.....	65,000,000
VII. Total annual cost.....	7,935,000,000
VIII. Present annual expenditures.....	3,875,000,000

IX. Annual net increase in cost..... 4,060,000,000

Cost for 14,021,000 unemployed

On a basis of 14,021,000 unemployed in 1934, the estimated cost is as follows:

Average number of persons unemployed in 1934, all ages..... 14,021,000

Deductions:

1. Estimated number of unemployed under 18 years of age (basis 1930 census).....	550,000
2. Estimated number of unemployed who will replace workers 65 years of age and over retiring on old-age pension (see above).....	2,250,000
3. Estimated number unemployed because of sickness or disability (see above).....	250,000

Balance of unemployed..... 10,971,000

Deductions—Continued.

I. Annual cost of unemployment insurance (10,971,000 by \$1.147 (see p. 586))	\$12,584,000,000
II. Estimated decrease on account of reemployment of workers, following establishment of social-insurance program (see p. 589)	8,699,000,000
III. Annual net cost of unemployment insurance	3,885,000,000
IV. Annual cost of old-age pensions (see p. 586)	4,535,000,000
V. Annual cost of sickness, disability, and accident insurance (see p. 588)	1,200,000,000

Deductions—Continued.

VI. Annual cost of maternity insurance (see p. 588)	\$55,000,000
VII. Total annual cost	9,675,000,000
VIII. Present annual expenditures (see p. 589)	3,878,000,000
XI. Annual net increase in cost	5,800,000,000

COST OF DEPRESSION TO LABOR
These estimated costs should be compared with the huge annual losses suffered since 1929 by labor.

Estimated annual wage loss of unemployed in 1934

[Based on average annual wage and salary rates for 1932 in National Income Report¹]

Industry	Unemployed (in thousands)			Annual wage or salary			Loss of earnings (in millions)		
	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified	Wage earners	Salary earners	Not classified
Agriculture	1,847			\$648			1,198.9		
Mines and quarries	231	13		909	\$2,210		210.0	39.8	
Electric light and power and manufactured gas			73			\$1,339			97.7
Manufacturing	2,345	643		876	2,241		2,054.2	1,441.0	
Construction	959	108		1,151	2,297		1,103.8	248.1	
Transportation			1,409			1,409			1,985.3
Communication			253			1,320			334.0
Wholesale and retail		2,200			1,245			2,739.0	
Finance		427			1,938			836.1	
Government:									
(a) Excluding public education		99			1,477			146.2	
(b) Public education		185			1,400			259.0	
Service:									
(a) Recreation			208			1,382			287.5
(b) Personal			460			1,045			490.7
(c) Domestic			1,123			670			752.4
(d) Professional			373			1,416			528.2
(e) Miscellaneous			79			1,105			87.3
Miscellaneous industries			871			1,285			1,119.2
Total	5,332	3,680	4,849				4,564.9	5,709.2	5,672.3

Total wage and salary loss	\$15,995,400,000
Unemployed entrepreneurs (110 at annual average loss, \$973)	126,200,000
Total	16,072,600,000
Average loss	1,140

¹73d Cong., 2d sess., S. Doc. No. 124, National Income, 1929-32.

²1929 rate; 1932 rate only \$352.

COST OF OLD-AGE PENSIONS

The following tables show the number of people eligible for old-age pensions and the estimated cost:

I. (a) Number of persons aged 65 and over (1930 census)	6,634,000
(b) Estimated number of persons aged 65 and over in 1934 (President's Committee on Economic Security Report, p. 24)	7,500,000
II. (a) Number of persons aged 65 and over, gainfully occupied (1930)	2,205,000
(b) Estimated number of persons aged 65 and over who were gainfully occupied in 1934 (average)	2,500,000
NOTE.—II (b) to II (a) in same ratio as I (b) to I (a).	
III. (a) Estimated number of gainfully occupied persons who would be eligible to retire upon enactment of the workers' bill	2,250,000
NOTE.—10 percent allowance for entrepreneurs of substantial means (U. S. Census estimate, letter to Committee, IPA, Dec. 3, 1934).	
IV. (a) Nongainfully occupied persons aged 65 and over (I (b)—II (b))	5,000,000
(b) Estimated number eligible for old-age pensions (males, 1,422,000; females, 3,078,000)	4,500,000
NOTE.—10 percent allowance for those of substantial means.	
V. (a) Number of gainfully occupied persons in III (a) (2,250,000) plus husbands or wives aged 65 and over (777,000, or V (e)+V (g)) or (V (b)+V (c)+V (e)+V (g)) ¹	3,027,000
(b) Gainfully occupied males (less entrepreneurs)	1,950,000
(c) Gainfully occupied females	300,000
(d) Gainfully occupied males, married	1,242,000
(e) Gainfully occupied males, married, whose wives are 65 and over (assumed not gainfully occupied)	673,000
(f) Gainfully occupied females, married	104,000
(g) Gainfully occupied females, married, whose husbands are 65 and over (assumed not gainfully occupied)	104,000

