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SOCIAL SECURITY REVISION

HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-FIRST CONGRESS
SECOND SESSION

ON
H. R. 6000

**AN ACT TO EXTEND AND IMPROVE THE
FEDERAL OLD-AGE AND SURVIVORS
INSURANCE SYSTEM, TO AMEND THE
PUBLIC ASSISTANCE AND CHILD WELFARE
PROVISIONS OF THE SOCIAL SECURITY
ACT, AND FOR OTHER PURPOSES**

PART 1
TESTIMONY AND RECOMMENDATIONS BY THE
SOCIAL SECURITY ADMINISTRATION
JANUARY 17, 18, 19, AND 20, 1950

Printed for the use of the Committee on Finance



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1950

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CONTENTS

Statement of—	Page
Altmeyer, Arthur J., Commissioner for Social Security, Social Security Administration.....	19, 45, 79, 129
Hoey, Jane M., Director, Bureau of Public Assistance, Social Security Administration.....	136
Lenroot, Katharine F., Chief, Children's Bureau, Social Security Administration.....	144
Additional information submitted for the record by—	
George, Senator Walter F.:	
Major differences in present social-security law recommendations of Advisory Council, and H. R. 6000, table.....	2
Social Security Administration:	
Aged and child beneficiaries, etc., under Social Security Act, February 1936–November 1949, chart.....	93
Aged OASI beneficiaries receiving old-age assistance, percent, chart.....	49
Assets of farmers, including equities in farms.....	37
Average per capita income, 1946–48, chart.....	120
Benefit formulas, present and proposed, table.....	35
Benefits and reserves as percent of taxable wages, June 30, 1949, chart.....	90
Comments on report of Senate Advisory Council.....	19
Contributions paid in respect to those now receiving benefits....	43
Cost of living statistics in various United States cities.....	66
Disabled persons, statement regarding statistics of.....	68
Employed civilian labor force in employment covered by old-age and survivors insurance, estimated percent, April 1947, chart....	99
Employed labor force in covered and noncovered employment under H. R. 6000, chart.....	94
Farm operators and farm workers and OASI, chart.....	101
Federal participation in payments of public assistance, provisions for, chart.....	121
General assistance: Distribution of expenditures for assistance by source of funds, fiscal year 1948–49, chart.....	118
Income of persons 65 and over, 1948, table.....	28
Insured and uninsured workers with wage credits, number and proportion, 1940–50, table.....	31
Level premium costs of H. R. 2893 and H. R. 6000 compared with present act, intermediate estimate, chart.....	110
Liquid asset holdings within various income groups, 1949, table....	41
Male urban self-employed and wage earners by age, distribution of, table.....	130
Marital status of persons 65 years and over, June 1949, table....	29
Monthly number of children receiving aid to dependent children and recipient rates, June 1940–49, chart.....	114
OASI administrative expenses as a percent of benefit payments, chart.....	109
OASI administrative expenses as a percent of contributions collected, chart.....	107
OASI aged beneficiaries and OAA recipients, June 1946, chart.....	100
OASI average primary benefits and consumers' prices, 1940–49, chart.....	105
OASI beneficiaries at end of each year, 1940–49, chart.....	106
OASI primary benefits, end of 1948, chart.....	103
Payments for all public aid, 1935–49, chart.....	81
Percentage distribution of workers in covered employment under old-age and survivors insurance, etc., Jan. 1, 1947, table.....	32

Additional information submitted for the record by—Continued

Social Security Administration—Continued

	Page
Persons 65 years and over receiving income from selected sources, June 1949, table.....	28
Public assistance: Average monthly payment, June 1949, chart....	115
Recipients of aid to the blind, October 1949, tabulation.....	64
Recipients of old-age assistance and rate per 1,000 population aged 65 and over, June 1940-49, chart.....	112
Regularly employed workers with wages of \$3,000 and over, per- cent of, 1940, 1944, and 1948, chart.....	102
Reserves and benefits as percent of taxable wages, June 30, 1949, chart.....	92
Unemployment insurance reserves, status of, on June 30, 1949, including table.....	86
Veterans' Administration experience with disability benefits.....	51
Workers with wage credits, work history, table.....	32

SOCIAL SECURITY REVISION

TUESDAY, JANUARY 17, 1950

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 a. m., pursuant to call, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Johnson of Colorado, Kerr, Millikin, Taft, Butler, and Brewster.

Also present: Mrs. Elizabeth B. Springer, acting clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will be in order.

Dr. Altmeyer, the members on the majority side are held in a conference this morning, and we will have to proceed without them.

This is a hearing on H. R. 6000. The bill is too lengthy to justify its reprinting in the record at this point, but Mr. Fauri has made a comparison of the major differences in the present social security law, the recommendations of the Advisory Council to the Senate Committee on Finance, which Council was appointed under authority of Senate Resolution 141 in the Eightieth Congress, first session, and H. R. 6000. This statement, which was submitted to the committee last Thursday will be printed in the record at this point and will serve to indicate the principal provisions of H. R. 6000.

(The material referred to follows:)

The major differences in the present social-security law, the recommendations of the Advisory Council, and H. R. 8000

OLD-AGE AND SURVIVORS INSURANCE

Item	Present law	Recommendations of Advisory Council	H. R. 8000
I. COVERAGE			
A. Self-employed:			
1. Nonfarm self-employed	Not covered.	Cover, if self-employment yields annual gross income of at least \$300, and a net income of at least \$200 (Council report, pp. 15-16).	Covered, if self-employment yields annual net income of at least \$400, except for services performed by an individual as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, optometrist, Christian Science practitioner, publisher, and aeronautical, chemical, civil, electrical, mechanical, metallurgical or mining engineer (Ways and Means report, pp. 6-10, 91, 123-142).
2. Farmers	do.	Cover in same manner as nonfarm self-employed (Council report, pp. 15-18).	Not covered. (For definition of farm, see B-1 below.) (Ways and Means report, p. 9.)
B. Agricultural workers			
1. Definition of farm	<p>Not covered. Certain borderline agricultural services also excluded, even though not performed on a farm, as follows:</p> <p>(1) Services in connection with the production or harvesting of maple syrup or maple sugar;</p> <p>(2) services in connection with raising or harvesting of mushrooms, hatching of poultry, ginning of cotton; or irrigation;</p> <p>(3) postharvesting services (packing, processing, etc., of any agricultural or horticultural commodity) performed for farmers or farmers' cooperatives and for commercial handlers of fruits and vegetables (but not commercial canning or commercial freezing or in connection with a commodity after delivery to terminal market for distribution for consumption); and</p> <p>(4) services in connection with the production of crude gum from a living tree or the processing of such crude gum into gum spirits of turpentine and gum rosin if processing is carried on by the original producer.</p> <p>The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, planta-</p>	<p>Full coverage (Council report, p. 17)...</p> <p>General agricultural labor not covered, but some of the borderline agricultural services excluded under present law are covered, as follows:</p> <p>(1) Services performed on or off the farm in connection with the processing of maple sap into maple syrup or maple sugar (but not the gathering of maple sap on a farm);</p> <p>(2) services performed off the farm in connection with the raising or harvesting of mushrooms, hatching of poultry, or irrigation (but not ginning of cotton);</p> <p>(3) postharvesting services performed for farmers' cooperatives or for commercial handlers of fruits and vegetables (but not for a farmer or for an informal group of farmers).</p> <p>No change in item (4) under present law (Ways and Means report, pp. 13, 77-79, 123-124).</p> <p>Same as under present law (Ways and Means report, pp. 79, 124).</p>	<p>General agricultural labor not covered, but some of the borderline agricultural services excluded under present law are covered, as follows:</p> <p>(1) Services performed on or off the farm in connection with the processing of maple sap into maple syrup or maple sugar (but not the gathering of maple sap on a farm);</p> <p>(2) services performed off the farm in connection with the raising or harvesting of mushrooms, hatching of poultry, or irrigation (but not ginning of cotton);</p> <p>(3) postharvesting services performed for farmers' cooperatives or for commercial handlers of fruits and vegetables (but not for a farmer or for an informal group of farmers).</p> <p>No change in item (4) under present law (Ways and Means report, pp. 13, 77-79, 123-124).</p> <p>Same as under present law (Ways and Means report, pp. 79, 124).</p>

C. Domestic workers

tions, ranches, nurseries, ranges, greenhouses, or other similar structures used primarily for the raising of agricultural or horticultural commodities and orchards.

Not covered if services are performed in a private home, local college club or local chapter of a college fraternity or sorority.

Full coverage (Council report, pp. 17-18).

Services in private home (but not on a farm operated for profit) are covered if the worker is employed 28 days or more in a calendar quarter by 1 employer and is paid cash wages of at least \$25 for the services rendered in the quarter. Services in local college club or local chapter of a college fraternity or sorority performed by non-student worker are covered if remuneration is at least \$100 in a calendar quarter (Ways and Means report, pp. 11-12, 72, 74, 127, 131).

All services excluded under present law are covered except services performed by—

(1) ministers and members of religious orders;

(2) employees of organizations exempt from Federal income tax under sec. 101 of the Internal Revenue Code if the remuneration for service rendered in a calendar quarter is less than \$100;

(3) students employed by a school, college, or university whether or not exempt from income tax, if the student is regularly attending classes at such institution; and

(4) student nurses and interns (same as under present law).

Contributions by employees are compulsory; contributions by employer are voluntary. If the employer does not elect to pay the employer's contribution by waiving his tax exemption, only 1/2 of the employee's wages would be credited toward benefits (Ways and Means report, pp. 12-12, 75-75, 117-118, 120-121).

D. Employees of nonprofit organizations.

In general, not covered. The services excluded are those performed by—

(1) employees of nonprofit organizations organized and operated exclusively for religious, charitable, scientific, literary, educational, or humane purposes, if the organization does not engage substantially in propaganda or other activities designed to influence legislation;

(2) employees of organizations exempt from income tax under sec. 101 of the Internal Revenue Code if the employee (a) receives \$45 or less in a calendar quarter for such services, or (b) is employed by a fraternal beneficiary society, order, or association, and is either employed collecting dues or premiums away from the home office, or is performing ritualistic service, or (c) is a student who is regularly attending classes at a school, college, or university;

(3) employees of agricultural or horticultural organizations exempt from income tax under sec. 101 (1) of the Internal Revenue Code;

(4) employees of nonprofit voluntary employees' beneficiary associations providing benefits for members if 85 percent or more of the income of the association consists of amounts collected from members for the purpose of paying such benefits and meeting expenses, or membership is limited to officers and employees of the United States;

(5) employees of a school, college, or university which is not exempt

Cover services excluded under present law, except services performed by clergymen and members of religious orders. Levy tax on employer and on employee but "Congress should indicate its intent that taxation of nonprofit organizations for old-age and survivors insurance in no way implies a departure from the principle of protecting the function of these organizations through tax exemption, and that a major reason for extending protection to this area of employment is to assist these institutions in fulfilling their purposes" (Council report, pp. 18-20, for minority view, p. 52).

OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
I. COVERAGE—continued			
D. Employees of nonprofit organizations—Continued	<p>from Federal income tax if the employee is a regular student at such institution and receives less than \$45 in a calendar quarter;</p> <p>(6) student nurses employed by a hospital or a nurses' training school if the student nurse is regularly attending classes in an approved nurses' training school; and</p> <p>(7) interns employed by a hospital if the intern has completed a 4 years' course in an approved medical school.</p>		
E. Federal civilian employees.....	<p>Services are not covered if performed—</p> <p>(1) in the employ of the United States; or</p> <p>(2) for an instrumentality of the United States which is either wholly owned by the United States or exempt from the employer's tax for old-age and survivors' insurance imposed by sec. 1410 of the Internal Revenue Code by virtue of any other provision of law.</p>	<p>Immediately cover all employees of Federal Government and its instrumentalities (except foreign nationals) who are not covered by an existing retirement system, and the wage credits of employees who die or leave Federal employment with less than 5 years of service should be transferred to old-age and survivors insurance.</p> <p>Congress should direct the Social Security Administration and the agencies administering the various Federal retirement programs to develop a permanent plan for extending old-age and survivors insurance to all Federal civilian employees (except foreign nationals whereby the civil service and other special retirement systems would become supplementary to old-age and survivors insurance and provide combined benefits at least equal to those now payable under special retirement systems. (Council report, pp. 20-23).</p>	<p>Coverage extended to about 100,000 employees. In general, the services covered are those performed for the United States or for instrumentalities wholly or partly owned by the United States (unless excluded from the employer tax for old-age and survivors' insurance under provisions of law which refer specifically to sec. 1410 of the Internal Revenue Code) but only if—</p> <p>(1) the service is not covered under a retirement system established by Federal law, or</p> <p>(2) the service is not of the character described in any of the 13 special classes of excepted services. (These special classes are enumerated on pp. 129 and 129 of the Ways and Means report and pp. 37-59 of the bill.) (Ways and Means report, pp. 13, 73-74, 118-120, 128-129.)</p>
F. Employees of State and local governments.	No covered.....	Compulsory coverage of employees of State and local governments engaged in proprietary functions (State	<p>Compulsory coverage of certain employees of publicly owned transit companies as follows:</p> <p>(1) if a transit company was acquired by a govern-</p>

