

The minimum annuity payable to persons in whose behalf contributions are first paid in 1942 or subsequent thereto, shall on retirement at age 65 or over and after 200 weekly contributions, be 10 percent of the first \$150 average monthly wages upon which contributions have been paid. To this 10 percent shall be added 1 percent for each 40 weekly contributions subsequent to the first 200 payments made within the first 5 years of membership in the system, but not to exceed 1 percent for each year of membership after the qualifying period of 5 years.

An annuitant with a spouse, if he or she so desires, may choose in lieu of an annuity on the basis outlined, an actuarially equivalent joint survivorship annuity. In all cases, also members shall not receive less than the actuarial equivalent of their own contributions.

The administration of the compulsory old-age annuity system we recommend should be vested in the social insurance board. All reserve funds of the system, however, shall be invested and managed by the Secretary of the Treasury, on the same basis as the unemployment compensation funds.

Explanation.—The plan outlined above contemplates that workers who enter the system after the maximum contribution rate has become effective will receive annuities which have been paid for entirely by their own contributions and the matching contributions of their employers. Workers now middle-aged or older will receive annuities which are substantially larger than could be purchased by their own and the matching contributions, although considerably less than the annuities which will be paid to workers who contribute for longer periods. Larger annuities than on a strictly earned basis would seem desirable because annuities build up only very slowly—for instance, a 4-percent contribution rate on a wage of \$100 per month will produce at age 65 an annuity of only \$2.58 per month if contributions were made for 5 years beginning at 60 years; \$5.95 after 10 years, contributions beginning at 55; and \$10.19 after 15 years, contributions beginning at age 50.

The allowance of larger annuities than are warranted by their contributions and the matching contributions of their employers to the workers who are brought into the system at the outset, will involve a cost to the Federal Government which, if payments are begun immediately, will total approximately \$500,000,000 per year. Under the plan suggested, however, no payments will actually be made by the Federal Government until 1965, and will, of course, be greater than they would be if paid as incurred, by the amount of the compound interest on the above sum. This plan thus involves the creation of a debt upon which future generations will have to pay large amounts annually, the Federal contributions representing the interest at 3 percent on the debt thus incurred to pay (partially) unearned annuities in the early years of the system.

While the creation of this debt will impose a burden on future generations which we do not wish to minimize, we, nevertheless, deem it advisable that the Federal Government should not pay its share of the cost of old-age annuities (the unearned part of the annuities to persons brought into the system at the outset) currently. To do so would create a reserve which would reach a total of about \$75,000,000,000. Further, to pay this cost now would unfairly burden the younger part of the present generation, which would not only pay for

the cost of its own annuities, but would also pay a large part of the annuities to the people now middle-aged or over. Expressed differently, the plan we advocate amounts to having each generation pay for the support of the people then living who are old. However, we favor showing the debts to the fund currently incurred by the Government, which debts should be evidenced by formal Government obligations issued to the fund. We accordingly recommend that an actuarial audit of the annuity fund be made and published annually which shall set forth clearly the present status of the fund, taking into account future payments and future income, and will show the present worth of the obligations being incurred by the Federal Government.

This plan also contemplates only small contributions by employers and employees during the early years of the system. Somewhat larger payments in the early years may be advisable, to reduce the necessary Government contributions later on. If the initial rate were increased to 1 percent each on employers and employees and each higher rate come into operation 5 years earlier than in the plan discussed, the reserve funds would at the maximum amount to \$28,200,000,000, and the ultimate Federal contribution decreased by \$350,000,000 per year.

Costs.—Actuarial estimates based on the plan we have described indicate that the income of the compulsory annuity fund will in the first 5 years that the system is in operation amount to a little more than \$300,000,000. With increases in rates and interest earnings on the reserve, this income will increase quite rapidly until by 1980 it will amount to \$2,200,000,000 per year. Benefit payments will be light in the early years but will increase steadily until, by 1965, they will exceed the annual receipts. It is at this stage that the Federal Government would begin to make contributions to the annuity system, which, under the figures submitted by the actuaries, reaches a maximum of above \$1,400,000,000 per year by 1980. (Those contributions by the Federal Government, as has been stated, represent the unearned part of the pensions paid to people now approaching old age, with interest on these amounts calculated at 3 percent.)

We realize that there may be valid objection to this plan, in that it involves too great a cost upon future generations. This cost can be reduced by putting the rate of 5 percent into effect at an earlier date; it can be entirely eliminated only through not paying any annuities that have not been fully earned. If the Congress deems it advisable to make either or both of these changes, we are prepared to suggest detailed plans for doing so.

Instead of a Government subsidy to the contributory annuity system it may be advisable to supplement the earned annuities of people now old (and whose earned annuities are, therefore, small) by granting them assistance under noncontributory old-age pension laws, on a more liberal basis than in the case of persons who have accumulated no rights under the contributory annuity system. Thus, one of the required provisions of a State old-age-pension law might be that in no event, prior to the year 1960, shall an annuity to which a person is entitled under the contributory annuity system be taken into account in determining the need of such person for assistance.

In considering the costs of the contributory system, it should not be overlooked that old-age annuities are designed to prevent destitution and dependency. Destitution and dependency are enormously

expensive, not only in the initial cost of necessary assistance but in the disastrous psychological effect of relief upon the recipients, which, in turn, breeds more dependency.