¹ All figures in V and VI are estimated from ratios derived from 1930 Census.

VI. (a) Balance of married persons among nongainfully occupied (d) + (e)	1,237,000
(b) Balance of males (1,422,000—104,000) (IV (b)—V (g))	1,318,000
(c) Balance of females (3,078,000—673,000) (IV—V (a))	2,405,000
(d) Married males in VI (b) { whose wives are 65 and over	802,000
(e) Married males in VI (b) { whose wives are 65 and over	435,000

Of the 4,500,000 in IV (b), these have been accounted for:

(1) Wives, 65 and over, of gainfully occupied males (assumed not gainfully occupied) (V (e))	673,000
(2) Husbands, 65 and over, of gainfully occupied females (assumed not gainfully occupied) (V (g))	104,000
(3) Balance nongainfully occupied males 65 and over, married (VI (d))	802,000
(4) Balance nongainfully occupied females 65 and over, married (VI (e))	435,000

Not yet accounted for:

(5) Nongainfully occupied widows, widowers, divorced, single persons, aged 65 and over	2,488,000
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ANNUAL COST OF OLD-AGE PENSIONS

A. Number of gainfully occupied workers aged 65 and over, eligible for old-age pensions at annual average rate of \$1,200 per annum (\$1.199 average annual rate, 1932, 1929-32 National Income Report)	2,250,000
B. Number of married couples nongainfully occupied, husband or both 65 or over	802,000
Annual pension, \$676 (\$10 plus \$3 per week).	
C. Number of unmarried persons 65 or over	2,488,000
Annual pension, \$520 (\$10 per week).	
Cost of A	\$2,700,000,000
Cost of B	542,000,000
Cost of C	1,293,000,000

Total 4,535,000,000

COST OF SICKNESS, ACCIDENT, AND DISABILITY INSURANCE

Class C, 1930 Unemployment Census (persons out of a job and unable to work on account of sickness or disability)	172,661
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NOTE.—Would assume 250,000 since census figures are out of line with other experience.

Class D, 1930 Unemployment Census (persons having jobs, but idle on account of sickness or disability).....	273, 588
Total	446, 249

NOTE.—According to report of President's Committee on Economic Security, which states that 2.25 percent of all industrial workers are at all times incapacitated, it would seem that the total of 446,249 badly underestimates the amount of sickness and disability.

Class C type.....	250, 000
Class D type.....	750, 000
Total	1, 000, 000
Cost of sickness, accident, and disability insurance (1,000,000 × \$1.200).....	1, 200, 000, 000

NOTE.—\$1,199 average annual wage or salary in 1932 (National Income Report 1929-32).

COST OF MATERNITY INSURANCE

Number of gainfully occupied married women between ages 15 and 44 (1930 census).....	2, 425, 000
Number of married women between ages 15 and 44 (1930 census).....	17, 836, 000
Birth rate per 1,000 population (1930).....	18. 9
Birth rate per 1,000 married women (above).....	137. 0
Number of births per annum to gainfully occupied married women (on above basis).....	332, 000
Probable number of births.....	150, 000
Annual cost for 16-week benefit (150,000 × \$369) (\$369 = $\frac{1}{2} \times \$1,200$).....	\$55, 000, 000

NOTE.—\$1,199 average annual wage, 1932, National Income Report, 1929-32.