G. Employees outside the United States.	Not covered, except for employment on or in connection with an American vessel under a contract of service entered into within the United States or employment on and in connection with an American vessel that touches at a port in the United States.	No specific recommendation, but attention called to the lack of coverage for American citizens employed outside the United States by American firms (Council report, p. 5).	<p>mental unit after 1936 but before 1950, individuals working for the company on the date it was taken over would be covered beginning in 1950, unless the employing governmental unit elects against such coverage; and</p> <p>(2) if a transit company is acquired after 1949, individuals working for the company on the date it is taken over would continue to be covered by old-age and survivors' insurance.</p> <p>Voluntary coverage of other State and local governmental employees by Federal-State agreements except that such agreements cannot include—</p> <p>(1) employees on work relief projects;</p> <p>(2) patients and inmates of institutions who are employed by such institutions; and</p> <p>(3) employees covered by an existing retirement system unless such employees and beneficiaries of the existing system elect to be covered by old-age and survivors' insurance by a two-thirds majority of those participating in a written referendum (Ways and Means report, pp. 10-11, 74-75, 100-104, 129-130).</p> <p>Services performed outside the United States by citizens of the United States for an American employer are covered, and the provision under present law relating to American vessels made applicable to American aircraft (Ways and Means report, pp. 13, 71, 77, 126-127, 132, 135).</p>
H. Railroad employees.....	Not covered. Survivorship protection for railroad workers is based on combined earnings in railroad and old-age and survivors insurance employment under eligibility and benefit provisions closely resembling those of old-age and survivors insurance.	No recommendation for immediate coverage, but the Congress should direct the Social Security Administration and the Railroad Retirement Board to undertake a study to determine the most practicable method of making railroad retirement supplementary to old-age and survivors insurance. Combined protection of both systems should at least equal that provided under the Railroad Retirement Act (Council report, pp. 23-24).	Not covered. Present survivorship provisions unchanged.
I. Members of the armed forces.....	Not covered. (Special temporary survivorship protection for veterans of World War II, see item VI below.)	Cover, including members of the armed forces stationed outside the United States. Service retirement systems should be adjusted so that combined protection is at least equal that afforded servicemen at present (Council report, pp. 24-25).	Not covered. (Wage credits granted for service in World War II, see item VI below.)
J. Casual labor.....	Casual labor not in the course the employer's trade or business is excluded from coverage.	No recommendation.	Casual labor not in the course of the employer's trade or business is covered if the worker is employed 26 days or more in a calendar quarter by 1 employer and is paid cash wages of at least \$25 for the services rendered in the quarter (Ways and Means report, pp. 12, 72, 127).

The major differences in the present social-security law, the recommendations of the Advisory Council, and H. R. 6000—Continued

OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
I. COVERAGE—continued			
K. Employment in Puerto Rico and Virgin Islands.	Not covered.	No recommendation for immediate coverage, but a commission should be established to determine the kind of social-security protection appropriate to Puerto Rico, Virgin Islands, Guam, and other possessions of the United States (Council report, p. 28).	Employment and self-employment in Virgin Islands covered, and also in Puerto Rico if requested by the legislature (Ways and Means report, pp. 12-14, 80, 110, 131, 145).
L. Tips and gratuities.	Not included as wages.	Include as wages all tips and gratuities customarily received by an employee from a customer of an employer either as reported by the employee or as estimated by the employer (Council report, pp. 28-29).	Includes cash tips and other cash remuneration customarily received by an employee in the course of his employment but only in the amount the employee reports in writing to his employer (Ways and Means report, pp. 70, 124).
M. Definition of employee.	The term includes an officer of a corporation but does not include— (1) any individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an independent contractor; or (2) any individual (except an officer of a corporation) who is not an employee under such common-law rules.	No recommendation.	The term includes— (1) officers of corporations; (2) individuals who are employees under the usual common-law rules, and individuals performing services under a contract expressly reciting that the person for whom the service is performed shall have complete control over the performance of the service and that the individual in the performance of the service (either alone or as a member of the group) is an employee; (3) individuals in the following occupational groups who perform services under prescribed circumstances: (a) outside salesmen in manufacturing or wholesale trade, (b) full-time life-insurance salesmen, (c) driver-lessee of taxicabs, (d) homeworkers, (e) contract loggers, (f) mining lessees, (g) house-to-house salesmen; or (4) individuals who are determined to have the status of employees under the combined effect of the following 7 facts: (a) control over the individual, (b) permanency of the relationship, (c) regularity and frequency of performance of the service.

- (d) integration of the individual's work in the business to which he renders service,
 (e) lack of skill required of the individual,
 (f) lack of investment by the individual in facilities for work, and
 (g) lack of opportunities of the individual for profit and loss (Ways and Means report, pp. 14-15, 80-91, 125).

II. INSURED STATUS

A. Fully insured (eligible for all old-age, dependents, and survivor benefits).

One quarter of coverage for each 2 calendar quarters elapsing after 1936 (or after attainment of age 21, if later) and before death or attainment of retirement age, but in no case more than 40 quarters nor less than 6 quarters.

"New start" provision requiring 1 quarter of coverage for each 2 calendar quarters elapsing after 1948 (or after attainment of age 21, if later) and before death or attainment of retirement age, but in no case less than 6 quarters nor more than 40 quarters. Quarters of coverage earned any time after 1936 count toward meeting the requirement. The new start provision not applicable if worker died prior to 1949 (Council report, pp. 29-31).

Provisions of present law are retained and in addition a fully insured status may be acquired by obtaining 20 quarters of coverage within the 40-quarter period ending with the quarter in which the worker attained age 65, any subsequent quarter, or the quarter in which he died (Ways and Means report, pp. 25-26, 93-94).
 (See C below for effect of periods of disability on insured status.)

B. Currently insured (for survivor and lump-sum death benefits).

6 quarters of coverage out of the 12-quarter period ending with the quarter of death.

Same as present law except if worker has been permanently and totally disabled. (See C below.)

Same as present law except if worker has been permanently and totally disabled. (See C below.)

C. Effects of periods of disability.....

No provision.....

Quarters included in a period of disability under the permanent and total disability program recommended by the Council are excluded from the count of quarters in the elapsed periods used for determining currently insured status in B above (Council report, p. 79).

Quarters included in a period of disability under the permanent and total disability program provided for in the bill are excluded from the count of quarters in the elapsed periods used for determining insured status in A and B above (Ways and Means report, pp. 31, 93-94).

D. Quarter of coverage defined.....

Wages of \$30 or more during a calendar quarter.

Same as present law.....

After 1949, \$100 in wages or \$200 in self-employment income; for prior years, same as present law (Ways and Means report, pp. 26, 92).

III. BENEFIT CATEGORIES

A. Retired worker.....

Age 65.....

Age 65 for men, 60 for women (Council report, p. 44).

Age 65 (Ways and Means report, pp. 23-24).

B. Wife of retired worker.....

Age 65.....

Age 60.....

Age 65, or regardless of age if she has in her care a child entitled to benefits on the basis of her husband's wage record (Ways and Means report, p. 86).

OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
III. BENEFIT CATEGORIES—continued			
C. Widow of worker.....	Age 65, or regardless of age if she has in her care a child entitled to benefits on the basis of her husband's wage record. (Adopted child not entitled to benefits unless adoption has been in effect for at least 12 calendar months before the month in which worker died.)	Reduce age 65 requirement of present law to age 60.	Same as under present law, except (1) payments are provided for divorced wife of deceased insured worker if she has been receiving at least half her support from the worker and has in her care a child entitled to benefits on the basis of the worker's wage record, and (2) payments are provided for widow when adopted child is a survivor regardless of period of time the adoption has been in effect (Ways and Means report, pp. 22, 57, 98).
D. Child of deceased or retired worker.	<p>Unmarried child under 18 years of age is entitled to benefits if he was dependent upon the individual on whose wage record benefits are claimed. The following restriction, in present law, on the finding of dependency of a child on the insured worker would be modified by H. R. 6000 and recommendations of the Advisory Council: a child is not dependent upon his mother if the father is present in the household or has contributed to the support of the child.</p> <p>The following restriction would be modified by H. R. 6000 only: a child is deemed dependent upon a stepfather only if no parent other than the stepparent was contributing to the support of the child and the child was not living with its father.</p> <p>Adopted child of a deceased worker does not qualify for benefits unless adoption has been in effect for at least 12 calendar months before the month in which the worker died.</p>	Benefits payable to children of any currently insured woman upon her death. Benefits also payable to children of any retired woman who was currently insured upon becoming eligible for primary insurance benefits. (In case both husband and wife have the required insured status, the child receives only the benefit amount based on the larger of the two wage records.) (Council report, p. 38.)	<p>The restrictions on finding of dependency of a child on the insured worker cited under present law are modified as follows:</p> <p>(1) child benefits are payable on the mother's (including adoptive) wage record if she was fully and currently insured when she died regardless of presence of or support furnished by the father, and child benefits are also payable on the mother's (including adoptive and stepmother) wage record when the mother dies or receives old-age benefits if she has been furnishing at least ½ of child's support or if she has been living with or contributing to the child's support and the child has not been living with or receiving support from the father; and</p> <p>(2) a child is deemed dependent upon his stepfather if the child was living with or receiving at least ½ of his support from the stepfather (Ways and Means report, pp. 22, 57).</p> <p>Adopted child of a deceased worker qualifies for benefits without regard to length of time elapsing after the adoption (Ways and Means report, p. 98).</p>
E. Dependent parent of deceased worker.	Age 65.....	Reduce age 65 to age 60 for dependent mother of deceased worker (Council report, p. 44).	Age 65.
F. Dependent husband of deceased or retired woman worker.	Not eligible for benefits.....	Benefits payable to aged dependent husband of a woman worker who was currently and fully insured at the time of her death or when she be-	Not eligible for benefits.

3. Lump-sum death payment to widow or widower or person paying funeral expenses.

IV. BENEFIT AMOUNTS

A. Average monthly wage.....

Payable only when no survivor of currently or fully insured deceased worker is immediately eligible for monthly benefits.

Computed by dividing the total taxable wages paid to the worker by the total number of months elapsing after 1936 (excluding months in any quarter before the one in which the worker reached age 22 unless he received wages of at least \$50 in such quarter) up to the quarter he attained age 65 or died. Wages earned after age 65 are included only if the result is to increase the average monthly wage.

came eligible for old-age benefits (Council report, p. 38).
Payable at the death of every insured worker (Council report, p. 43).

Payable at the death of every insured worker (Ways and Means report, pp. 22-23, 58).

Compute as under present law except that any worker who has wage credits of \$50 or more in each of 6 or more quarters after 1948 would have his average wage based either on the wages and elapsed time counted as under present law or on the wages and elapsed time after 1948, whichever gives the higher result (Council report, pp. 33-34).

Based on taxable wages (including self-employment income) after 1936, 1949, or the year in which the worker attained age 21, whichever produces the higher amount. Computed by dividing the total taxable wages during the years of coverage by 12 times the number of such years or by the number 60, whichever is greater.
For a year of coverage, earnings from covered employment of at least \$200 a year are required for the period 1937-49, and \$400 for 1950 and thereafter (Ways and Means report, pp. 17-18, 95-96).

B. Worker's primary benefit amount..

Monthly amount is 40 percent of the first \$30 of the average monthly wage plus 10 percent of the next \$200, plus 1 percent of the sum thus obtained for each year of coverage.

Monthly amount is 50 percent of the first \$75 of the average monthly wage plus 15 percent of the next \$275 (Council report, pp. 34-37; for minority views, pp. 64-66).

Benefit amounts being received by present beneficiaries are increased by means of a conversion table. (See table p. 115, Ways and Means report.)

For individuals retiring after 1949, monthly amount is 50 percent of the first \$100 of the average monthly wage plus 10 percent of the next \$200, plus 1/2 percent of the sum thus obtained for each year of coverage.

For the worker who attains the age of 65 or dies after 1955, the benefit amount is reduced by the percentage of time the worker is out of covered employment since 1936, 1949, or the year worker attained age 21, whichever results in smaller reduction (Ways and Means report, pp. 18-20, 94-95).

Example of reduction in benefit: Assume worker retires with 20 years of coverage out of an elapsed period of 25 years and an average monthly wage of \$200 per month over the years of coverage. The base amount is \$60 (50 percent of the first \$100, plus 10 percent of \$100). The continuation factor is 80 percent (20 years of coverage out of a possible 25 years). The product of the continuation factor and the base amount is \$48 (80 percent of \$60). To the \$48 is added the amount of the increment of 1/2 percent of the base amount for each year of coverage, in this instance 10 percent of \$60 (1/2 percent for each 20 years of coverage). Thus, \$6 is added to \$48, providing a monthly benefit of \$54. If this worker had the full 25 years of coverage with no change in his average monthly wage, his base amount would be \$60, his increment amount \$7.50 (12 1/2 percent of \$60), and there would be no reduction on account of the continuation factor, making a monthly benefit payment of \$67.50.

C. Minimum primary benefit.....

\$10

\$20 (Council report, pp. 41-42)

\$25 (Ways and Means report, pp. 16, 94).