The contributions required from employers and employees have an equally good justification. Contributions by the employees represent a self-respecting method through which workers make their own provision for old age. In addition, many workers themselves on the verge of dependency will benefit through being relieved of the necessity of supporting dependent parents on reduced incomes and at the expense of the health and well-being of their own families. To the employers, contributions toward old-age annuities are very similar to the revenues which they regularly set aside for depreciation on capital equipment. There can be no escape from the costs of old age; and since these costs must be met, an orderly system under which employers, employees, and the Government will all contribute appears to be the dignified and intelligent solution of the problem.

VOLUNTARY OLD-AGE ANNUITIES

The voluntary system of old-age annuities we suggest as a supplement to the compulsory plan contemplates that the Government shall sell to individuals, on a cost basis, deferred life annuities similar to those issued by commercial insurance companies; that is, in consideration of premiums paid at specified ages, the Government would guarantee the purchasers a definite amount of income, starting at 65, for example, and continuing throughout the lifetime of the annuitant. The primary purpose of the plan is to offer persons not included within the compulsory system a systematic and safe method of providing for their old age. It could also be used by insured persons as a means of supplementing the old-age income provided under the compulsory plan.

Without attempting to outline in detail the terms under which Government annuities should be sold, it is believed that a satisfactory and workable plan, based on the following principles, could be developed without great difficulty:

1. The plan should be self-supporting, and premiums and benefits should be kept in actuarial balance by any necessary revision of the rates which periodic examinations of the experience would indicate.

2. The terms of the plan should be kept as simple as practicable in the interest of economical administration and to minimize misunderstanding on the part of individuals utilizing these arrangements. This could be accomplished by limiting the types of annuity offered to two or three of the most important standard forms.

3. The plan should be designed primarily for the same economic groups as those covered by compulsory system; hence, provision should be made for the acceptance of relatively small premiums (as little as \$1 per month) and the maximum annuity payable to any individual should be limited to the actuarial equivalent of \$50 per month.

4. The plan should be administered by the social insurance board along with the compulsory old-age-insurance system, but as a separate undertaking.

5. The social insurance board should study the feasibility of Government contribution toward the annuities of people now middle aged or older with income of \$2,500 per year or less who come under this

voluntary plan, comparable to the unearned part of the annuities which will be paid by the Government to people of middle age or older who are brought under the compulsory system. This is but a fair deal to farm owners and tenants, self-employed persons and other people of small incomes whose economic situation may be not one whit better than that of many workers covered by the compulsory system. Further study will be necessary, however, before a practical method of accomplishing this purpose can be suggested, one which will avoid the danger of benefiting those persons who need assistance least.

SECURITY FOR CHILDREN

It must not for a moment be forgotten that the core of any social plan must be the child. Every proposition we make must adhere to this core. Old-age pensions are in a real sense measures in behalf of children. They shift the retroactive burdens to shoulders which can bear them with less human cost, and young parents thus released can put at the disposal of the new member of society those family resources he must be permitted to enjoy if he is to become a strong person, unburdensome to the State. Health measures that protect his family from sickness and remove the menacing apprehension of debt, always present in the mind of the breadwinner, are child-welfare measures. Likewise, unemployment compensation is a measure in behalf of children in that it protects the home. Most important of all, public job assurance which can hold the family together over long or repetitive periods of private unemployment is a measure for children in that it assures them a childhood rather than the premature strains of the would-be child breadwinner.

There are at the moment over 7,400,000 children under 16 years of age on the relief rolls. The lives of some of these children, who have never known a time when their father had a steady job, and who, until Federal relief provided the family with a weak cohesive agent, have known nothing but the threat of being scattered, are lost beyond full restoration to their physical and social fulfillment. Their childhood is already destroyed and their future dark and uncertain. In this age group are 300,000 dependent and neglected children; 300,000 to 500,000 children who are physically handicapped; 200,000 who come as delinquents annually before the courts; and the 75,000 illegitimate children born each year. Special kinds of care must be provided for them to save them from a future more tragic than their impaired childhood.

Most of the children on relief lists are less conspicuously unfortunate, but all of them lack at least one major essential for a childhood which will prepare them in 5, 10, or 15 years to be the mainstay of society. Nothing is wrong with their environment but their parents' lack of money to give them opportunities which are taken for granted in more fortunate homes.

AID TO FATHERLESS CHILDREN

Among these children most especial attention must be given to the children deprived of a father's support, usually designated as the objects of mothers' aid or mothers' pension laws, of whom there are now above 700,000 on relief lists. The very phrases "mothers' aid" and "mothers' pensions" place an emphasis equivalent to miscon-

struction of the intention of these laws. These are not primarily aids to mothers but defense measures for children. They are designed to release from the wage-earning role the person whose natural function is to give her children the physical and affectionate guardianship necessary, not alone to keep them from falling into social misfortune, but more affirmatively to rear them into citizens capable of contributing to society.

Legislation for "mothers' pensions" has been in operation in this country for more than 20 years. Such laws exist in 45 States. Yet less than one-third the number of similar families on relief are now actually receiving mothers' pensions. The cost of these pensions is \$37,200,000 a year; \$6,000,000 of this comes from State government; local units supply the balance. Less than one-half of the local units authorized to grant mothers' aid are actually doing so. Many others are granting amounts insufficient to defend the children involved. Part of this situation is due to indifference, but in part it is due to the poverty of many local governmental units and to the fact that the Federal Government has been paying the major costs when fatherless families are placed on relief, whereas it makes no contribution to mothers' aid.