PRESENT COST OF UNEMPLOYMENT RELIEF

It should be made clear that the cost of the Lundeen bill will not be over and above present expenditures for relief, but will replace these expenditures. At the present time, according to Dr. Gilman's statement, the costs of unemployment relief are as follows:

I. Federal Government (source of statistics: General Budget Summary, Treasury Department, estimated expenditures for year ending June 30, 1935, schedule 3):	
(1) Federal Emergency Relief Administration.....	\$1, 733, 208, 700
(2) Civil Works Administration.....	13, 842, 100
(3) Emergency conservation.....	402, 363, 000
(4) Relief of unemployment.....	100, 000, 000
Public works:	
(3) Loans and grants to municipalities.....	166, 300, 000
(5) Public highways.....	428, 600, 000
Total expenditures of a relief character	2, 844, 313, 800
II. State and city (basis: Federal Emergency Relief Administration reports)	400, 000, 000
Total unemployment relief	3, 250, 000, 000

PRESENT COST OF OLD-AGE RELIEF

Present expenditures by National, State, and local government bodies for old-age relief may also be deducted from the additional cost of the Lundeen bill. Present old-age expenditures are as follows:

1. Federal Government to veterans and widows (report of Administrator of Veterans' Affairs, 1933).....	\$235, 000, 000
2. State old-age assistance (President's Committee on Economic Security).....	43, 000, 000
3. Industrial and trade-union pensions (President's Committee on Economic Security).....	100, 000, 000
4. All other (rough estimate).....	50, 000, 000
Total	428, 000, 000

PRESENT COST OF SICKNESS, DISABILITY, AND ACCIDENTS

The National Safety Council estimates for 1932 that wage loss from occupational disabilities was \$370,000,000. Compensation for such loss is estimated as \$200,000,000.

TOTAL PRESENT ANNUAL EXPENDITURES FOR RELIEF

Dr. Gilman's estimate of the total present cost of relief for unemployment, old age, and sickness at the present time is \$3,875,000,000. This is based on the tables just presented.

REDUCTION IN COST OF WORKERS' BILL FOLLOWING PASSAGE

The estimates just given of the cost of the workers' bill represent the cost for the first year. The following tables show the estimated decreases in the cost following enact-

ment of the measure, resulting from increased purchasing power.

The first table shows the total national income and the fraction of that income which is paid out in wages. Below that is the ratio of salaries and wages to income produced on a percentage basis.

Year	National income (excluding Government) ¹	Salaries and wages (excluding Government)
1929.....	\$76, 500, 000, 000	\$45, 300, 000, 000
1930.....	63, 500, 000, 000	40, 600, 000, 000
1931.....	47, 800, 000, 000	32, 900, 000, 000
1932.....	34, 000, 000, 000	23, 700, 000, 000
1933.....	36, 300, 000, 000	21, 900, 000, 000

¹ National Income, 1929-32; National Income, 1933; Survey Current Business January 1935.

Ratio of salaries and wages to income produced

1929.....	0. 592
1930.....	. 639
1931.....	. 683
1932.....	. 679
1933.....	. 603
1934 (estimate).....	. 600
Total insurance benefits payable (annually) under workers' bill (p. 585, I+IV+V+VI).....	\$18, 374, 000, 000
Present expenditures for relief, old age, etc.....	3, 875, 000, 000
Increase in purchasing power of lower income classes upon passage of workers' bill.....	14, 499, 000, 000
Increase in annual demand for consumers' goods (100 percent assumed) (see Brookings Institute, America's Capacity to Consume, p. 84).....	14, 499, 000, 000
Increase in annual wages and salaries to meet increased demand for goods (decrease in cost of unemployment insurance) (60 percent of \$12,590,000,000) (ratio of salaries and wages to income produced, 1934, above).....	8, 699, 000, 000
Annual net increase in cost.....	5, 800, 000, 000

SOURCES OF FUNDS

Now I wish to answer the question often asked: "Where will you get the money for this program?"