The major differences in the present social-security law, the recommendations of the Advisory Council, and H. R. 6000—Continued

OLD-AGE AND SURVIVORS INSURANCE—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
IV. BENEFIT AMOUNTS—continued			
D. Maximum family benefit	\$85, or 80 percent of average monthly wage, or twice the primary benefit amount, whichever is less. Except that the limitation does not operate to reduce family benefits below \$30.	80 percent of the average monthly wage, or 3 times the primary benefit amount, whichever is less, except that the limitation does not operate to reduce family benefits below \$40 (Council report, pp. 30-41).	\$150, or 80 percent of the average monthly wage, whichever is less, except that limitation does not operate to reduce family benefits below \$40 (Ways and Means report, pp. 21, 60).
E. Dependents and survivors benefits (as related to primary benefit):			
1. Wife of retired worker.....	80 percent.....	55 percent.....	80 percent.
2. Widow.....	75 percent.....	75 percent.....	75 percent.
3. Child of retired or deceased worker.....	80 percent.....	50 percent, except for deceased worker's family, 75 percent for first child.	50 percent, except for deceased worker's family, 75 percent for first child.
4. Parent of deceased worker.....	50 percent.....	75 percent.....	75 percent.
5. Lump-sum death payment.....	6 times.....	4 times (Council report, pp. 37, 45).....	8 times (Ways and Means report, pp. 20, 22-23, 56-58).
V. EMPLOYMENT INCOME LIMITATION FOR BENEFICIARIES (WORK CLAUSE)			
A. Earnings permitted	Monthly benefit not to exceed 8 percent of earnings in covered employment not \$14.99.	No limitation for individuals aged 70 and over. At lower ages, the benefit to which an individual is entitled for any month would be reduced by the amount in excess of \$5 which he earns in that month (Council report, pp. 42-44).	The \$14.99 limitation in present law is increased to \$50 and no limitation is imposed for individuals aged 75 years and over. Special provisions for earnings from self-employment so that benefits may be paid for all months in a taxable year if the net earnings from self-employment are \$500 or less for the year. If net earnings exceed \$600, the beneficiary would be deprived of a monthly benefit for each \$80 or fraction of \$80 of income in excess of \$600 (Ways and Means report, pp. 24-25, 61-67).
VI. BENEFITS FOR WORLD WAR II VETERANS			
A. Definition of veteran	Served in the active military or naval service for 90 days or more between Sept. 16, 1940, and July 24, 1947 (or regardless of length of service if discharged for service connected disability), and discharged (other than dishonorably) prior to July 27, 1951.	(See B below).....	Same as present law except that for wage credits granted for military-naval service (see B below) no limitation on date of discharge.
B. Wage credits for veterans	A veteran who dies within 3 years of discharge is deemed to have been fully insured with average monthly wage of not less than \$100. No bene-	Extend provision in present law temporarily so as to protect veterans during the period elapsing before the general recommendations of the	Provision of present law relating to survivor benefits is retained and in addition veterans, including those who died in service, are granted wage credits of \$160 for each month of military or naval service in World War II.

	fits payable under this provision if Veterans' Administration pays a pension or compensation by reason of death of the veteran.	Council become fully operative (Council report, p. 5).	These additional wage credits are to be used in meeting the insured status requirements and for computing benefit amounts as if the veteran's military or naval service had been covered employment at wages of \$160 per month, except that wage credits are not granted for (1) lump-sum death payments if the veteran died prior to 1950, and (2) any individual who died in service if his death was inflicted as lawful punishment for a military or naval offense (Ways and Means report, pp. 15-16, 99-100).
C. Financing of benefits paid to veterans.	Additional costs for survivor benefits (as in B) met by appropriations from general revenues.	Same as present law (Council report, p. 5).	Cost of survivor benefits under present law and additional benefits resulting from the wage credits (as in B) met by appropriations from general revenues (Ways and Means report, pp. 16, 100).
VII. FINANCING			
A. Maximum taxable amount.....	Wages of \$3,000.....	Wages and self-employment income of \$4,200 (Council report, pp. 31-33; for minority views, pp. 64-67).	Wages and self-employment income of \$3,600 (Ways and Means report, pp. 17, 67-70, 91, 120-126, 135-143).
B. Tax rates.....	1 percent on employer and 1 percent on employee through 1949, 1½ percent for 1950-51, and 2 percent thereafter.	1½ percent on employer and 1½ percent on employee, and self-employed to pay 1½ times the employee rate. These to be imposed when benefits are liberalized with no further increase in rates until the current receipts of the trust fund, including interest, no longer equal current benefit payments plus administrative costs. At that time rate for employers and employees would rise to 2 percent (Council report, pp. 45-47).	1½ percent on employer and 1½ percent on employee for 1950, 2 percent for 1951-59, 2½ percent for 1960-64, 3 percent for 1965-69, and 3½ percent thereafter, except—(1) for self-employed, 1½ times rates for employees; and (2) for nonprofit employment, no tax is imposed on employer, but employer may elect to pay employer's tax by waiving the tax exemption. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages (Ways and Means report, pp. 31-32, 117-120, 135).
C. Appropriations from general revenues.	The Congress is authorized to appropriate such sums from general revenues that may be required to finance the program.	Government contribution from general revenues should be considered when a 2-percent rate for employer and employee plus interest on the investments of the trust fund are insufficient to meet current costs. The program should be planned on the assumption that general taxation will eventually share more or less equally with employer and employee contribution in financing future benefit and administrative costs (Council report, pp. 45-47).	Provision in present law is repealed (Ways and Means report, pp. 31, 114).
D. Refund of overpayments, etc.....	Refund of taxes made from general revenues.	No recommendation.....	Refund of taxes made from trust fund (Ways and Means report, p. 114).

PERMANENT AND TOTAL DISABILITY INSURANCE 1

Item	Recommendations of Advisory Council 2	H. R. 6000
I. Coverage.....	Same as old-age and survivors insurance.	Same as old-age and survivors insurance.
II. Benefits.....	Benefit amount based on the same average wage and benefit formula as for retired worker (see Old-Age and Survivors Insurance, Item IV, A and B) but no benefit payments for dependents of worker. Benefits payable only to permanently and totally disabled worker (as in III below) who meets the insured status requirements (as in IV below) following a waiting period of 6 consecutive calendar months (Council report, pp. 74-76).	Benefit amounts based on the same average wage and benefit formula as for retired worker (see Old-Age and Survivors Insurance, Item IV, A and B) but no benefit payments for dependents of worker. Benefits payable only to permanently and totally disabled worker (as in III below) who meets the insured status requirements (as in IV below) following a waiting period of 6 consecutive calendar months. (Actually from 7 to 8 months would elapse between the date a worker became disabled and the date he received the first benefit payment because of the manner in which the bill is drafted.) (Ways and Means report, pp. 27-30, 94-96, 104-107.)
III. Definition of disability.....	Inability to engage in any substantially gainful activity by reason of an impairment that is medically demonstrable by objective medical tests and which is likely to be of long-continued and indefinite duration (Council report, pp. 74-75.)	Inability to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent. Also a medical finding of blindness (as defined in the bill) is sufficient proof that a claimant is permanently and totally disabled (Ways and Means report, pp. 29-30, 107).
IV. Insured status.....	To be eligible for benefits the worker must have— (1) a minimum of 40 quarters of coverage; (2) 1 quarter of coverage for every 2 calendar quarters elapsing after 1948 (or after attainment of age 21, if that was later) and prior to the first quarter of total disability; (3) 6 quarters of coverage within the 12 quarters preceding his disability; and (4) 2 quarters of coverage within the 4 quarters preceding his disability (Council report, pp. 72-73).	To be eligible for benefits the worker must have— (1) 20 quarters of coverage within the 40-calendar quarter period ending with the quarter of disablement; and (2) 5 quarters of coverage within the 13-quarter period ending with the quarter of disablement. (An individual disabled before July 1948, and without quarters of coverage after that date, would not meet the insured status requirements and would not be eligible for benefits.) (Ways and Means report, pp. 28-29, 105.)
V. Employment income limitation for beneficiaries (work clause).	No recommendation.	No benefit payable for any month in which the individual renders service for remuneration of more than \$50, or is credited with net earnings of a like amount from self-employment. Unlike the provision for old-age and survivors insurance, the income limitation applies to noncovered as well as covered employment and self-employment (Ways and Means report, pp. 30, 108-109).
VI. Examinations.....	Provide periodic and special medical examinations, but the frequency of the examinations should be adapted to the needs of the individual cases (Council report, p. 76).	Federal Security Administrator authorized to provide by regulations for such examinations as he deems necessary to determine or redetermine periodically an individual's entitlement to benefits (Ways and Means report, pp. 30, 105-106).
VII. Rehabilitation services.....	Furnish services through existing facilities with contributions toward the expense of the services to be made from the old-age, survivors, and disability trust fund, if it appears that the services will assist the beneficiary to return to gainful work (Council report, pp. 80-81).	No provision for financing rehabilitation services out of the trust fund. In appropriate cases, however, the Federal Security Administrator may direct the individual to accept services provided by a State plan approved under the Federal Vocational Rehabilitation Act, and may suspend or modify the income limitation (in V above) with respect to any individual receiving such services (Ways and Means report, pp. 106-106).

VIII. Disqualifications.....	(1) Disallow claims if claimant refuses to submit to medical examination; (2) terminate benefits if beneficiary refuses to submit to reexamination; and (3) suspend benefits if beneficiary refuses rehabilitation services without reasonable cause (Council report, pp. 75-77, 81).	Benefits may be denied, terminated, or suspended, if the claimant— (1) refuses to accept rehabilitation services (as indicated in VII above) without good cause; (2) refuses to submit to examination or reexamination; or (3) is outside the United States and no adequate arrangements have been made for determining or redetermining his disability. (See V above for employment income limitation.) (Ways and Means report, pp. 196, 198.)
IX. Adjustment of duplicate benefits:		
1. Workmen's compensation.....	Suspend disability insurance benefits for any period for which workmen's compensation cash benefits are payable under State or Federal programs.	If an individual is entitled to cash workmen's compensation and social-security disability insurance benefits on account of the same disability for the same period of time, his disability insurance benefit is reduced by $\frac{1}{2}$ of the workmen's compensation benefit or $\frac{1}{2}$ the disability insurance benefit, whichever is smaller (Ways and Means report, pp. 90, 106).
2. Other Federal disability programs.....	Disabled worker eligible for benefits under both the permanent and total disability insurance program and another Federal disability program (other than Federal workmen's compensation) should receive only the larger benefit. Congress should direct that a study be made by the various Federal agencies administering disability programs to draft a plan for cooperative administrative procedures, equitable financing of benefits, and other recommendations for effective coordination of disability payments under the various Federal programs (Council report, pp. 77-78).	No provision.
X. Retroactive determination of disability.....	Limit to a period of 6 months before date of filing application (Council report, p. 73).	Up to a 2-year period permitted for a claimant who files an application prior to 1952. For a claimant filing an application after 1952, a 10-month period is permitted. Benefit payments, however, are paid retroactively for only 3 months (Ways and Means report, pp. 104-105). First benefit payments authorized as of January 1951, 1 year after effective date provided in the bill for extension of coverage (Ways and Means report, pp. 28, 104-105).
XI. Effective date.....	First benefit payments should be made 1 year after the effective date for the extension of coverage under old-age and survivors insurance (Council report, p. 79).	
XII. Integration with old-age and survivors insurance.	Permanent and total disability and old-age and survivors insurance should be administered as a single system. Provisions of the 2 programs should be integrated and the rights of disabled persons to retirement and survivorship protection should be maintained during periods of disability (Council report, pp. 78-79).	Provides for a single administrative system and maintenance of retirement and survivorship protection of disabled persons during periods of disability. (Periods of disability are not to be taken into account in determining insured status for subsequent old-age and survivors benefits and there would be no loss or reduction of these benefits because of years of disability which are not years of coverage.) (Ways and Means report, pp. 31, 93-96.)
XIII. Financing.....	Permanent and total disability insurance and old-age and survivors insurance should be financed as a single system. Estimated cost of disability insurance on level premium basis ranges from $\frac{1}{10}$ to $\frac{1}{4}$ percent of pay rolls. (For maximum taxable amount, tax rate, etc., see Old-Age and Survivors Insurance, Item VII.) (Council report, pp. 78, 83-84.)	Old-age and survivors insurance and permanent and total disability insurance financed as a single system. Estimated cost of disability insurance on level-premium basis is $\frac{1}{2}$ percent of pay rolls. (For maximum taxable amount, tax rate, etc., see Old-Age and Survivors Insurance, Item VII.) (Ways and Means report, pp. 31-33.)

¹ Program not provided for by present law.² 2 members of the Council opposed establishment of permanent and total disability insurance; see Advisory Council report, pp. 85-92.