When the Federal Government terminates Federal relief the situation will become immeasurably worse. Neither the return of prosperity nor any of the measures suggested in this report will meet the problem. Mothers' pensions will only partially and inadequately do so as long as the cost falls almost entirely on local governmental units. To meet the situation effectually increased State appropriations and Federal grants-in-aid are essential.

Such Federal grants-in-aid are a new departure, but it is imperative to give them if the mothers'-care method of rearing fatherless families is to become nationally operative. The amount of money required is less than the amount now given to families of this character by the Federal Government by the less desirable route of emergency relief. An initial appropriation of approximately \$25,000,000 per year is believed to be sufficient. If the principle is adopted of making grants equal to one-half of the State and local expenditures (one-third the total cost), with special assistance to States temporarily incapacitated, this sum might in time rise to a possible \$50,000,000. Federal grants should be made conditional on passage and enforcement of mandatory State laws and on the submission of approved plans assuring minimum standards in investigation, amounts of grants and administration. After a specified date, State financial participation should be insisted upon. This might take the form either of equalization grants to local units or of per-capita grants, as the several States may prefer.

CHILD CARE SERVICES

Local services for the protection and care of dependent and physically and mentally handicapped children are generally available in large urban centers, but in less populous areas they are extremely limited or even nonexistent. One-fourth of the States, only, have made provisions on a State-wide basis for county child-welfare boards or similar agencies, and in many of these States the services are still inadequate. With the further depletion of resources during the depression there has been much suffering among many children because

the services they need have been curtailed or even stopped. To counteract this tendency and to stimulate action toward the establishment of adequate State or local child welfare services, a small Federal grant-in-aid, we believe, would be very effective.

CHILD AND MATERNAL HEALTH SERVICES

The fact that the maternal mortality rate in this country is much higher than that of nearly all other progressive countries suggests the great need for Federal participation in a Nation-wide maternal and child-health program. From 1922 to 1929 all but three States participated in the successful operation of such a program. Federal funds were then withdrawn and as a consequence State appropriations were materially reduced. Twenty-three States now either have no special funds for maternal and child health or appropriate for this purpose \$10,000 or less. In the meantime, the need has become increasingly acute.

Crippled children and those suffering from chronic diseases such as heart disease and tuberculosis constitute a regiment of whose needs the country became acutely conscious only after the now abandoned child- and maternal-health program was inaugurated. In more than half the States some State and local funds are now being devoted to the care of crippled children. This care includes diagnostic clinics, hospitalization, and convalescent treatment. But in nearly half the States nothing at all is now being done for these children and in many the appropriations are so small as to take care of a negligible number of children. Since hundreds of thousands of children need this care, the situation is not only tragic but dangerous.

We recommend that the Federal Government, through the agency of the Children's Bureau, should again assume leadership in a Nation-wide child and maternal health program. Such a program should provide for an extension of maternal and child health services, especially in rural areas. It should include (a) education of parents and professional groups in maternal and child care; supervision of the health of expectant mothers, infants, preschool and school children, and children leaving school for work, (b) provision for transportation, hospitalization, and convalescent care of crippled children in areas of less than 100,000 population. This program should be developed in the States under the leadership of the State departments of health in cooperation with medical and public welfare agencies and groups concerned with these problems. Federal participation is vital to its success. It should take the form of both grants-in-aid, and of consultative, educational, and promotional work by the Children's Bureau in cooperation with the State health departments.

The appropriation suggested by our Advisory Committee on Security for Children of \$7,000,000 per year is large in proportion to the \$41,139 now appropriated to the Children's Bureau for child and maternal health work. But its cost is small when it is compared with the expenditures for many purposes having far less direct relation to human welfare. Whether the precise amount suggested should be appropriated is a matter for the determination of other agencies. But we cannot too strongly recommend that the Federal Government again recognize its obligation to participate in a Nation-wide program saving the children from the forces of attrition and decay which the depression turned upon them above all others.

RISKS ARISING OUT OF ILL HEALTH

Illness is one of the major causes of economic insecurity which threatens people of small means in good times as in bad. In normal times from one-third to one-half of all dependency can be traced to the economic effects of illness. The money loss caused by sickness in families with less than \$2,500 of income per year has been estimated at a total of \$2,400,000,000 per annum, of which \$900,000,000 represents wage loss and \$1,500,000,000 the expenses of medical care.

The seriousness of this hazard, however, lies less in the total loss involved than in its unequal distribution. Nearly half of all people suffer no illness during a normal year, but 7 percent have three or more illnesses and nearly 15 percent have illnesses that disable them for more than a week. Studies of the actual expenditures for medical care in a large number of urban families with incomes ranging from \$1,200 to \$2,000 per year, relating to the years 1928 to 1931, disclosed that of each 1,000 families, 218 had medical bills in excess of \$100 and 80 in excess of \$200; among the 80, 16 had medical costs ranging from \$400, to \$700, and four, sickness bills amounting to more than one-half of their incomes.

The figures cited explain why many millions of American families live in dread of sickness. Families with small incomes are compelled to sacrifice other essentials of decent living when serious illness strikes some member, go without needed medical care, or depend upon the gratuitous or near gratuitous services of doctors and hospitals. A mere statement of this situation is sufficient to show that it is both unfair to the medical profession and very costly to the public.