It has been pointed out that an important difference between H. R. 2827, the Lundeen bill, and other proposals is in the source of funds. Other proposals—including the Doughton bill—depend on the building up of reserves in advance of payment of benefits, these reserves to be secured by a tax on pay rolls. Several serious objections are made to this method. In an article in the *Annalist*, published by the *New York Times* on February 22, 1935, by Elgin Groseclose, professor of economics, University of Oklahoma, under the title, "The Chimera of Unemployment Reserves Under the American Money System", attention is called to the provisions in H. R. 4120 in these words:

The Wagner bill, as introduced in Congress, sets up in the Federal Treasury an "unemployment trust fund", in which is to be held all moneys received under the provisions of the act, and directs the Secretary of the Treasury to invest these moneys, except such amount as is now required to meet current withdrawals, in a defined category of obligations of the United States or obligations guaranteed as to both principal and interest by the United States.

The *Annalist* article summarizes the objections to these reserves for unemployment insurance as follows:

- (1) Financial reserves can be effective only in cases where contingencies can be calculated and determined by actuarial methods and where these contingencies arise in sufficient regularity to permit the arrangement of reserves in accordance therewith.
- (2) The incidence of depressions are irregular and unpredictable, and hence defy actuarial procedure.
- (3) Purchasing power cannot be stored up en masse under our money system, which is a system of debt, rather than metallic circulation.
- (4) The attempt to create unemployment reserve will intensify booms.
- (5) Unemployment reserves are incapable of mobilization when needed and any attempt to mobilize them will only result in further intensification of depressions.

Testimony before the Committee on Labor on the Lundeen bill (H. R. 2827) brought out the further objection that a tax on pay rolls is a tax on cost of production which is passed on to the consumer in higher prices to all consumers and to workers in lower wages as well as in higher prices to them as consumers. Thus it tends to reduce rather than to expand purchasing power, causing in itself recurrent industrial depression which arises out of the failure of con-

sumption to keep pace with production, or a disproportion between money available for consumers' purchases and funds available for investment in increased production.

Moreover, these reserves, even if they could be accumulated without these disastrous effects upon consumers' purchasing power, and upon the monetary system, would be inadequate to cover more than a fraction of needs. The Commissioner of Labor Statistics and Senator ROBERT F. WAGNER (in radio addresses on Mar. 7) have estimated that if H. R. 4120 had been in effect from 1922 there would have been set aside by 1934 the sum of \$10,000,000,000; yet, the figures on the national income published by the Department of Commerce show that in 4 of those years workers lost \$60,000,000,000 of wages and salaries. Thus, even if reserves seem to involve saving the Treasury from obligation, as a matter of fact, they leave unsolved the real problem of protecting workers against the destitution of mass unemployment.

As the only adequate solution of the problem, and to avoid the unsound idea of setting aside reserves, the funds required in H. R. 2827 are made an obligation upon existing wealth and current higher incomes of individuals and corporations. These sources may be indicated as follows:

FIRST. INCOME TAXES OF INDIVIDUALS

If the United States were to apply merely the tax rates of Great Britain upon all individual incomes of \$5,000 or over, a considerable sum would be available for social insurance. These rates in 1928 would have yielded the Federal Government five and three-fourths billion dollars as against slightly over one billion actually collected. In 1932, a year of low income, we would have collected on the same basis \$1,128,000,000, as against the actual receipts of \$324,000,000.

SECOND. CORPORATION INCOME TAX

Compared with other countries, also, our corporation tax is very low. Taking a flat rate of 25 percent, we would have raised in 1928 the amount of \$2,600,000,000 instead of \$1,200,000,000.

THIRD. INHERITANCE OR ESTATES

Here again the United States is very lenient. In 1928, on a total declared gross estate of three and one-half billion dollars, the total collected by Federal and State taxes was only \$42,000,000, or a little over 1 percent. If an average of 25 percent were taken, this would have been raised in 1928 to \$888,000,000.

FOURTH. TAX-EXEMPT SECURITIES

Exact figures on the total are not available, but here is an important source of large additional returns which should be available for the general welfare.