The major differences in the present social-security law, the recommendations of the Advisory Council, and H. R. 6000—Continued

PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES

Item	Present law	Recommendations of Advisory Council	H. R. 6000
<p>I. GROUPS ELIGIBLE FOR AID-----</p>	<p>Federal grants-in-aid to the States for 2 categories of assistance for needy persons—</p> <p>(1) old-age assistance, for individuals 65 years of age and over;</p> <p>(2) aid to the blind; and</p> <p>(3) aid to dependent children, for children under 18 years of age or from 18 to 18 years of age, if they are regularly attending school.</p>	<p>Provide Federal grants-in-aid to States for 4 categories of assistance for needy persons—</p> <p>(1) same as present law;</p> <p>(2) same as present law;</p> <p>(3) same as present law, and in addition include the adult relatives in the family—essential to the well-being of the children—as recipients for Federal matching purposes; and</p> <p>(4) general assistance, for needy persons not eligible for assistance under the existing programs (Council report, pp. 105-112; for minority views, p. 135 and footnote p. 108).</p>	<p>Provides Federal grants-in-aid to the States for 4 categories of assistance for needy persons—</p> <p>(1) same as present law;</p> <p>(2) same as present law;</p> <p>(3) same as present law, and in addition includes 1 adult in each add-to-dependent-children family as a recipient for Federal matching purposes; and</p> <p>(4) aid to the permanently and totally disabled (Ways and Means report, pp. 45-46, 53-54, 151, 153).</p>
<p>II. FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES</p>			
<p>A. Old-age assistance and aid-to-the-blind payments.</p>	<p>Federal share is $\frac{1}{4}$ of first \$30 of a State's average monthly payment per recipient plus $\frac{1}{4}$ of the remainder within individual maximums of \$50.</p>	<p>Same as present law except for medical care (see III below). (Council report, p. 103.)</p>	<p>Federal share is $\frac{1}{4}$ of the first \$25 of a State's average monthly payment per recipient, plus $\frac{1}{4}$ of the next \$10, plus $\frac{1}{4}$ of the remainder within individual maximums of \$50 (Ways and Means report, pp. 49-51, 49-50, 150-151).</p>
<p>B. Aid to dependent children payments.</p>	<p>Federal share is $\frac{1}{4}$ of the first \$12 of a State's average monthly payment per child, plus $\frac{1}{4}$ of the remainder within individual maximums of \$27 for the first child and \$18 for each additional child in a family.</p>	<p>Federal share should be $\frac{1}{4}$ of the first \$20 of a State's average monthly payment per recipient, plus $\frac{1}{4}$ of the remainder within individual maximums of \$50 for each of 2 eligible persons in a family and \$15 for each additional person beyond the second. Eligible persons include the children and adult relatives essential to the well-being of the children. (For medical care, see III below.) (Council report, pp. 105-106.)</p>	<p>Federal share is $\frac{1}{4}$ of the first \$15 of a State's average monthly payment per recipient, plus $\frac{1}{4}$ of the next \$5, plus $\frac{1}{4}$ of the next \$5 within individual maximums of \$27 for the relative with whom the children are living, \$27 for the first child, and \$18 for each additional child (Ways and Means report, pp. 46-47, 151).</p>
<p>C. Aid to the permanently and totally disabled payments.</p>	<p>No provision-----</p>	<p>Included in general assistance category. (See D below.)</p>	<p>Same as for old-age assistance and aid to the blind. (See A above.) (Ways and Means report, pp. 54, 153.)</p>
<p>D. General assistance payments.-----</p>	<p>do-----</p>	<p>Federal share should be $\frac{1}{4}$ of the expenditures for monthly payments to recipients but Federal participation should not apply to that part of such payments in excess of \$30 for</p>	<p>No provision.</p>

E. Administrative costs.....

Federal share is $\frac{1}{2}$ of expenditures for administration of the three categories.

each of 2 eligible persons in a family and \$150 for each additional person (Council report, p. 109).

Provisions of present law for Federal sharing in administrative expenditures should be made applicable to general assistance (Council report, pp. 108, 111)

Provisions in present law for Federal sharing in administrative expenditures made applicable to aid to the permanently and totally disabled (Ways and Means report, pp. 153-154).

III. MEDICAL CARE

A. Direct payments to medical practitioners, etc.

Federal sharing in costs of medical care limited to amounts paid directly to recipients that can be included within the monthly maximums on individual payments of \$50 for aged and blind, and \$27 for first child and \$18 for each additional child in an aid to dependent children family.

In old-age assistance, aid to the blind and aid to dependent children the Federal Government should participate in payments made directly to agencies and individuals providing medical care, as well as in money payments to recipients (Council report, pp. 112-113).

In old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled the Federal Government participates in the cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums specified in item II above (Ways and Means report, pp. 41-42, 48, 51, 54, 152, 153).

B. Federal participation in costs in excess of regular maximums.

No provision.....

The Federal Government should pay $\frac{1}{2}$ of the medical care costs incurred by the States above the regular maximums specified in item II, A and B, above, but should not participate in medical costs above such maximums which exceed for each of the 3 programs amounts equal to—

No provision.

(1) \$5 per month times the number of persons receiving old-age assistance;

(2) \$6 per month times the number of persons receiving aid to the blind; and

(3) \$3 per month times the number of persons receiving aid to dependent children.

(For State plan requirements for medical care, see item IV C below.) (Council report, pp. 112-114.)

Federal Government should participate in payments made to or for the care of old-age assistance recipients living in public medical institutions other than mental hospitals. Payments in excess of the regular \$50 monthly maximum should be included as part of medical care expenditures under B above. (For State plan requirements for institutions, see item IV C below.) (Council report, pp. 114-115.)

Federal Government participates in payments to or for the care of recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis, but only within the regular maximums specified in item II A and C above. (For State plan requirements for institutions, see item IV C below.) (Ways and Means report, pp. 42, 51, 54, 152, 153.)

C. Persons in public institutions.....

No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.

PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
IV. CHANGES IN REQUIREMENTS FOR STATE PLANS			
A. General assistance and aid to the permanently and totally disabled.	No provision for either program.....	Requirements for general assistance should be similar to those for the 3 existing categories of assistance (Council report, p. 111).	Requirements for aid to permanently and totally disabled same as for old-age assistance except for residence (see B below). (Ways and Means report, pp. 54, 153-154.)
B. Residence.....	<p>For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and 1 continuous year before filing the application.</p> <p>For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.</p>	<p>A State should not be permitted to impose a residence requirement as a condition of eligibility in aid to the blind, aid to dependent children, and general assistance, but may impose a maximum residence requirement of 1 year in old-age assistance (Council report, pp. 116-118).</p>	<p>No change in requirements for old-age assistance and aid to dependent children.</p> <p>For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State of more than 1 continuous year prior to filing of the application for aid.</p> <p>For aid to the permanently and totally disabled no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and beginning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid (Ways and Means report, pp. 52, 54, 150).</p>
C. Standards for medical care and for institutions.	No provision.....	<p>State plans for old-age assistance, aid to the blind, and aid to dependent children submitted to the Social Security Administration for approval should set forth the conditions under which medical needs will be met, the scope and standards of care, the methods of payments, and the amount of compensation for such care.</p> <p>To receive Federal funds for old-age assistance recipients in public or private medical institutions, a State should be required to establish and maintain adequate minimum standards for the facilities and for the care of persons living in these facilities. (For Federal share of medical care expenditures, see item III above.) (Council report, pp. 112-114, 116.)</p>	<p>No requirement except as to public medical and private medical or nonmedical institutions as follows: Effective July 1, 1953, if a State plan for old-age assistance, aid to the blind, or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions (Ways and Means report, pp. 43, 51, 149, 153).</p>
D. Assistance to be furnished promptly.	No specific provision.....	No recommendation.....	<p>Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals (Ways and Means report, pp. 43, 48, 51-52, 148, 153).</p>

E. Fair hearing.....	Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.	do.....	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time (Ways and Means report, pp. 43, 48, 52, 148, 153).
F. Training program for personnel.....	No specific provision.....	do.....	States must provide a training program for the personnel necessary for the administration of the programs (Ways and Means report, pp. 43-44, 48, 52, 148, 153).
G. Special requirements for aid to the blind:			
1. Income and resources.....	For the 3 categories, a State must, in determining need, take into consideration the income and resources of an individual claiming assistance.	Should continue to administer all public assistance programs on the basis of a strict needs test with all income being taken in account in determining both eligibility and the amount of the assistance payment (Council report, p. 96).	Effective Oct. 1, 1949, a State may disregard such amount of earned income, up to \$50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for, or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources which are not predictable or which are not actually available to the individual and take into consideration the special expenses arising from blindness. (Same income and resources provisions as in present law for the other categories.)
2. Temporary approval of State plans for aid to the blind.	No provision.....	See 1 above.....	For the period Oct. 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on Jan. 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of sec. 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the afore-mentioned income and resources requirement of the act. (Alaska, Missouri, Nevada, and Pennsylvania had no approved plan for aid to the blind on Jan. 1, 1949.)
3. Examination to determine blindness.	No specific provision but the Social Security Administration requires that a State plan must provide for an examination of claimants of aid to the blind by a physician skilled in the diseases of the eye.	No recommendation.....	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist (Ways and Means report, pp. 50, 52-53, 149-150, 153).
H. Special requirement for aid to dependent children: 1. Notification to law-enforcement officials.	No provision.....	do.....	States must provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent (Ways and Means report, pp. 48, 149).
V. PUERTO RICO AND VIRGIN ISLANDS..	Federal funds for public assistance are not available to Puerto Rico and the Virgin Islands.	No recommendation for immediate extension of public assistance categories but a commission should be established to determine the kind of social-security protection (including public assistance) that is appropriate to Puerto Rico, Virgin Islands, Guam, and other possessions of the United States (Council report, p. 28).	The 4 categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share, for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to 1/2 of the total sums expended under an approved plan up to a maximum payment for any individual of \$30 per month. For aid to dependent children the Federal share is limited to 1/2 of the expenditures under an approved plan up to individual maximums of \$27 for the first child, and \$18 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50-50 basis (Ways and Means report, pp. 55, 151, 152).

PUBLIC ASSISTANCE AND CHILD WELFARE SERVICES—Continued

Item	Present law	Recommendations of Advisory Council	H. R. 6000
VI. CHILD-WELFARE SERVICES.....	<p>Authorizes an annual appropriation of \$2,600,000 for grants to the States for child-welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: \$20,000 to each State and remainder on basis of rural population of the respective States.</p>	<p>A commission should be appointed to study current child health and welfare needs and to review the programs operating under title V of the Social Security Act relating to maternal and child-health services, services for crippled children, and child-welfare services (Council report, p. 115).</p>	<p>Authorization for annual appropriation increased to \$7,000,000 and the \$20,000 now allotted to each State is increased to \$40,000 with the remainder to be allotted on the basis of rural population of the respective States. Specific provision is made for the payment of the cost of returning any run-away child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met (Ways and Means report, pp. 54-55, 154).</p>
VII. ADDITIONAL COST TO FEDERAL GOVERNMENT.	-----	<p>Estimated annual increase in costs for public assistance ranges between \$270,000,000 and \$340,000,000 (Council report, p. 102).</p>	<p>Estimated annual increase in costs for public assistance and child-welfare services is \$256,000,000 (Ways and Means report, p. 28).</p>

The CHAIRMAN. Dr. Altmeier, you may, if you wish, proceed without interruption, because we will not be able to sit longer than 11 o'clock today, because of an early session of the Senate. Therefore, it is suggested that you proceed without interruption with your statement, since it will be necessary for you to be back with us again tomorrow and perhaps another morning or until you have been finally excused from testifying at this point in the record.

All right, Doctor. We would be very glad to have you proceed with your statement as to this bill and with such statement as you would care to submit to this committee of the Senate at this time. It is the wish of the committee that you outline the program of the agency in full, in order that the public may be fully advised of precisely what program is submitted, whether in entire agreement with H. R. 6000, whether it departs from H. R. 6000, or whether it goes beyond it.

You may proceed, Doctor, if you will.

STATEMENT OF ARTHUR J. ALTMAYER, COMMISSIONER FOR SOCIAL SECURITY, SOCIAL SECURITY ADMINISTRATION

Mr. ALTMAYER. Mr. Chairman and members of the committee: I appreciate this opportunity of appearing before you. I think that I first appeared before you sometime in 1935, when the Social Security Act was under consideration, so that 15 years have now elapsed since this committee first considered the enactment of social-security legislation for this country.

I believe that this committee has a right to be proud of the fact that the Social Security Act has been successful at least in accomplishing one primary objective, the abolition of the old fashioned "poor house." Nevertheless, I think we must all agree that the Social Security Act has not yet fully achieved its long-range objective of preventing destitution through the establishment of a comprehensive system of contributory social insurance. It is also unfortunately true that all residual need is not being met through the supplementary public assistance system that is incorporated in the Social Security Act. Your committee, recognizing this situation, appointed an Advisory Council on Social Security in 1947. I have no doubt your committee will want to give consideration to the thoughtful report this Advisory Council has made to you. The Ways and Means Committee of the House of Representatives has also given much attention to the question of social security. As you know, it spent 6 months making an exhaustive study of the subject, and you now have before you H. R. 6000, which is the result of its labors.

Senator MILLIKIN. Mr. Chairman, might I ask the witness, at some time before this hearing is concluded, to give his criticisms of the recommendations of the advisory council?

The CHAIRMAN. Yes, Doctor. Will you bear that question in mind if you do not cover it in your formal statement?

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeier submitted the following statement:)

COMMENTS ON THE REPORT OF THE SENATE ADVISORY COUNCIL

In response to the request for our evaluation of the recommendations of the Senate Advisory Council, let me say that we are in complete agreement with the emphasis and the priority placed by the committee on its recommendation for the improvement of the social insurances and with the position of the Council

that improvements in the social insurance program would "in the long run greatly reduce the need for public assistance." We are also in agreement that the public assistance system must be improved to carry the job of a "large scale transitional system during the relatively short period which will elapse before the comprehensive social insurance system becomes fully effective" and that moreover changes in the assistance program should be made with a recognition of the "function of public assistance in a mature social security system as a means of supplementing the basic insurance benefits and in filling in the gaps in insurance protection."

FEDERAL OLD-AGE AND SURVIVORS INSURANCE

The Advisory Council emphasized that its proposals for changes in the present Federal insurance system were designed to remedy four major deficiencies:

1. Inadequate coverage.
2. Unduly restrictive eligibility requirements for older workers.
3. Inadequate benefits.
4. The lack of protection for permanent and total disability.

The Social Security Administration agrees with the Advisory Council's analysis of these areas of deficiency and believes that remedies are needed in each of them.

We are in general agreement with the recommendations of the Council, although there may be minor differences with respect to some of them, or alternative methods which we believe satisfactory to accomplish the desired purpose. As the Council pointed out in its report, its specific recommendations are, to a large extent, interdependent. If changes are made in some areas, somewhat different provisions would be appropriate in related matters. Therefore, it is sometimes not possible to interchange the specific recommendations of the Council with those in H. R. 6000.

I am listing below those recommendations of the Council on which we have special comment:

Recommendations on coverage

9. *Social security in island possessions.*—A commission should be established to determine the kind of social-security protection appropriate to the possessions of the United States. The recent study made by the Committee on Ways and Means will no doubt be available for the use of this committee and the Social Security Administration. Consequently we do not believe that an additional study by a commission is necessary.