PUBLIC-HEALTH SERVICES

As stated by the medical advisory board of this committee, in a brief progress report recently filed:

A logical step in dealing with the risks and losses of sickness is to begin by preventing sickness so far as is possible.

Much progress has been made in this respect, yet the fact remains that despite great advances in medicine and public-health protection, millions of our people are suffering from diseases and thousands die annually from causes that are preventable. The mortality of adults of middle and older ages has not been appreciably diminished. With the changing age composition of our population, the task of health conservation must be broadened to include adults as well as children. Even minimum public-health facilities and services do not now exist in many large areas. Of 3,000 counties, only 528 have full-time health supervision and only 21 percent of the local health departments were rated in 1933 as having developed a personnel and service providing a satisfactory minimum for the population and the existing problems.

Evidence is accumulating that the health of a large proportion of the population is being affected unfavorably by the depression. The rate of disabling sickness in 1933 among families which had suffered the most severe decline in income during the period 1929 to 1932 was 50 percent higher than the rate in families whose incomes were not reduced. For the first time in many decades, the death rate in our large cities is higher this year than it was last year despite the ab-

sence of any serious epidemics. In the face of these evidences of increased need, local appropriations for public health have been decreased on the average by 20 percent since 1930. The average per capita expenditures from tax funds for public health in 77 cities in 1934 were 58 cents as contrasted with 71 cents in 1931. It is not too much to say that in many parts of the country the men and women in public-health work are very discouraged.

In this situation there is great need for a Nation-wide program for the extension of preventive public-health services. As was well stated by the medical advisory board:

At the present time appropriations for public-health work are insufficient in in many communities, whereas a fuller application of modern preventive medicine, made possible by larger public appropriations, would not only relieve such suffering but would also prove an actual financial economy. Federal funds, expended through the several States, in association with their own State and local public-health expenditures, are, in our opinion, necessary to accomplish these purposes and we recommend that substantial grants be made.

In accord with these principles and following the specific suggestions of the advisory committee on public health, we recommend: (1) grants-in-aid to local areas unable to finance public-health programs with State and local resources, to be allocated through State departments of health; (2) direct aid to States in the development of State health services and the training of personnel for State and local health work; (3) additional personnel within the United States Public Health Service for the investigation of disease and sanitary problems which are of interstate or national interest and the detailing of personnel to other Federal bureaus and to States and localities. The advisory committee on public health suggested that in order to carry out these policies the total appropriation to the Public Health Service be increased to \$10,000,000 per year, in contrast with \$5,000,000—4 cents per capita—now spent by the Federal Government in all its departments for human health services. The advisory committee also reported that the needs of the country are considerably in excess of the additional expenditures suggested but expressed the view that a larger amount cannot be efficiently spent until necessary additional personnel has been trained and further tests of practical procedures have been made through which certain diseases can be more effectively controlled. It is not within our province to say whether the precise amount suggested should be appropriated, but we strongly endorse the recommendation for increased Federal participation in the prevention of ill health.

It has long been recognized that the Federal, State, and local governments all have responsibilities for the protection of all of the population against disease. The Federal Government has recognized its responsibility in this respect in the public-health activities of several of its departments. There also are well-established precedents for Federal aid for State health administration and for local public facilities, and for the loan of technical personnel to States and localities. What we recommend involves no departure from previous practices but an extension of policies that have long been followed and are of proven worth. What is contemplated is a Nation-wide public-health program, financially and technically aided by the Federal Government but supported and administered by the State and local health departments.

HEALTH INSURANCE

The development of more adequate public-health services is the first and the most inexpensive step in furnishing economic security against illness. There remains the problem of enabling self-supporting families of small and moderate means to budget against the loss of wages on account of illness and against the costs of medical services needed by their members. The nature of this problem and the nature of the risks which it involves calls for an application of the insurance principle to replace the variable and uncertain costs for individuals by the fixed and predictable costs for large groups of individuals.

Insurance against the costs of sickness is neither new nor novel. In the United States we have had a long experience with sickness insurance both on a nonprofit and commercial basis. Both forms have been inadequate in respect to the protection they furnish, and the latter—commercial insurance—has in addition been too expensive for people of small means. Voluntary insurance holds no promise of being much more effective in the near future than it has been in the past. Our only form of compulsory insurance has been that which is provided against industrial accidents and occupational diseases under the workmen's compensation laws. In contrast, other countries of the world have had experience with compulsory health or sickness insurance applied to over a hundred million persons and running over a period of more than 50 years. Nearly every large and industrial country of the world except the United States has applied the principle of insurance to the economic risks of illness.

The committee's staff has made an extensive review of insurance against the risks of illness, including the experience which has accumulated in the United States and in other countries of the world. Based upon these studies the staff has prepared a tentative plan of insurance believed adequate for the needs of American citizens with small means and appropriate to existing conditions in the United States. From the very outset, however, our committee and its staff have recognized that the successful operation of any such plan will depend in large measure upon the provision of sound relations between the insured population and the professional practitioners or institutions furnishing medical services under the insurance plan. We have accordingly submitted this tentative plan to our several professional advisory groups organized for this purpose. These advisory groups have requested an extension of time for the further consideration of these tentative proposals, and such an extension has been granted until March 1, 1935. In addition, arrangements have been effected for close cooperative study between the committee's technical staff and the technical experts of the American Medical Association.