FIFTH. TAX ON CORPORATE SURPLUS

In 1928, the corporate surplus, representing the accumulation by corporations of funds which had not been distributed to labor and capital, amounted to \$47,000,000,000, and even in 1932 it was over thirty-six billions. Made possible as it is by the cooperation of labor and capital, this surplus which is now set aside to meet capital's claims for exigencies certainly should be also a source of funds for labor's social insurance in the exigencies of unemployment. The Department of Commerce has showed in its study of the national income that labor has lost a larger percent of its earned income in the depression than capital has lost in interest charges, because capital has been sustained by drawing both on current income and on accumulated surplus. The great economist, Adam Smith, 150 years ago, called the industrial system a "collective undertaking." Thus it is both logical and just to provide a tax on corporate surpluses as a source for social insurance.

In support of my statements here, I wish again to offer portions of the statement submitted to the House Labor Subcommittee by Dr. Joseph M. Gilman. The first table estimates the funds available for unemployment, old-age, and social insurance. Please note that all figures in this table are in thousands. This table may be found on page 64 of the hearings.

[Figures in thousands]

Source	1933	1932	1928
I. Individual income¹	\$1,123,277	\$1,127,773	\$5,737,093
Estate tax, 50 percent of gross	1,030,478	1,415,194	1,777,135
Corporate tax, net income 25 percent ²	626,520	538,279	2,615,273
Corporate tax, net surplus, 25 percent ³		9,019,881	11,789,049
Expenditures on war preparations	750,000		
Total		12,101,129	21,968,522
II. Individual income¹	1,129,277	1,127,773	5,737,093
Estate tax, 75 percent of gross	1,543,717	2,122,791	2,665,701
Corporate tax, net income, 25 percent ²	626,520	538,279	2,615,273
Corporate tax, net surplus, 25 percent ³		10,623,853	14,144,855
Expenditures on war preparations	750,000		
Total		14,612,700	25,214,897

¹ Estimated on graduated scale approximating British tax rate but higher than the British rate for incomes from \$50,000 to \$5,000,000.
² This should be a graduated tax averaging 25 percent.
³ Surplus and undivided profits less deficit: 1932, 36,079 millions; 1928, 47,156 millions.
⁴ As of Aug. 1, 1934.

NUMBER OF MILLIONAIRES DOUBLE

The sources of funds from income taxes in the higher brackets is greater today than it was a year ago. This is shown by the income-tax returns published by the Bureau of Internal Revenue. Dr. Gilman's tables, quoted below, show the number of income-tax returns made in the different income classes, and also the total amount of available revenue from that source.

Comparison of net income returns for 1932 and 1933¹

Net income classes	Number of returns	
	1932	1933
Up to \$5,000	3,420,995	3,339,602
\$5,000 to \$10,000	237,273	219,735
\$10,000 to \$25,000	77,045	74,626
\$25,000 to \$50,000	17,658	18,168
\$50,000 to \$100,000	5,644	5,927
\$100,000 to \$150,000	992	1,085
\$150,000 to \$300,000	589	693
\$300,000 to \$500,000	136	139
\$500,000 to \$1,000,000	80	84
Over \$1,000,000	20	46
Total returns filed to Aug. 31, 1932	3,760,402	
Total returns filed to Aug. 31, 1933		3,660,103

¹ Prepared by the research division of the Interprofessional Association for Social Insurance on the basis of the preliminary report entitled "Statistics of Income for 1933," submitted to the Hon. H. Morgenthau, Jr., Secretary of the Treasury, on Dec. 3, 1934.

² Incomes of less than \$25,000 declined in number of returns from 1932 to 1933. All income classes above \$25,000 increased in number of returns. Net incomes of \$1,000,000 or over increased 130 percent in number of returns.

ESTIMATES OF FUNDS AVAILABLE FROM INCOMES OVER \$5,000

Applying the income-tax rates suggested in the table below, \$4,622,814,000 additional revenue can be raised each year from individual incomes, and \$1,431,273,000 from corporation incomes. The figures for 1928 are as follows:

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:		Percent	
\$5,000-\$10,000	\$4,282,530,000	16	\$685,203,000
\$10,000-\$15,000	1,933,395,000	22	429,747,000
\$15,000-\$20,000	1,218,787,000	24	292,509,000
\$20,000-\$25,000	665,670,000	30	259,701,000
\$25,000-\$50,000	2,326,593,000	35	814,278,000
\$50,000-\$100,000	1,857,874,000	40	743,151,000
\$100,000-\$250,000	1,745,493,000	45	785,431,000
\$250,000-\$500,000	928,079,000	55	510,343,000
\$500,000-\$1,000,000	670,961,000	65	436,020,000
\$1,000,000-\$5,000,000 and over	1,108,863,000	75	831,647,000
Total available			\$3,787,973,000
Tax collected			1,164,254,000
Additional revenue			4,622,814,000
II. CORPORATION RETURNS			
Income classes:			
Under \$1,000-\$2,999	181,420,000	10	18,142,000
\$3,000-\$4,999	119,482,000	15	17,922,000
\$5,000-\$9,999	211,523,000	25	52,881,000
\$10,000-\$24,999	467,608,000	25	116,901,000
\$25,000-\$99,999	1,053,074,000	25	263,268,000
\$100,000-\$499,999	1,753,943,000	25	438,485,000

	Total net income reported	Tax rate	Revenue available
II. CORPORATION RETURNS—continued			
Income classes—Continued.			
\$500,000 under \$1,000,000.....	\$398,408,000	Percent 25	\$224,601,000
\$1,000,000 under \$5,000,000.....	2,119,928,000	25	529,981,000
\$5,000,000 and over.....	3,810,359,000	25	952,589,000
Total.....			2,615,273,000
Tax collected.....			1,184,000,000
Additional returns.....			1,431,273,000

Returns of corporations submitting balance sheets, 1928 (all returns):¹

Tax-exempt securities.....	\$10,116,160,404
Surplus.....	52,069,292,140
Net surplus (after deduction of deficit).....	47,158,183,422

TAX INCOME, 1932

The following table shows the available revenue from individual incomes for 1932:

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:			
\$5,000-\$10,000.....	\$1,677,039,000	Percent 16	\$268,326,000
\$10,000-\$15,000.....	595,573,000	22	131,026,000
\$15,000-\$20,000.....	329,512,000	24	79,083,000
\$20,000-\$25,000.....	235,312,000	30	70,594,000
\$25,000-\$30,000.....	620,638,000	35	220,373,000
\$30,000-\$40,000.....	303,206,000	40	127,282,000
\$40,000-\$50,000.....	216,625,000	45	97,481,000
\$50,000-\$100,000.....	73,747,000	51	39,561,000
\$100,000-\$250,000.....	57,874,000	65	37,618,000
\$250,000-\$500,000.....	35,239,000	75	26,429,000
\$500,000-\$1,000,000.....			
\$1,000,000-\$5,000,000 and over.....			
Total available.....			1,127,773,000
Income tax collected.....			324,745,000
Additional revenue.....			803,028,000

AVAILABLE INCOME FROM CORPORATE INCOMES, 1932

- Returns of corporations submitting balance sheets for 1932 (all returns):¹
 - Cash (in till or deposits in bank)..... \$15,917,202,000
 - Investments, tax-exempt..... 11,916,864,000
 - Investments other than tax-exempt..... 75,630,257,000
 - Surplus and undivided profits..... 45,663,748,000
 - Net surplus (less deficit of \$9,584,221,000)..... 36,079,525,000
- Returns of corporations showing net incomes (1932):
 - Total gross income..... \$31,707,963,000
 - Total net income..... \$2,153,113,000
 - Income tax..... 245,689,000

Available revenue at flat 25-percent rate..... 538,278,000

TAX INCOME, 1933

	Total net income reported	Tax rate	Revenue available
I. INDIVIDUAL RETURNS			
Income classes:			
\$5,000-\$10,000.....	\$1,477,527,000	Percent 16	\$236,452,000
\$10,000-\$15,000.....	569,850,000	22	123,167,000
\$15,000-\$20,000.....	310,248,000	24	74,459,000
\$20,000-\$25,000.....	228,778,000	30	68,633,000
\$25,000-\$30,000.....	621,182,000	35	217,414,000
\$30,000-\$40,000.....	394,766,000	40	157,906,000
\$40,000-\$50,000.....	240,681,000	45	108,306,000
\$50,000-\$100,000.....	81,253,000	55	44,689,000
\$100,000-\$250,000.....	59,511,000	65	37,682,000
\$250,000-\$500,000.....	81,559,000	75	61,169,000
\$500,000-\$1,000,000.....			
\$1,000,000-\$5,000,000 and over.....			
Total.....			1,129,277,000
Tax collected.....			372,968,000
Additional revenue.....			756,309,000

II. CORPORATION RETURNS (TAX INCOME, 1933)

Total net income reported.....	\$2,506,078,279
Income tax.....	347,649,990
Excess-profits tax.....	6,266,721
Total.....	\$353,916,361
Available revenue at flat 25-percent rate.....	626,520,000

¹ Statistics of Income, 1928, p. 32.
² Statistics of Income, 1932, p. 160.
³ Statistics of Income, 1932.