Recommendations on eligibility

11. *Insured status.*—Fully insured status should be based on one-quarter of coverage for each two quarters elapsing after effective date of coverage extension, or after attainment of age 21 if later, and up to the quarter of attainment of age 65 (60 for women) or death. Quarters of coverage earned since 1936 are to be counted. Minimum, six quarters of coverage. Maximum, 40.

The Advisory Council's recommendation was made in connection with its proposals for practically universal coverage. If coverage were more limited, other eligibility provisions should be considered.

Recommendations on benefits

12. *Wage base.*—Maximum base for contributions and benefits should be \$4,200, minority views supporting, on the one hand, \$3,000, and, on the other hand, \$4,800.

We agree with members of the Council who favor raising the maximum to \$4,800.

14. *Benefit formula.*—(a) The Council recommended that primary benefit should be computed as 50 percent of first \$75 of average monthly wage plus 15 percent of remainder. (Maximum average monthly wage \$350.)

We recommend that the 50 percent figure be applicable to the first \$100 of average monthly wage and 15 percent applicable to the remainder, up to an average monthly wage of \$400.

(b) There is no increment for years of coverage.

We recommend the retention of the 1-percent increase in benefits for each year of coverage. We believe it is absolutely necessary to retain the full 1-percent increment in H. R. 6000 in order to make certain that the higher-wage, long-term contributors receive their money's worth in protection.

16. *Dependents of insured women.*—(a) Child's benefit should be payable to minor children of any currently insured woman upon her death or eligibility for primary benefits.

The Social Security Administration agrees with the Advisory Council's objective of permitting child's benefits on the record of a mother whose wages have been necessary to the child's support. We feel, however, that the Advisory Council's method would permit payments in cases where the mother's contribution to the child's support cannot be safely resumed. Therefore, we recommend that presumption of the child's dependency on mother be made only if the mother died both currently and fully insured.

17. *Maximum benefits.*—The maximum benefits for a family should be the lesser of 80 percent of average monthly wage or 3 times the primary benefit amount. The maximum should not reduce total family benefits below \$40.

We believe that the maximum of three times the primary benefit amount should be removed, but that in addition to the maximum of 80 percent of average monthly wage there should also be a maximum of \$150 per month on family benefits.

18. *Minimum benefit.*—The minimum primary benefit should be \$20.

We believe the minimum primary benefit should be \$25.

19. *Retirement test.*—The amount of a monthly benefit should be reduced by the amount of a beneficiary's monthly earnings over \$35 in covered employment.

The Social Security Administration recommends that benefits should be suspended for each month in which the beneficiary (or the beneficiary on whose record the benefit is paid) earns \$50 or more in covered employment.

Recommendations on disability insurance

1. *Eligibility.*—An eligible individual should meet strict tests of recent and substantial attachment to the labor market. He should have (a) a minimum of 40 quarters of coverage; (b) 1 quarter of coverage for every 2 calendar quarters elapsing after enactment date (or after age 21, if later) and prior to the first quarter of total disability; (c) 6 quarters of coverage within the 12 quarters preceding disability; and (d) 2 quarters of coverage within the 4 quarters preceding disability.

We believe that the requirement of recent attachment to the labor market would be met with 6 quarters of coverage within the 12 quarters preceding disability, and that the requirement of substantial attachment would be met with 20 quarters of coverage within the 40 quarter period preceding the disability.

3. *Benefits.*—Primary disability benefits should be based on the same formula recommended for old-age and survivors insurance.

No benefits should be provided for the dependents of the disabled wage earner.

We have similarly recommended that disability and retirement benefits be based on the same formula. However, we also believe that benefits should be paid to the dependents (wife and children) of a disabled worker in the same manner as benefits are paid to the dependents of a retired worker, possibly under a low family maximum.

PUBLIC ASSISTANCE

We are in agreement with the position taken by the Council that changes in the public assistance provisions of the Federal law should be limited to those necessary to help the States correct weaknesses in their assistance programs and that the present Federal-State division of responsibility for meeting the cost of assistance should be continued unchanged. The primary administrative responsibility now rests with the States in these programs and it should remain there.

We are in general agreement with the Council's recommendation that financing of assistance should be on the basis whereby "the Federal Government will pay a higher proportion of the total cost of assistance in the lower income States than in those with high per capita income" and also that this same principle should govern the fiscal relationships between the respective States and their counties. A formula based on differences of fiscal capacity as indicated by differences in per capita income would provide a sounder basis for varying the percentage of Federal contribution in recognition of a State's relative fiscal capacity.

We shall comment on the specific recommendations on public assistance in the order that they appear in the report.

1. *Increased payments for aid to dependent children.*—We are in thorough agreement with the recommendations that the Federal Government's responsibility for aid to dependent children should be made comparable with the responsibility it has assumed for old-age assistance and aid to the blind and that financial participation should be available to the States in payments which they make to meet the needs of the adults with whom dependent children are living when those adults are also needy. We also recommend that the definition of a dependent child should be amended to include all needy children under the age of 18 living with the prescribed relatives.

2. *Federal grants for public assistance.*—We believe that the recommendation for Federal participation in general assistance is sound, but that the Federal matching ratio should be the same in all categories.

3. *Medical care for recipients.*—We agree with the recommendation that the Federal Government should participate in the costs of medical care made directly to agencies and individuals providing medical care.

4. *Care of the aged in public medical institutions.*—We agree with the committee's recommendation regarding this subject except that tubercular sanatoria as well as mental institutions should be excluded. Extensive programs exist for the care of tuberculous patients and the protection of the general public against tubercular infection. We believe that it would be sounder to provide Federal grants to States to help them in developing these programs.

5. *Residence requirements.*—We agree with the recommendation that residence requirements in the Federal law should be liberalized.

6. *Study of child health and welfare services.*—The recommendation for a commission to study child health and welfare needs is already being carried out, since the Council made its report, through the establishment of a Midcentury White House Conference on Children and Youth.

Mr. ALTMEYER. I think the general problem confronting the Congress is well expressed in report of the Ways and Means Committee, which I am taking the liberty of quoting:

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

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

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

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

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

Knowing that any assets and resources he may accumulate will not disqualify him and his dependents for benefits, the worker is encouraged to make private savings in order to supplement his social-insurance benefits.

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

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

That is the end of the quotation from the House Ways and Means Committee report.

Senator TAFT. Up to date it has been steadily increased, though, has it not?

Mr. ALTMAYER. Yes, sir; because of the inadequacies of the present contributory social-security system.

Today there are over 5,000,000 people in the United States receiving some form of public assistance. In contrast there are only half that number receiving old-age and survivors insurance benefits.

Senator MILLIKIN. Mr. Altmeyer, are the half included in the five?

Mr. ALTMAYER. No, sir; there is a little overlapping, maybe 10 percent; but for the most part they are mutually exclusive groups.

As a Nation we are now spending at the rate of more than \$2,000,000,000 a year for public assistance. But we are paying out only about one-third of this amount in old-age and survivors insurance benefits.

Senator MILLIKIN. Does that include the State contributions, or is that purely Federal?

Mr. ALTMAYER. The two-billion-dollar figure includes the Federal, State, and local, if there are any local, contributions.

The cost to the Federal Treasury this coming fiscal year for assistance is \$1,200,000,000.

Senator KERR. That is for both categories?

Mr. ALTMAYER. That is for the three categories, Senator. There are the needy aged, the needy blind, and dependent children.

Senator KERR. The two categories you referred to there were those which are included in the assistance program and those which are included in the old-age and survivors insurance benefits.

Mr. ALTMAYER. That is right. But there is a small, a relatively small, number of needy blind in addition.

Senator KERR. I understand. The \$1,200,000,000 covers all of the assistance the Federal Government pays?

Mr. ALTMAYER. Yes, sir.

The cost to the Federal Treasury this coming fiscal year for assistance is \$1,200,000,000, and that is for all three categories. Of this total, over \$900,000,000 is for old-age assistance. Old-age assistance costs have increased. In 1937, total old-age assistance costs—Federal,

State, and local—were about \$250,000,000. In 1941, they had climbed to \$500,000. By 1945, they had reached \$750,000,000. By 1948, they exceeded \$1,000,000,000. In 1949, they reached a total of \$1,300,000,000, and the costs are still mounting. Expenditures have been increasing this year at a rate of more than \$1,000,000 more each month. Based on the present rate of growth, old-age assistance will exceed an annual rate of expenditure of \$1,500,000,000 within another year. That, again, includes the Federal, State, and local.

Senator TAFT. You say \$900,000,000 is for old-age assistance. That is the Federal share? Or will that be higher?

Mr. ALTMAYER. That \$900,000,000 is the Federal share this coming fiscal year, we estimate.

Senator TAFT. Is that comparable to the billion and a half, or would that be larger?

Mr. ALTMAYER. That is comparable to the billion and a half.

Senator TAFT. So \$600,000,000 comes from the States?

Mr. ALTMAYER. Yes, sir.

Senator TAFT. Thanks.

Senator JOHNSON. And old-age assistance is exclusively noncontributory?

Mr. ALTMAYER. Yes, sir.

In 1935, when this committee considered the Social Security Act, there were 7.8 million persons over 65 years of age. In 1939, when the law was amended, there were around 8.8 million. Today there are about 11.5 million. It is estimated that there will be 14 million by 1960 and nearly 19 million by 1975—just 25 years from now.

The strong desire which people have for protection against the economic hazards of life and their dissatisfaction with reliance on public assistance is shown by the great growth in private retirement plans and health and welfare plans in the last few years. In the absence of an adequate public program—I mean Government program—workers have turned with increasing insistence to demand protection from industry. Yet, valuable as some private plans are for those who are covered by them, they do not offer a satisfactory solution for the major part of the problem of economic security. By their very nature these plans are reserved for the relatively few who work for successful and generous employers or who belong to well-organized trade unions. Even for these few the protection is not completely satisfactory. The amount of the benefits provided and the conditions for the receipt of benefits vary from one establishment to another, and from one industry to another. Moreover, the continuation of a private plan depends on the financial capacity of a particular employer. In our dynamic economy, where change is the rule, single employers may fail and industries decline.

Senator TAFT. That is particularly true if they are not set up on an actuarial basis.

Mr. ALTMAYER. That is true; and there are a few, as you know, that are set up on a completely funded basis by the actuaries.

Senator TAFT. Yes.

Mr. ALTMAYER. Then, too, these individual employer and industry plans tend to inhibit desirable mobility of labor and the placement of older workers. Workers hesitate to take advantage of better jobs,

for under most plans they lose their benefit rights when they leave their current employer. On the other hand, an employer is reluctant to take on an older worker who does not bring his retirement-benefit rights with him, because the employer must then either bear the expense of providing retirement pay greater than his fair responsibility or bear the onus of later retiring a worker on an inadequate pension. With the rapidly increasing number of older persons, we must not further disadvantage the older person seeking a job. On the contrary, we must search for ways of increasing employment opportunities for older workers, for only through their making a contribution to the production of goods and services can the real economic burden of supporting the aged be reduced. From the standpoint of the worker, the employer, and that of the national economy, it would be far better if a major part of protection for most workers were supplied through the public program so that the protection would follow the worker from job to job. Therefore, regardless of how valuable private pension plans may be in providing supplementary protection, they cannot take the place of a government plan providing a basic protection to all workers.

Senator BREWSTER. Do you know how many of the private plans there are, roughly?

Mr. ALTMAYER. Well, it depends upon your definition of the plans. I think the outside estimate is about 13,000. They cover about 7,200,000 workers. But when I say "cover," that is misleading, because probably not more than a third of the 7,200,000 working under these various plans have actually developed benefit rights.

H. R. 6000 goes far in the direction of overcoming the inadequacy of our present Social Security Act. The importance of this bill cannot be overestimated, for it would make changes essential to the development of the contributory social-insurance program as the main bulwark against destitution. Therefore, I am taking this bill as the basis for my testimony before this committee; but, following the suggestion of Senator Millikin, I will also prepare an analysis of where our recommendations differ, if they do differ, from the recommendations of the Senate Advisory Council to this committee.

Senator TAFT. We have such an analysis already.

Mr. ALTMAYER. That is right; yes. But I do not think, Senator, that it covers the specific recommendations I am making in this statement here, which vary somewhat.

Senator TAFT. From the bill?

Mr. ALTMAYER. From the bill; yes.

Summary of the present insurance law: As the committee knows, the Federal old-age and survivors insurance program is the only part of the Social Security Act which is administered wholly by the Federal Government. Employers and employees have each been making contributions of 1 percent of taxable wages from 1937 through 1949. On January 1 of this year the contribution rate increased to 1½ percent each. Under the original provisions of the Social Security Act, monthly benefits would not have been payable until January 1, 1942. The 1939 amendments, however, advanced that date to January 1, 1940. The 1939 changes also resulted in an increase in the payment of benefits during the early years of the system's operation.

Above all, the amendments added dependents' benefits and survivors' benefits so that now, in addition to the payment of old-age benefits to workers themselves, monthly benefits are also payable to the aged wife and young children of a living beneficiary and to the widow, children, and, in some cases, the dependent parents of an insured worker who dies, whether before or after reaching retirement age. The face value of these survivors' benefits is now about \$80,000,000,000. Just as contributions are paid on the basis of wages received, so these benefits are paid on the basis of the past wages of the insured worker, and thus compensate for a portion of the wage loss sustained by his retirement or death.

Senator TAFT. If the face value of these is \$80,000,000,000, of course nobody is beginning today to pay anything substantial toward that sum.