Until the results of these further studies are available, we cannot present a specific plan of health insurance. It seems desirable, however, to advise the professions concerned and the general public of the main lines along which the studies are proceeding. These may be indicated by the following broad principles and general observations which appear to be fundamental to the design of a sound plan of health insurance.

1. The fundamental goals of health insurance are: (a) The provision of adequate health and medical services to the insured popu-

lation and their families; (b) the development of a system whereby people are enabled to budget the costs of wage-loss and of medical costs; (c) the assurance of reasonably adequate remuneration to medical practitioners and institutions; (d) the development under professional auspices of new incentives for improvement in the quality of medical services.

2. In the administration of the services the medical professions should be accorded responsibility for the control of professional personnel and procedures and for the maintenance and improvement of the quality of service; practitioners should have broad freedom to engage in insurance practice, to accept or reject patients, and to choose the procedure of remuneration for their services; insured persons should have freedom to choose their physicians and institutions; and the insurance plan shall recognize the continuance of the private practice of medicine and of the allied professions.

3. Health insurance should exclude commercial or other intermediary agents between the insured population and the professional agencies which serve them.

4. The insurance benefits must be considered in two broad classes: (a) Cash payments in partial replacement of wage loss due to sickness and for maternity cases; and (b) health and medical services.

5. The administration of cash payments should be designed along the same general lines as for unemployment insurance and, so far as may be practical, should be linked with the administration of unemployment benefits.

6. The administration of health and medical services should be designed on a State-wide basis, under a Federal law of a permissive character. The administrative provisions should be adapted to agricultural and sparsely settled areas as well as to industrial sections, through the use of alternative procedures in raising the funds and furnishing the services.

7. The costs of cash payments to serve in partial replacement of wage loss are estimated as from 1 to 1½ percent of pay roll.

8. The costs of health and medical services, under health insurance, for the employed population with family earnings up to \$3,000 a year, is not primarily a problem of finding new funds, but of budgeting present expenditures so that each family or worker carries an average risk rather than an uncertain risk. The population to be covered is accustomed to expend, on the average, about 4½ percent of its income for medical care.

9. Existing health and medical services provided by public funds for certain diseases or for entire populations should be correlated with the services required under the contributory plan of health insurance.

10. Health and medical services for persons without income, now mainly provided by public funds, could be absorbed into a contributory insurance system through the payment by relief or other public agencies of adjusted contributions for these classes.

11. The role of the Federal Government is conceived to be principally (a) to establish minimum standards for health-insurance practice; and (b) to provide subsidies, grants, or other financial aids or incentives to States which undertake the development of health-insurance systems which meet the Federal standards.

RESIDUAL RELIEF

Unemployment has become an agglomeration of many problems. In the measures here proposed, we are attempting to segregate and provide for distinguishable groups in practical ways.

One of these large groups is often referred to as the "unemployables." This is a vague term, the exact meaning of which varies with the person making the classification. Employability is a matter of degree; it involves not merely willingness and ability to work but also the capacity to secure and hold a job suited to the individual. Relatively few people regard themselves as unemployables, and, outside of the oldest age groups, the sick, and the widowed and deserted mothers, most adults would, in highly prosperous times, have some employment.

The fact remains that even before the depression there were large numbers of people who worked only intermittently, who might be described as being on the verge of unemployability—many of them practically dependent on private or public charity. These people are now all on relief lists, plus many others who, before the depression were steady workers but who have now been unemployed so long that they are considered substandard from the point of view of employability.

There are also large numbers of young people who have not worked or have worked but little in private employment since they left school, primarily because they came into the industrial group during the years of depression. Then there are the physically handicapped, among whom unemployment has been particularly severe. Included on the relief lists also are an estimated total of 100,000 families in "stranded industrial communities", where they have little likelihood of ever again having steady employment. There are 300,000 impoverished farm families whose entire background is rural and whose best chance of again becoming self-supporting lies on the farm. Policies which we believe well calculated to rehabilitate many of these groups are now being pursued by the Government. These clearly need to be carried through and will require considerable time for fruition. This is especially true of the program for rural rehabilitation and the special work and educational programs for the unemployed young people. There are other serious problems, among them those of populations attached to declining overmanned industries. Only through the active participation of the Federal Government can these problems be solved and the many hundreds of thousands of individuals involved be salvaged.

As for the genuine unemployables, or near unemployables, we believe the sound policy is to return the responsibility for their care and guidance to the States. In making this recommendation we are not unmindful of the fact that the States differ greatly as regards wealth and income. We recognize that it would impose an impossible financial burden on many State and local governments if they were forced to assume the entire present relief costs. That, however, is not what we propose. We suggest that the Federal Government shall assume primary responsibility for providing work for those able and willing to work; also, that it aid the States in giving pensions to the dependent aged and to families without breadwinners. We, likewise, contemplate the continued interest of the Federal Government for a considerable time to come in rural rehabilitation and other special

problems beyond the capacity of any single State. With the Federal Government carrying so much of the burden for pure unemployment, the State and local governments we believe should resume responsibility for relief. The families that have always been partially or wholly dependent on others for support can best be assisted through the tried procedures of social case work, with its individualized treatment.