The following tables show revenue available from estate taxes:
Estate tax as source of revenue

	Jan. 1-Dec. 31, 1928	Jan. 1-Dec. 31, 1932	Jan. 1-Dec. 31, 1933
Gross estate.....	\$3,554,270,000	\$2,830,398,000	\$2,060,955,000
Tax paid.....	\$41,959,000	\$23,674,000	\$61,415,000
Percent to gross.....	1.1	0.8	2.9
Net estate.....	\$1,992,503,000	\$1,423,437,000	\$828,302,000
Tax paid.....	\$41,959,000	\$23,674,000	\$61,415,000
Percent to net.....	2.1	1.7	7.4

REVENUE AVAILABLE

	Average 25 percent	Average 50 percent	Average 75 percent
Gross estate:			
1928.....	\$888,667,000	\$1,777,135,000	\$2,665,701,000
1932.....	707,597,000	1,415,194,000	2,122,791,000
1933.....	615,239,000	1,030,478,000	1,543,717,000
Net estate:			
1928.....	468,126,000	936,252,000	1,404,378,000
1932.....	355,859,000	711,718,000	1,067,577,000
1933.....	207,075,000	407,150,000	621,225,000

Comparison of American and European income-tax rates
 [Conversion units: 1 pound=\$4.86; France, 1 franc=\$0.0302; Germany, 1 mark=\$0.2383]

	Percent of tax to net income			
	United States	Britain	France	Germany
\$1,000.....	0	0.88	3.38	7.00
\$2,000.....	0	5.57	8.51	15.84
\$3,000.....	0.07	10.38	12.20	18.11
\$5,000.....	2.00	14.22	17.15	21.59
\$7,500.....	3.40	16.29	22.02	26.02
\$10,000.....	4.80	18.62	25.25	29.89
\$15,000.....	6.80	22.95	31.26	34.46
\$25,000.....	10.08	29.47	38.04	39.78
\$50,000.....	17.20	39.30	47.43	45.13
\$100,000.....	30.01	48.10	53.65	47.44
\$500,000.....	52.72	61.58	63.93	49.49
\$1,000,000.....	57.11	63.91	63.97	49.74

Source: New Republic, Jan. 24, 1934.

American and European death taxes

[Source: Preliminary report of Subcommittee on the Committee on Ways and Means, relative to Federal and State taxation and duplication therein (1933), p. 237]

	United States	Great Britain
\$1,000.....	0	1
\$5,000.....	0	3
\$10,000.....	0	3
\$15,000.....	0	3
\$25,000.....	0	4
\$50,000.....	0	5
\$100,000.....	1.5	9
\$150,000.....	3.33	12
\$200,000.....	4.75	14
\$300,000.....	6.50	17
\$400,000.....	7.62	19
\$500,000.....	8.50	21
\$600,000.....	9.25	23
\$800,000.....	10.56	25
\$1,000,000.....	11.75	27
\$2,000,000.....	15.77	33
\$3,000,000.....	18.45	37
\$5,000,000.....	22.99	41
\$10,000,000.....	30.94	64

Conversion: £1=\$4.86.

These facts and figures, and the testimony of many other experts and economists and leaders of thought can be found in the hearings on the Lundeen bill (H. R. 2827). They show conclusively that the cost of the workers' bill is well within the ability of the United States Treasury to pay, and if we will raise our income- and inheritance-tax rates to the level of the British rate, we can raise the necessary funds. I hope that Members of this House will study these facts and figures and give their support to the Lundeen workers' unemployment, old-age, and social-insurance bill (H. R. 2827).

¹ 14.1 percent.