Mr. ALTMAYER. No. That corresponds to the face value of life-insurance policies, for example, in effect.

Senator TAFT. I mean the payments being made do not begin to pay to any such liability.

Mr. ALTMAYER. At the present rate of 3 percent, they still fall a little bit short.

Senator TAFT. Do they not fall way short of the present payments?

Mr. ALTMAYER. No.

Senator TAFT. I mean, actuarially figured.

Mr. ALTMAYER. No. The present estimate of a level premium is about 4 percent; and, you see, you are collecting now 3 percent. What I want to point out is that this \$80,000,000,000 is what they call face value. The actual surrender value of insurance is always less than the face value.

Senator TAFT. Oh, yes. I understand that.

Mr. ALTMAYER. And so we have to think of the surrender value when we think of how much of a fund needs to be collected.

Senator BREWSTER. Is this calculated on the basis of these increased benefits?

Mr. ALTMAYER. No; this is on the present law.

Senator TAFT. Four percent might pay the present law actuarially, you think?

Mr. ALTMAYER. Yes.

Senator TAFT. But the new law would take how much? Six or seven?

Mr. ALTMAYER. Well, the Ways and Means Committee estimated 6.2 percent for H. R. 6000.

Senator JOHNSON. When you speak of face value, you are really speaking of the obligation that the Federal Government has assumed, are you not? Is that not really what it is?

Mr. ALTMAYER. If these various eventualities occur; yes, sir.

Senator KERR. The implementation of the obligation, however, takes place, and at the same time payments through the future with which to meet the obligation are also taking place.

Mr. ALTMAYER. Yes.

Senator KERR. What you have just told us is that on the basis of the 3-percent tax now in effect there would be a shortage of about 25

percent under the present program from the standpoint of income to meet what you estimate to be the liability?

Mr. ALTMAYER. Yes, sir.

Senator KERR. But if and when the payment is 4 percent, the income over the period of the expected life of the obligation will pay the liabilities that were expected to accrue over the life of the obligation?

Mr. ALTMAYER. Yes, sir.

While the present law is admittedly inadequate, nevertheless I believe that the Congress has a right to be proud of what has been accomplished. There were many persons in 1935 who doubted that this social-insurance system could be simply and efficiently administered. However, at the present time, there are over 2.7 million aged persons, widows, and orphans actually receiving monthly benefits. Total disbursements (including administrative costs) for the coming year will be nearly \$800,000,000.

Senator BREWSTER. Does that prove that it is simply and efficiently administered?

Mr. ALTMAYER. Well, I will give you a few figures. I will have to ask you to decide that on an objective basis. I would be in the position of one pleading his own case.

Senator TAFT. I would like to get some figures, which you may not have right with you. First, I would like to have the actual number, as you estimate them, of individuals 65 or over; and then the number of those working still at 65 and over; and then the dependents of those working at 65 or over.

In other words, there are about 11½ million, I think you said, of aged people, of whom only 2,700,000 are getting pensions.

Senator KERR. I think the 2,700,000, Senator, includes also widows and orphans.

Mr. ALTMAYER. Yes; 1,900,000 would be the aged persons themselves receiving insurance pensions. Then there are also 2,700,000 receiving old-age assistance.

Senator TAFT. In any event, there are 9,000,000 people over age 65 who are not getting old-age assistance, and I wanted to get some idea of what their status was. That is really what I wanted you to get if you could.

Mr. ALTMAYER. I can get you those figures.

Senator TAFT. The number of married persons in that group, I would also like to have, and the number of single persons. I would like to get that, with the idea of getting a picture of how these people stand.

Mr. ALTMAYER. Yes, sir.

Senator TAFT. With the idea of learning how many there would be if you paid them all except those that are working; and, of these which are not working, which are married and which are not married. If you could get me those figures or a rough estimate, which is all that I want, I would appreciate it.

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeyer later submitted the following three tables:)

TABLE 1.—Persons 65 years and over receiving income from selected sources, June 1949

[In thousands]

Source of income	Total		Men		Women	
	Number	Percent	Number	Percent	Number	Percent
Total population 65 years and over.....	11,270	100	5,344	100	5,926	100
Employment:						
Total.....	3,675	33	2,313	43	1,362	23
Earnings.....	2,787	25	2,313	43	474	8
Wives of earners.....	888	8			888	15
Social insurance and related programs:						
Old-age and survivors insurance.....	1,778	16	1,008	19	770	13
Railroad retirement.....	253	2	185	3	68	1
Federal civil-service retirement.....	91	1	75	1	15	(1)
Other Federal retirement.....	18	(1)	18	(1)		
State and local government retirement.....	174	2	86	2	88	1
Veterans' program.....	259	2	138	3	121	2
Wives of male beneficiaries for programs other than old-age and survivors insurance.....	161	1			161	3
Old-age assistance.....	2,622	23	1,240	23	1,382	23

1 Less than one-half of 1 percent.

NOTE.—Some aged persons receive income from more than one of the sources listed. The extent of duplication among the income sources listed is not known. Consequently, the number of persons who receive income from none of the specified sources is unknown. There is no reliable current information as to the total number of persons living on savings or receiving private pensions, income from investments, insurance annuities, or gifts from relatives and friends, or combinations of these sources of income and of the specified sources shown in the table.

Source: Total population and earners from Bureau of the Census; other figures estimated from reports and governmental agencies.

TABLE 2.—Income of persons 65 and over, 1948

[In thousands]

Income	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Total number of persons.....	10,977		5,205		5,772	
No income.....	3,487		568		2,919	
With income.....	7,490	100.0	4,637	100.0	2,853	100.0
Loss.....	17	.2	14	.3	3	.1
\$1-\$499.....	2,314	30.9	1,076	23.2	1,238	43.4
\$500-\$999.....	2,263	30.2	1,233	26.6	1,030	36.1
\$1,000-\$1,499.....	931	12.4	663	14.3	268	9.4
\$1,500-\$1,999.....	508	6.8	380	8.2	128	4.5
\$2,000-\$2,499.....	461	6.2	390	8.4	71	2.5
\$2,500-\$2,999.....	281	3.8	250	5.4	31	1.1
\$3,000-\$3,499.....	230	3.1	204	4.4	26	.9
\$3,500-\$3,999.....	114	1.5	97	2.1	17	.6
\$4,000-\$4,499.....	80	1.1	74	1.6	6	.2
\$4,500-\$4,999.....	52	.7	46	1.0	6	.2
\$5,000-\$5,999.....	83	1.1	74	1.6	9	.3
\$6,000-\$9,999.....	88	1.2	74	1.6	14	.5
\$10,000 and over.....	62	.8	56	1.2	6	.2

NOTE.—Median, male, \$998; median, female, \$589.

Source: Bureau of the Census, Jan. 18, 1950. Data exclude population in institutions.

TABLE 3.—Estimated marital status of persons 65 years and over, by age of spouse, June 1949

[In thousands]

	Total	Men	Women
Total.....	11, 270	5, 344	5, 926
Married, spouse present.....	5, 255	3, 335	1, 920
Spouse 65 years and over.....	3, 302	1, 651	1, 651
Spouse 60-64 years.....	966	824	142
Spouse under 60 years.....	967	860	127
Single, widowed, divorced.....	6, 015	2, 009	4, 006

Mr. **ALTMAYER**. This Federal old-age and survivors insurance system constitutes the largest permanent insurance system in the world. Therefore, unprecedented administrative problems have been encountered in putting it into effect. However, satisfactory solutions to these problems have been found. The total cost of administration at the present time is only 3 percent of contributions collected and 8 percent of benefit payments. This percentage is declining steadily, and there is no question that as the benefit rolls increase the cost of administration will decline to less than 3 percent of benefit payments. At the present time, accounts have been established for 80,000,000 individual workers who have wage credits. The cost of maintaining these wage records is about 12 cents per account per year.

Senator **MILLIKIN**. What duplication is there in that figure, Mr. **Altmeyer**?

Mr. **ALTMAYER**. In the 80,000,000?

Senator **MILLIKIN**. Yes.

Mr. **ALTMAYER**. There is no duplication. Well, some persons may have gotten more than one account, under a different name.

Senator **MILLIKIN**. Would that include people who got along and, let us say, died before they were entitled to benefits?

Mr. **ALTMAYER**. These are those surviving.

Senator **MILLIKIN**. These are active accounts, in other words, and represent 80,000,000 different individuals; is that correct?

Mr. **ALTMAYER**. That is right.

Therefore, there can no longer be any doubt as to the practicability of this Federal old-age and survivors insurance system; I mean the administrative practicability.

Senator **BREWSTER**. That 80,000,000 figure, though, puzzles me. What is it you figure, now, are covered in the present system?

Mr. **ALTMAYER**. At any one time we estimate that there are only about 35,000,000 workers actually in insured employment. But there is such a great in-and-out movement between insured and uninsured employment that in the course of time a great proportion of the entire working population acquires some wage credits for the time that they were engaged in insured employment.

Senator **BREWSTER**. Many of those must be, I presume, rather negligible?

Mr. **ALTMAYER**. Yes. But I will present figures to show, for instance, the percentage of farm operators and farm workers who have actually acquired insured status when they were in insured employment.

Senator TAFT. How is that reconciled with the fact that 60,000,000 people is the most that have worked? Does this include a lot of people, say, who have got married and do not work and do not propose to work any more?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. And temporary war workers?

Mr. ALTMAYER. Yes. And the retired beneficiaries, too.

Senator JOHNSON. Does it include any survivors?

Mr. ALTMAYER. Yes.

Senator JOHNSON. Or persons who pay in money?

Mr. ALTMAYER. Yes. If they have paid in any money, they are one of the 80,000,000.

Senator JOHNSON. Survivors do not pay any?

Mr. ALTMAYER. Well, they may have been workers in their own right. Some of the widows, for example, may also have been working in insured employment at some time.

Senator JOHNSON. But the 80,000,000 includes only persons who have paid something into the fund?

Mr. ALTMAYER. Yes, sir.

Senator TAFT. And supposing a man dies at 50? What happens? Do you know that he is dead? Or does he go right on, on the rolls?

Mr. ALTMAYER. No; we try to make adjustments. It is true that sometimes we do not get a record.

Senator TAFT. Some of the 80,000,000 may be dead, in other words?

Mr. ALTMAYER. That is right. But we try to reduce that number and maintain contact with all of the agencies, the vital-statistics agencies, undertakers, and so on, to keep our estimates as close to accuracy as possible.

Senator BREWSTER. What profit do you figure you make on those lapses?

Mr. ALTMAYER. No profit. In fact, as a previous question indicated, we are collecting less than the cost of the insurance.

Senator BREWSTER. I thought that it was recognized that there would be a considerable number that you would sort of lose track of. You would have the migrant workers, and so on. Is there not a considerable group of that sort?

Mr. ALTMAYER. Oh, it is impossible to make an estimate of that. You mean people who do not claim their benefit rights when they have benefit rights coming to them?

Senator BREWSTER. Yes; perhaps you have a few that a few payments have been made for. Have you ever made any estimate of that?

Mr. ALTMAYER. It is impossible. If we knew who they were, we would tell them about their benefit rights.

Senator BREWSTER. Do you not have any means of keeping it current, or anything of that sort, as to the ones that you have not received any payments from for 2 or 3 or 4 years?

Mr. ALTMAYER. That is right.

Senator BREWSTER. There is no check on it. I have heard that it runs up into many hundreds of millions of dollars.

Mr. ALTMAYER. I think that is true.

Senator BREWSTER. Do you intend to keep that up forever? Sometime you will have to make a check; will you not?

Mr. ALTMAYER. What we have to do, of course, is to use the various avenues of public information. Some streetcar companies, for example, have given us free space for those cards that you see inside of streetcars. We have not resorted to loudspeakers and that sort of thing.

Senator BREWSTER. Or billboards?

Mr. ALTMAYER. No. We get out explanatory pamphlets. We send those pamphlets to groups that we think would be particularly interested, like labor organizations and employers; and we have a very definite program of local contact by our local managers. We try in every way to tell people what their potential rights are; but we do not have any way of maintaining individual contact with each one of these 80,000,000. That would require us to maintain their addresses as they move from place to place, even assuming that we could get them to report their addresses, which I think would be quite doubtful.

Senator MILLIKIN. May it be drawn from your answer that you have not broken down this 80,000,000 in age categories, for example, or in categories that would show imminence of benefits due?

Mr. ALTMAYER. Yes; we have that, Senator.

Senator MILLIKIN. Will you let us have that?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. You have that broken down for the whole 80,000,000?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. As to categories of how much has been paid in, how long you have had wage credits, age groups, and so forth?

Mr. ALTMAYER. That is right. Yes, sir.

Senator MILLIKIN. How do you relate your liability as to the 80,000,000?

Mr. ALTMAYER. Well, the liability is related to the estimated cost of the benefits contained in the law, as compared with the estimated receipts by the Government to cover such liability.

Senator MILLIKIN. Of the 80,000,000, how many do you figure will ultimately have payments coming to them?

Mr. ALTMAYER. I have those figures, but I do not have them here. I will have them on hand tomorrow.

Senator MILLIKIN. Will you present those figures, please?