We are anxious, however, that the people who will continue to need relief shall be given humane and intelligent care. Under the stimulus of Federal grants, the administration of relief has been modernized throughout the country. In this worst depression of all time, human suffering has been alleviated much more adequately than ever before. It is not too much to say that this is the only great depression in which a majority of the people in need have really received relief. It would be tragic if these gains were to be lost.

There is some danger that this may occur. While the standards of relief and administration have been so greatly improved in these last years of stress and strain, the old poor laws remain on the statute books of nearly all States. When relief is turned back to the States, it should be administered on a much higher plane than that of the old poor laws.

The States should substitute modernized public assistance laws for the ancient, outmoded poor laws. They should replace uncentralized poor law administrations with unified, efficient State and local public welfare departments such as already exist in some States and for which all States have a nucleus in their State Emergency Relief Administrations. The Federal Government should insist as a condition of any grants-in-aid that standard relief practice shall be used and that the States who receive Federal moneys preserve the gains that have been made in the care and treatment of the "unemployables." Informed public opinion can also do much and we rely upon it to thus safeguard the welfare of these unfortunate human beings and fellow citizens.

ADMINISTRATION

The Federal Government has long had important functions in relation to social welfare. In the depression these activities have grown apace, particularly in connection with relief. For some time the Government has had the major responsibility for the assistance to above one-sixth of the entire population of the country. Hereafter, the Federal Government will still have large and continuing responsibility for many parts of the heretofore undifferentiated relief problem and some of our recommendations contemplate expansion in Federal social welfare activities.

The importance which the social welfare activities of the Federal Government have assumed is such that they should clearly all be administratively coordinated and related. The detailed working out of such coordination does not fall within the scope of this committee, but we deem it important to direct attention to the desirability of early action in this matter

ACCIDENT COMPENSATION

Industrial accidents were the first of the major hazards of the modern economic system against which safeguards were provided in this country. These are represented on the one hand by safety laws

and orders and the voluntary efforts of employers to reduce accidents, and on the other, by the workmen's accident compensation laws now in force in all but four States.

These safeguards have, on the whole, worked quite beneficially, but we still have far too many industrial accidents, and the accident-compensation laws are sadly lacking in uniformity and many of them are very inadequate. In view of the start we have made, substitution of the continental European form of contributory accident insurance for our noncontributory accident compensation laws, nationalization of accident compensation, or any other fundamental change is unwarranted. There should be no complacency, however, regarding either the progress we have made toward the prevention of industrial accidents or the adequacy of our compensation laws.

In outlining a long-time program for economic security, we make the following recommendations looking toward more adequately meeting the hazard of industrial accidents:

(1) The Department of Labor should further extend its services in promoting uniformity and raising the standards both of the safety laws and the accident-compensation laws of the several States and their administration.

(2) The four States which do not now have accident-compensation laws are urged to enact such laws, and passage of accident-compensation acts for railroad employees and maritime workers is recommended

EMPLOYMENT SERVICE

Great progress has been made in the last 18 months in the development of a more efficient employment service in this country. The National Reemployment Service, set up to facilitate enrolling labor for public works projects, has been extended into every State. Under the Wagner-Peyser Act, cooperative arrangements have been developed in the majority of the leading industrial States for the joint conduct of employment offices connected with the United States Employment Service. Through insistence upon a merit basis for selection, an efficient personnel is being developed within the employment service.

The Employment Service, however, will have to be still further expanded and improved if the measures for economic security we have suggested are to be put into efficient operation. It is through the employment offices that the unemployment compensation benefits and also the old-age annuities are to be paid. These offices must function as efficient placement agencies if the "willingness to work" test of eligibility for benefits in unemployment compensation is to be made effective. They now function to select the employees on public works projects and should have a similar relation to any expanded public-employment program. Above all the employment offices should strive to become genuine clearing houses for all labor, at which all unemployed workers will be registered and to which employers will naturally turn when seeking employees.

To perform these important functions, a Nation-wide system of employment offices is vital. The nucleus for such a system exists in the United States Employment Service and the National Reemployment Service, which have always been combined "at headquarters" and are now being consolidated in States where both have existed.

No fundamental change in the relation of the Federal and State governments to the employment offices is deemed necessary, but some amendment of the Wagner-Peyser Act is needed to enable the employment offices to perform all the functions our program contemplates. The larger funds required will come from the portion of the Federal pay-roll tax retained for administrative purposes.

Closely related to the development of a more efficient employment service is the Federal regulation of private employment agencies doing an interstate business. The interstate business of such private agencies cannot be regulated by the States, and, for the protection no less of the reputable agencies than of the workers, should be strictly regulated by the Federal Government.

EDUCATIONAL AND REHABILITATION SERVICES

Education, training, and vocational guidance are of major importance in obtaining economic security for the individual and the Nation. And we have at various points in this report made brief references to the importance of vocational guidance and training in the readjustments which are necessary in a coordinated attack on the problem of individual economic security. We here wish to further emphasize that the educational and vocational equipment of individuals is a major factor in their economic security.

At this time it is tragically evident that education and training are not a guarantee against dependency and destitution. Yet there is no reason for losing faith in our democratic system of education; the existing situation merely has brought into bold relief the fact that education to fulfill its purposes must be related much more than it has been to the economic needs of individuals. It has become apparent particularly that education cannot be regarded as completed upon leaving school. It has brought out poignantly the difference between schooling and education. In a day and age of rapidly changing techniques and market demands, many people will find it necessary to make readjustments long after they have first entered industry. Adjustment of our educational content and technique to this situation is a vital need in a long-range program for economic security.

In the years immediately ahead when there is certain to be a large problem in the economic rehabilitation of so many individuals, there is a peculiar need for educational and training programs which will help these worst victims of the depression to regain self-respect and self-support. While men have so much leisure time, those who can profit from further education and training should be afforded an opportunity to make such use of their leisure. Particularly for the young workers and those who have little hope of returning to their old occupations, the need for educational and vocational training and retraining programs is clearly indicated.

Education has been regarded in this country as a responsibility of the State and local governments and should remain so. In the joint attack on economic security which we suggest, Federal participation, however, is most desirable. To a considerable extent the Federal Government is already participating in this endeavor and we believe that it should continue to do so, if possible, on an extended scale.

What to do with regard to the army of unemployed youths continues to be one of the gravest problems of this Nation. Obviously

what the great majority need is a chance to work at some job, a chance to develop skills and techniques. In any program of employment they must be given their fair share of available jobs. For many, however, a training program would be of great benefit. This can be developed satisfactorily only with the assistance of the Federal Government. The local school facilities are not able to take care of their normal tasks, and find it impossible to develop needed vocational training programs at all commensurate with this problem.

At this point, we desire to call special attention to the importance of special programs for the physically handicapped, of whom there are many millions in this country. Since the passage in 1920 of the Federal Vocational Rehabilitation Act, the Government has been assisting the States in a service of individual preparation for and placement in employment of persons vocationally handicapped through industrial or public accident, disease, or congenital causes.

Forty-five States are now participating in this program and since it was launched approximately 68,000 permanently disabled persons have benefited from this service. The work done has shown gratifying annual increases, even in the depression, but is still small in comparison with the need. The desirability of continuing this program and correlating it with existing and contemplated services to workers in the general program of economic security we believe to be most evident.

OTHER MEASURES FOR ECONOMIC SECURITY

We have expressed our views upon many different measures and policies which we deem essential in a program to protect individuals against the many hazards which lead to destitution and dependency, but we have by no means exhausted the subject. We have dealt with the hazards which afflict the largest numbers—unemployment, old age, ill health, premature loss of the family breadwinner, industrial accidents, lack of training—but we have not dealt with other hazards equally serious for some individuals, such as invalidity, nonindustrial accidents, and other afflictions.

Parts of the program we suggest apply to practically the entire population, particularly the grants-in-aid to the noncontributory old-age pensions, the expansion of preventive public-health services, the aid to mothers' pensions, the maternal and child-health services for rural areas, the services for crippled children, the expansion of the Employment Service, and the policy of employment assurance. Two of the major measures suggested—old-age insurance and unemployment compensation—have more limited application. The former will apply to all employed persons, but will not include in its compulsory provisions proprietors, tenants, or the self-employed. Unemployment compensation will have slightly narrower scope, excluding those in small establishments.

Agricultural workers, domestic servants, home workers, and the many self-employed people constitute large groups in the population who have generally received little attention. In these groups are many who are at the very bottom of the economic scale. We believe that more attention will have to be given to these groups than they have received heretofore. We cannot be satisfied that we have a reasonably complete program for economic security unless some degree of protection is given these groups now generally neglected.

While in the short space of a few months we have made a quite comprehensive survey of the entire problem of economic security for the individual, much further thought needs to be given to many aspects of this problem.

Study of the suggested problems not dealt with in this report and still other aspects of a comprehensive economic-security program belong logically among the duties of the Social Insurance Board, if one is established. So do problems of extending the coverage of unemployment compensation and old-age insurance, and the task of correlating the experience gained under these measures to make them better instruments for the accomplishment of the purposes for which they are designed.

CONCLUSION

The program for economic security we suggest follows no single pattern. It is broader than social insurance and does not attempt merely to copy European methods. In placing primary emphasis on employment, rather than unemployment compensation, we differ fundamentally from those who see social insurance as an all-sufficient program for economic security. We recommend wide application of the principles of social insurance, but not without deviation from European models. Where other measures seemed more appropriate to our background or present situation, we have not hesitated to recommend them in preference to the European practices. In doing so we have recommended the measures at this time which seemed best calculated under our American conditions to protect individuals in the years immediately ahead from hazards which plunge them into destitution and dependency. This, we believe, is in accord with the method of attaining the definite goal of the Government—social justice—which was outlined in the message of January 4, 1935. "We seek it through tested liberal traditions, through processes which retain all of the deep essentials of that republican form of government first given to a troubled world by the United States."

We realize that these measures we recommend will not give complete economic security. As outlined in the messages of June 8, 1934, and January 4, 1935, the safeguards to which this report relates represent but 1 of 3 major aspects of economic security for men, women, and children. Nor do we regard this report and our recommendations as exhaustive of the particular aspect which this committee has directed to study—"the major hazards and vicissitudes of life." A complete program of economic security "because of many lost years, will take many future years to fulfill."

The initial steps to bring this program into operation should be taken now. This program will involve considerable cost, but this is small as compared with the enormous cost of insecurity. The measures we suggest should result, in the long run, in material reduction in the cost to society of destitution and dependence and, we believe, will immediately be helpful in allaying those fears which open the door to unsound proposals. The program will promote social and industrial stability and will operate to enlarge and make steady a widely diffused purchasing power upon which depends the high American standard of living and the internal market for our mass production, industry, and agriculture.