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeier later submitted the following three tables:)

TABLE 1.—Number and proportion of insured and uninsured workers with wage credits, January 1 of each year, 1940-50

Year	Number			Percent		
	All workers	Insured	Uninsured	All workers	Insured	Uninsured
1940.....	40.8	22.9	17.9	100.0	56.1	43.9
1941.....	44.9	24.9	20.0	100.0	55.5	44.5
1942.....	51.0	27.5	23.5	100.0	53.9	46.1
1943.....	58.5	31.2	27.3	100.0	53.3	46.7
1944.....	65.3	34.9	30.4	100.0	53.4	46.6
1945.....	90.5	38.6	30.8	100.0	55.8	44.3
1946.....	72.3	40.3	32.0	100.0	55.7	44.3
1947.....	74.8	41.5	33.3	100.0	55.5	44.5
1948.....	70.8	43.1	33.7	100.0	56.1	43.9
1949.....	78.9	43.4	35.5	100.0	55.0	45.0
1950.....	80.7	43.7	37.0	100.0	54.2	45.8

TABLE 2.—Percentage distribution of workers in covered employment under old-age and survivors insurance at some time during 1937-46, by number of years with wage credits, and by insured status¹ as of Jan. 1, 1947

Number of years with wage credits	Male			Female		
	Fully insured	Currently insured only	Uninsured	Fully insured	Currently insured only	Uninsured
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
1.....	(¹)	(¹)	29.4	(¹)	(¹)	83.4
2.....	1.1	4.7	23.3	2.0	6.7	25.9
3.....	4.8	10.9	17.2	7.9	18.2	17.0
4.....	7.5	19.5	12.3	13.4	28.2	10.5
5.....	6.7	26.6	7.9	13.2	25.3	6.5
6.....	8.1	18.1	5.1	11.9	11.3	3.5
7.....	9.6	10.4	2.9	9.8	5.6	1.8
8.....	10.4	5.6	1.3	9.1	3.2	.9
9.....	10.7	2.9	.5	8.7	1.6	.4
10.....	40.9	1.3	.2	24.0	.9	.1

¹ Not adjusted to reflect changes in insured status arising from (1) combined earnings under coordinated survivor provisions of the old-age and survivors insurance and railroad retirement programs; (2) veterans deemed to be fully insured only as result of sec. 210 of title II as amended in 1946.

² Inapplicable.

TABLE 3.—Workers with wage credits, work history: Number and percentage distribution of 1937-46 workers by insurance status Jan. 1, 1947, age, and sex

(1-percent sample of workers with wage credits identified for posting by July 8, 1947; only partly adjusted for duplication of workers with more than 1 account. Includes workers who died during the period 1937-46 and workers who became entitled to primary insurance benefits before Jan. 1, 1947. Age represents age at birthday in 1946. Workers of unreported sex included with male. The data are subject to sampling variation which may be large when the figures shown are small. Data corrected to June 1, 1948)

Age and sex	Percentage distribution of workers					
	Total	Insurance status, Jan. 1, 1947				
		Fully insured	Currently insured only	Uninsured		
				Total	New entrants during 1946	Workers with previous wage credits
Total.....	100.0	46.7	8.3	45.0	3.8	41.2
Under 20.....	100.0	30.0	(¹)	70.0	19.7	50.3
20-24.....	100.0	56.3	.1	43.6	3.8	39.8
25-29.....	100.0	48.3	4.4	47.2	2.3	44.9
30-34.....	100.0	42.2	10.4	47.3	1.8	45.5
35-39.....	100.0	46.2	12.3	41.5	1.9	39.5
40-44.....	100.0	48.7	14.0	37.3	1.9	28.4
45-49.....	100.0	48.0	14.8	37.2	1.8	35.4
50-54.....	100.0	48.3	14.7	37.0	1.7	35.2
55-59.....	100.0	47.7	14.8	37.4	1.8	35.6
60-64.....	100.0	46.5	14.9	38.6	1.5	37.1
65-69.....	100.0	52.0	8.5	39.5	1.4	38.1
70 and over.....	100.0	63.7	.3	33.0	1.1	34.9
Unreported.....	100.0	4.2	2.3	93.4	.2	93.3
Male.....	100.0	52.9	6.9	40.1	3.1	37.1
Under 20.....	100.0	30.7	(¹)	69.3	16.4	52.9
20-24.....	100.0	52.7	.1	47.3	4.6	42.7
25-29.....	100.0	51.7	3.2	45.1	2.6	42.5
30-34.....	100.0	52.7	8.0	39.4	1.3	38.1
35-39.....	100.0	58.1	9.0	32.9	1.3	31.7
40-44.....	100.0	60.6	10.7	28.6	1.1	27.5
45-49.....	100.0	58.4	11.7	30.0	1.1	28.9
50-54.....	100.0	57.5	12.1	30.4	1.1	29.3
55-59.....	100.0	55.7	12.8	31.5	1.3	30.2
60-64.....	100.0	52.3	13.6	34.2	1.1	33.2

See footnote at end of table, p. 33.

TABLE 3.—Workers with wage credits, work history: Number and percentage distribution of 1937-48 workers by insurance status Jan. 1, 1947, age, and sex—Con.

Age and sex	Percentage distribution of workers					
	Total	Insurance status, Jan. 1, 1947				
		Fully insured	Cur- rently insured only	Uninsured		
				Total	New entrants during 1946	Workers with previous wage credits
65-69.....	100.0	56.0	7.9	36.1	1.2	34.9
70 and over.....	100.0	65.3	.3	34.4	1.0	33.4
Unreported.....	100.0	4.6	2.2	93.2	.2	93.1
Female.....	100.0	36.9	10.4	52.7	5.0	47.7
Under 20.....	100.0	29.2	(¹)	70.8	23.8	47.0
20-24.....	100.0	60.2	.1	39.7	3.0	36.7
25-29.....	100.0	44.2	6.0	49.8	2.0	47.9
30-34.....	100.0	27.3	14.0	58.8	2.6	56.2
35-39.....	100.0	27.9	17.4	54.7	3.0	51.7
40-44.....	100.0	28.0	19.4	51.7	3.2	48.5
45-49.....	100.0	28.8	20.7	50.5	3.0	47.5
50-54.....	100.0	28.2	20.4	51.5	3.2	48.3
55-59.....	100.0	26.5	20.3	53.2	3.3	49.9
60-64.....	100.0	26.9	19.4	53.7	3.0	50.6
65-69.....	100.0	34.7	11.0	54.2	2.0	52.2
70 and over.....	100.0	52.0	.6	47.4	1.7	45.6
Unreported.....	100.0	2.6	3.1	94.3	.1	94.2

¹ Inapplicable under provisions of Social Security Act.

Senator MILLIKIN. How many live accounts have you at the present time?

Mr. ALTMAYER. These are all live, we think.

Senator KERR. The accounts are live, Senator, anyway.

Mr. ALTMAYER. I think I understand what you mean. You want to know how many have had wage credits posted to their accounts in the last year or so?

Senator MILLIKIN. That is right.

Mr. ALTMAYER. Forty-nine million had wage credits posted to their accounts during the last year.

Senator MILLIKIN. Forty-nine million?

Mr. ALTMAYER. Yes, sir.

Following the policies laid down by the Congress, and guided by our experience in administering the program, we have recommended in our annual reports that the contributory social insurance program be improved and strengthened along the following lines:

1. Extending the coverage of the old-age and survivors insurance program to practically all gainfully employed persons;
2. Liberalizing the eligibility requirements for those now past middle age;
3. Raising the level of insurance benefits paid under the program, and
4. Expanding the insurance program to provide protection against disability as well as old age and death.

H. R. 6000 includes important changes in all of these matters, which I should like to summarize. The major changes would be as follows:

1. Extension of the coverage of the system to include urban self-employed, with the exception of certain professional groups; employees of State and local governments, under compacts negotiated with the States; employees, except ministers and members of religious orders, of tax-exempt nonprofit institutions; regular domestic workers in private homes; certain Federal civilian employees; American citizens working outside the United States for American employers; certain "employees" excluded by Public Law 642, Eightieth Congress; individuals who served in the armed forces during World War II, wage credits of \$160 for each month the individual served being provided; and to individuals in covered occupations in the Virgin Islands and, when requested by its legislature, in Puerto Rico.

2. Substantial increase in the amounts of old-age and survivors' insurance benefits. The increase is achieved for those individuals who will come on the benefit rolls after the effective date of the bill by raising the maximum annual wage on which benefits may be based from \$3,000 to \$3,600; by changing the formula for computing benefits to 50 percent of the first \$100 of average monthly wage and 10 percent of the remainder, rather than 40 percent of the first \$50 of average monthly wage and 10 percent of the remainder as at present; and by raising the minimum and maximum benefit amounts. For individuals now on the benefit rolls, the amount of benefits is increased by means of a table which fixes a new dollar benefit amount for every dollar amount of present benefits. The average increase in these existing benefits would be about 70 percent.

3. A new method of calculating the average monthly wage on the basis of only years in which the individual had substantial covered employment, rather than on all years after 1936, or age 21 if later. This would result in a higher average monthly wage for persons who had some periods out of covered employment. The desired differential between their benefits and those paid to persons continuously in the system would be made by applying a "continuation factor" to the benefit amount, rather than through reduction of the average monthly wage, as under present law.

4. Reduction in the amount by which benefits would be increased for each year in which the individual had a "year of coverage" from the present 1 percent per year to one-half of 1 percent per year.

Senator MILLIKIN. Will you supply us with illustrative tables on all these matters?

Mr. ALTMAYER. Yes, sir.

5. Reduction in the handicap which newly covered individuals would otherwise have in becoming eligible for old-age and survivors insurance benefits by allowing an alternative method for becoming "fully insured." Under the present law, a person newly covered who reaches age 65 in 1951 can become fully insured in 7 years. Under the alternative method—that is, under H. R. 6000—such a person could become fully insured in 5 years.

Senator BREWSTER. Could you give us individual illustrations in terms of what they would pay and what they would receive? There are individual cases of that kind cited.

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeyer submitted the following table:)

*Present and proposed benefit formulas*¹

PRIMARY BENEFIT AMOUNT--RETIRED SINGLE MAN

Average monthly wage	Benefit amounts				Total employee contributions ²
	Present law ³	Advisory council ⁴	H. R. 6000 ⁵	Recommended ⁶	
5 years of coverage					
\$100.....	\$20.25	\$41.25	\$51.30	\$52.50	\$120
\$200.....	36.75	56.25	61.50	68.30	240
\$250.....	42.00	63.75	66.70	73.20	300
\$300.....	42.00	71.25	71.80	84.00	360
\$350.....	42.00	78.75	71.80	91.00	420
\$400.....	42.00	78.75	71.80	99.80	480
20 years of coverage					
\$100.....	\$30.00	\$41.25	\$55.00	\$60.00	\$95
\$200.....	42.00	56.25	66.00	78.00	1,170
\$250.....	48.00	63.75	71.50	87.00	1,462
\$300.....	48.00	71.25	77.00	96.00	1,755
\$350.....	48.00	78.75	77.00	105.00	2,047
\$400.....	48.00	78.75	77.00	114.00	2,340

¹ No account is taken in the table of the effect of different definitions of "average monthly wage" and of the continuation factor.

² 40 percent of the first \$50 plus 10 percent of the next \$200, increased by 1 percent for each year of coverage.

³ 50 percent of the first \$75 plus 15 percent of the next \$275; no increment.

⁴ 50 percent of the first \$100 plus 10 percent of the next \$300, increased by one-half of 1 percent for each year of coverage; rounded to next higher multiple of 10 cents.

⁵ 50 percent of the first \$100 plus 15 percent of the next \$300, increased by 1 percent for each year of coverage; rounded to next higher multiple of 10 cents.

⁶ The employee contribution used in this calculation is the schedule contained in H. R. 6000, as follows: 1951-59, 2 percent; 1960-64, 2½ percent; 1965-69, 3 percent; 1970 and thereafter 3½ percent.

It is assumed that the individual's coverage began in 1951.

MR. ALTMAYER. Provisions in the contributory insurance program of benefits for persons permanently and totally disabled before age 65, and the preservation of their rights to old-age and survivors insurance for persons who cannot continue in employment because of such disability.

H. R. 6000 would go far toward curing the most important defects of the present program. Therefore, in suggesting several desirable changes in H. R. 6000, we do so not to criticize but to suggest ways in which the objectives of this bill can be more fully achieved. The most important areas in which we believe the insurance provisions of H. R. 6000 could be strengthened are as follows:

SENATOR BREWSTER. Before you get to that, could you tell me the number in your organization, the number of people employed?

MR. ALTMAYER. For all programs? Or just the insurance?

SENATOR BREWSTER. For all programs.

MR. ALTMAYER. 11,900.

SENATOR BREWSTER. And when you spoke of the 8 percent on payments: you are paying around \$750,000,000 a year, is it, now?

MR. ALTMAYER. It is running between \$700,000,000 and \$800,000,000 now.

SENATOR BREWSTER. And, of course, you figure 8 percent?

MR. ALTMAYER. That is right.

SENATOR BREWSTER. That is for the insurance aspect?

Mr. ALTMAYER. Yes. But that includes the cost to the Treasury Department, Civil Service, any other Federal costs that are involved, as well as our costs.

Senator BREWSTER. That would be around \$64,000,000, then?

Mr. ALTMAYER. Yes.

Senator BREWSTER. Now, you spoke of 3 percent for the collections. That is on the total amount collected, I gather.

Mr. ALTMAYER. That is right.

Senator BREWSTER. Is that a duplication? That is, is it the same figure?

Mr. ALTMAYER. That is taking the same dollar amount and applying it to a larger base, because we are collecting more than we are paying out, in these early years.

The most important areas in which we make suggestions for modification are as follows:

1. Coverage extension: We believe that still broader coverage can and should be provided, both because the groups remaining excluded need protection and because administrative problems which formerly were an obstacle to their coverage have now been solved. If the social-insurance program covered practically all gainfully employed persons, it would carry a much greater part of the cost of providing for the aged, the disabled, and the dependent survivors of deceased breadwinners. This would be particularly significant in agricultural areas where today, because of the limited coverage of old-age and survivors insurance, these costs must be met largely by public assistance financed from general tax funds.