APPENDIX

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Dr. WITTE. You asked me to take up the first subject dealt with in the bill, and while the President in his communication mentions unemployment compensation first, the first subject dealt with in title I is old-age security. That subject is dealt with in title I and also in title III, title IV, and title V.

Mr. TREADWAY. Has this language been drawn with Dr. Witte's approval, or has it been drafted by the drafting force here in the House? In other words, is the language in the bill your own?

Dr. WITTE. It is, frankly, a composite, drafted, in part, by the counsel of the committee, and, in part, by the authors of the legislation.

Mr. TREADWAY. Have you had the aid of Mr. Beaman at all?

Dr. WITTE. I could not answer that. I think not. We have had the aid of the Treasury Department on all financial provisions, and I think Mr. Beaman was consulted by the members, but not directly by the Committee.

The CHAIRMAN. The Chair would like to observe that in reading the statement that has been submitted, it is apparent that Mr. Beaman was not consulted, because this refers to appropriations to be made by this committee, whereas we have no power to appropriate. That would have to be referred to the Committee on Appropriations. That change will have to be made. This committee has no right, in matters of appropriation.

Mr. TREADWAY. My reason for asking that was to see whether it was in accordance with the usual phraseology and uniformity of expression that we secure through Mr. Beaman's assistance, or whether it was an independent draft. So far as you know, the Legislative Counsel in the House has not been consulted in this draft?

Dr. WITTE. No, not of the House of Representatives.

Mr. TREADWAY. What do you mean by that, that the Senate representative was consulted?

Dr. WITTE. I think he was, but I am not sure.

Mr. TREADWAY. That is, the Legislative Counsel in the Senate.

Dr. WITTE. I frankly state that I cannot answer that question definitely. The bill was drafted by the counsel of the committee with the assistance of the legislative members and with changes made by the legislative members, who introduced the bill in both Houses.

Mr. TREADWAY. This bill that we are considering was introduced by our own chairman.

Dr. WITTE. Yes; it was.

The CHAIRMAN. The Chair was very favorably impressed, and I have no doubt the committee was also, with the statement of the witness that this was only submitted as an outline of the opinion of the committee that had made the investigation, but that it expected the Ways and Means Committee would use its own judgment and discretion in connection with any changes that they might think necessary in the form or substance of the bill. Am I correct in that?

Dr. WITTE. Certainly.

Mr. TREADWAY. I must make this observation, that that is a much more liberal expression than we have had in connection with any legislative proposals before us in the last Congress.

The CHAIRMAN. I am sure that the committee is favorably impressed with that statement.

Mr. JENKINS. Is there any difference between the Doughton bill and the Lewis bill? We have both of them before us here.

Mr. LEWIS. None at all that I know of. It is the administration bill. That is my view.

The CHAIRMAN. It is understood to be an administration measure, so far as the Chair is advised.

The witness will proceed.

Dr. WITTE. The subject of old-age security is dealt with in title I, title III, part of title IV, and in title V. I would like to consider all of those together, with you permission.

Before doing that, I wish to present very briefly something about the old-age problem in its economic aspects, which is the problem that is sought to be dealt with—sought to be met in the legislation proposed.

At this time there are somewhere between 7,000,000 and 7,500,000 people over 65 years of age; somewhat more than 4,000,000 people who are over 70 years of age; above 11,500,000 who are over 60 years of age.

The number and percentage of people who are in these older-age groups has been increasing in each census period and will continue to increase at a rapid rate in the next generation. In 1860, for instance, 2.7 percent of all the people in the United States were over 65 years of age; in 1920, 4.7 percent; in 1930, 5.4 percent.

Looking ahead, statisticians estimate that this increase will continue until we reach a stable population. We now know how many people we have who are in the age group, let us say, between 20 and 30; in 40 years from now those people who are now 20 to 30 will be 60 to 70, and in 40 years from now there will be twice as many people who are in the age group 65 and over as there are today—in actual numbers considerably more than twice as many people.

The estimate runs that by 1970 we will have 15,000,000 people over 65 years of age; by 1980, above 19,000,000; after which we look forward to a stable population.

By that time we will have approximately one-eighth of the population in the age group 65 or over.

To make clear that this is no theoretical estimate, may I call your attention to the fact that is the composition of the population in the older European countries now. That is the composition of the population in England, in France, in the countries which have reached approximately a stable population.

We are approaching a stable population. In 1930 there were fewer children under 5 years of age in this country than there were in 1920. In consequence, the people in the older-age groups are increasing very rapidly. For your information I might submit a table which shows the actual and estimated number of people aged 65 years and over, compared with the total population, which runs from 1860 to 2000.

The CHAIRMAN. You desire to submit that as a portion of your remarks?

Dr. WITTE. Yes, sir.

The CHAIRMAN. Without objection, it will be included in the record at this point.

Mr. LEWIS. Have you extra copies?

Dr. WITTE. We are printing, and will have by tonight, I hope, as supplement to the committee's report, statistical tables embracing all features of the subjects that we deal with. If you prefer, you can include that entire supplement in your record in preference to this one table, which is included in that supplement.

Mr. VINSON. I make that request, Mr. Chairman.

The CHAIRMAN. Without objection, the request will be acceded to. (The tables referred to are as follows:)