Farm operators are the largest group remaining excluded from coverage under H. R. 6000. If they were covered, farmers would be able to draw benefits when they retired, even though they still owned their farms. Their benefits would then supply a cash income which, when supplemented by their other resources, would provide retired farmers a comfortable living. Such benefits would meet a real need since only comparatively few have enough equity in their farms and additional savings to finance their own retirement.

Senator BREWSTER. Do you have a clause that would cover that, or are you proposing that?

Mr. ALTMAYER. Yes, sir.

Senator BREWSTER. And how they would measure their payments, and so forth?

Mr. ALTMAYER. Yes, sir.

Senator BREWSTER. Have we that here? Or where is that statute?

Mr. ALTMAYER. I will present that, Senator, in connection with this whole problem of extension of coverage.

Senator BREWSTER. Thank you.

Mr. ALTMAYER. Briefly, we would tie it in with the income-tax return.

Senator MILLIKIN. Were these arguments made to the House committee?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Why did the House committee reject them?

Mr. ALTMAYER. I cannot speak for the House committee.

The survivor and disability benefits provided under H. R. 6000 also would be significant for farm operators. Survivorship protection would be important because farm families are comparatively large,

and widows and children alone can seldom make an adequate living from a farm. The high incidence of disabilities among farmers creates a particular need for disability benefits.

Incidentally, as you probably know, in most States farm workers are not covered under workmen's compensation.

Senator MILLIKIN. Are you talking here about the farm owner or the farm operator, or both?

Mr. ALTMAYER. I am still talking about the farm operator.

Senator MILLIKIN. Owner-operator?

Mr. ALTMAYER. Owner-operator.

Senator MILLIKIN. Will you give us statistics on the equities which owner-operators have in their farms in this country.

Mr. ALTMAYER. I think I can.

Senator MILLIKIN. I mean, you make a reference to it, so I assume you have the facts to back up your statement. I would like to see those.

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeier later submitted the following information:)

I. *Equity of farmers in their farms as shown by the 1945 Census of Agriculture*

Almost a third of all farmers are tenants having no equity in the land they farm or the buildings on it. Twenty-two percent of all farmers own some or all of their land but have mortgages against it. About 45 percent are owners whose land is unmortgaged.

Of all owners (whether their land is mortgaged or not) over 50 percent had farms whose land and buildings were valued at less than \$5,000 and 75 percent at less than \$10,000, according to the 1945 Census of Agriculture.

II. *Information obtained from the Federal Reserve Board's 1948 Survey of Consumer Finances*

Farmers' liquid asset holdings.—Fifty-seven percent of farm operators had no savings bonds, 83 percent had no bank savings accounts, and 38 percent had no checking accounts. Corresponding figures for the managerial and self-employed group (exclusive of farm operators) were 40, 55, and 31 percent.

Farmers' savings from current income.—Thirty-three percent of all farmers had no savings from current income in 1947 (the peak year in farm income). Corresponding percentages for professional people the managerial and self-employed, clerical and sales people, and skilled and semiskilled workers were 32, 24, 31, and 37 percent, respectively.

Mr. ALTMAYER. Coverage is likewise desirable for agricultural workers. These workers are among the neediest of our economic groups and lack the protection of practically all the social legislation applicable to most other workers. It is now feasible to cover them, because appropriate administrative techniques have been devised.

The only domestic workers covered under the provisions of H. R. 6000 are those employed by the same person on 26 days during a calendar quarter; that is, 3 months. Without causing administrative difficulties for housewives or the Government, this provision could be modified to provide coverage for a much larger number of domestic workers. Those excluded under H. R. 6000 for whom the Federal Security Agency recommends coverage are day workers who customarily return to the same employer from week to week but work for each employer on only 1 day a week. That is, they may work for a number of employers, but 1 day a week for each employer.

Senator TAFT. What percentage of domestic workers are included under the new provision, and what percentage are excluded?

Mr. ALTMAYER. There are 800,000 included and 900,000 excluded.

Senator TAFT. 1,700,000 all together, domestic?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. And those excluded are those who work all week, but work for different employers during the week?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Do you see any administrative difficulty in including that group?

Mr. ALTMAYER. No, sir; I do not.

The exclusion of certain professional persons, such as doctors and lawyers, by H. R. 6000 deserves further consideration, either to remove the exclusion from the bill or limit it to fewer professions. One of the reasons advanced for excluding these professional persons was that they do not ordinarily retire as early as wage workers. They are, however, subject to disabling sickness or accidents and early death. Their protection against these risks under the insurance program, as well as the assurance of benefits when they do need or wish to retire, would make contributions to the program a worth-while investment for the group of professional persons as a whole.

Senator TAFT. Is there any option given to any of the new people included, to come in or not to come in, as they wish?

Mr. ALTMAYER. No, sir.

Senator TAFT. Where they are in, they are compulsorily in?

Mr. ALTMAYER. There is one semioption relative to the employers in nonprofit undertakings, which I will discuss when we come to that.

And then I should say that so far as State and local employees are concerned, that would be on a compact basis.

Senator TAFT. With the State?

Mr. ALTMAYER. With the State.

Senator TAFT. But if the State made the compact, they would have to come in. Is that right?

Mr. ALTMAYER. That is right.

2. The wage base: As noted above, the maximum amount of annual wages on which contributions may now be collected and benefits computed is \$2,000. Under the provisions of H. R. 6000, this would be raised to \$3,600. The Federal Security Agency recommends that it be raised to \$4,800.

For the old-age and survivors insurance benefits to be effective in replacing wage loss, they should be based, to the greatest possible extent, on the individual's total earnings from covered employment. In 1939, 97 percent of all workers in employment covered by the law earned less than the maximum wage base of \$3,000 a year. Since that time, the rise in wages has been such that, to cover all the wages of even 95 percent of the workers in the system, a wage base of \$4,800 would be required.

Senator KERR. Mr. Altmeyer, let us take a worker as of today. He is covered up to a base of \$3,000.

Mr. ALTMAYER. Yes, sir.

Senator KERR. Suppose he is paid \$4,800 a year. What amount of that does he and his employer pay taxes on?

Mr. ALTMAYER. They do not pay any contributions under the present law. What we are recommending is that the contribution base and the benefit base be raised from this maximum of \$3,000 to \$4,800.

Senator KERR. Well, if he is under the law, he is paying contributions, is he not?

Mr. ALTMAYER. But only up to the first \$3,000.

Senator KERR. His contribution, then, is on the same amount that his coverage is based on?

Mr. ALTMAYER. That is right.

Senator TAFT. But, Mr. Altmeyer, if I am earning \$3,000 today, and then tomorrow the base is increased to \$4,800, the additional taxes I would pay I would never get back, would I? Because I would only get 10 percent of the benefits, as compared to 50 percent of the lower part? Is that not correct? I mean, it would be a dead loss to me to have my tax base increased from \$3,000 to \$4,800, because the additional benefits I would get, based on 10 instead of 50 percent, would be much less, would they not, than the tax I would have to pay?

Mr. ALTMAYER. No; it would be quite inequitable if that were true. But the value of the additional benefits as a result of raising it from \$3,000 to \$4,800 would be in excess of the additional contributions which the individual workers would pay.

Senator TAFT. Well, the benefits under the new bill, now, are based on 50 percent of the first—what?

Mr. ALTMAYER. The benefits under H. R. 6000 are based upon wages up to \$3,600.

Senator TAFT. But 50 percent of what? The first thousand dollars?

Mr. ALTMAYER. The first \$100 per month.

Senator TAFT. The first \$1,200, you get 50 percent, \$600?

Mr. ALTMAYER. Yes.

Senator TAFT. After that you only get 10 percent?

Mr. ALTMAYER. Yes.

Senator TAFT. Then it seems to me obvious that you would lose. If you increased your taxes, the additional benefit you would get would not equal the additional taxes you would have to pay. Is that not right?

Mr. ALTMAYER. No. The additional benefits you get for paying the additional contributions between \$3,000 and some higher amount are greater in value, but they are not as proportionately greater in value as the benefits you receive for the first \$100 of monthly wage. In other words, the formula is weighted to give the lower-wage earners a larger benefit in proportion to their wage loss than the higher-wage earners.

Senator TAFT. That is not an insurance principle, of course. That is a social-welfare principle.

Mr. ALTMAYER. That is a very sound social-insurance principle.

Senator TAFT. It is a social-welfare principle. It has no relation to insurance.

Mr. ALTMAYER. Oh, yes, it does. Because if you turn to private pension plans you will find that the same approach is followed there by employers. The employers, in other words, contribute more of the cost of the benefits for the low-wage earners than they do for the high-wage earners. I think that is a sound insurance principle.

Senator TAFT. Well, that is not insurance. That is what the employer pays. You could not set up a sound insurance plan on any such basis. I mean, an insurance company going into the business could not possibly adopt any such principle, it seems to me.

Mr. ALTMAYER. Yes, it could.

Senator TAFT. And certainly not on any such scale as this.

Mr. **ALTMAYER**. If it collected the necessary contributions from the employer it could.

Senator **TAFT**. If the employer pays it. But the employer pays it as a social-welfare matter and not on the insurance principle.

Mr. **ALTMAYER**. You are suggesting it is not insurance in the sense that the individual himself pays the whole cost. That is true.

Senator **TAFT**. And what he pays bears very little relation to what he gets.

Senator **BREWSTER**. Is this not the trick in the situation: That you have the advantage of compelling all the boys to come in; where if it were a private proposition only the lower paid would buy it, because the higher paid would not care to pay for the other fellow, under our traditional system of life? Is that not the answer to the thing?

Mr. **ALTMAYER**. That is part of the answer.

Senator **BREWSTER**. Part of the answer? Is it not the whole answer?

Mr. **ALTMAYER**. No, sir; it is not.

Senator **BREWSTER**. You mean you could sell this system without the compulsory aspects?

Mr. **ALTMAYER**. Oh, no. Not this system. But what I am saying is that a private insurance company could write a group annuity policy for an employer, even though the benefits to the lower-wage earner were higher in proportion to his wage loss than the benefits to the higher-wage earner, provided that the employer paid the necessary premium.

Senator **BREWSTER**. Surely. If the employer paid for it. But suppose the employees had to contribute. Would the higher-paid employees want to contribute to such a system?

Mr. **ALTMAYER**. If the employer did not contribute?

Senator **BREWSTER**. No. I say if the employees had to contribute some part of it, not all of it but some part of it, the higher-paid employees obviously would not buy something where they were simply contributing to the welfare of others, would they?

Mr. **ALTMAYER**. I do not mean to say that there is any private plan that has ever been proposed where that would happen.

Senator **BREWSTER**. No.

Mr. **ALTMAYER**. But what I am saying is that under private plans all of them get a bargain or they would not come in.

Senator **BREWSTER**. Yes.

Mr. **ALTMAYER**. I mean, all of the workers. But the lower wage earners get a larger bargain most times, because the employer puts in more on their behalf than he does for the higher group.

Senator **TAFT**. Mr. Altmeyer, I asked you one question as to whether the additional tax that I would pay as a worker would be compensated by the additional benefit; and you said that it would be. Now, what about the additional tax paid by me and my employer? Would that additional 3 percent be in any way compensated by the additional benefit? Or is that employer's section used to pay the \$1,200?

Mr. **ALTMAYER**. I think you would have a certain proportion where the combined contribution was in excess—

Senator **TAFT**. In fact, that is what you say in the next sentence:

This increase is essential, in view of the proposed increase in benefits for those whose wages average \$100. Otherwise, the differential in benefits * * * will fail to reflect sufficiently—

In other words, the increase is necessary to get the additional taxes between \$3,000 and \$4,800 necessary to pay the bigger benefits to those who only get \$1,200.

Mr. ALTMAYER. No; I say just exactly the opposite there. Maybe I did not make myself clear. Where were you reading from?

Senator TAFT. I was looking at the sixth or seventh line on page 13.

Mr. ALTMAYER. I am suggesting that with a large increase in the benefits for those whose wages average less than \$100, unless there is an additional increase in the benefits for those earning more than \$100, there is not a reasonable relationship maintained between the two groups. I do not argue that the higher wage earners should receive as large a proportion of their wage loss, but I am suggesting that they ought to receive a little bit more.

Senator TAFT. I am only trying to make the point that the purpose of increasing this is to get additional tax money; not to pay the increased benefit resulting from the \$3,000 to \$4,800, but to pay the increased benefit resulting to those under \$3,000.

Mr. ALTMAYER. That is not the purpose of it; no.

Senator BREWSTER. But you say this increase is essential, in view of the proposed increase in benefits for those whose wages average \$100. That is what you say. I do not know whether you mean it or not.

Mr. ALTMAYER. I say that the increase in the benefits for the higher wage earners is essential.

Senator BREWSTER. You are talking about the increase in the wage base, there?

Mr. ALTMAYER. That is the base upon which benefits are calculated.

Senator MILLIKIN. Doctor, I wish you would submit statistics on the savings of various income categories. In other words, I want to see what the relation to savings may be of the category of people who get from \$3,000 to \$4,800 a year in relation to those getting less.

(Mr. Altmeyer later submitted the following table:)

Size of liquid asset holdings¹ within various income groups, 1949

Amount of liquid assets held	Percentage distribution of spending units within income groups		
	\$1,000 to \$2,999	\$3,000 to \$4,999	\$5,000 and over
None.....	28	19	5
\$1 to \$499.....	29	35	17
\$500 to \$1,999.....	21	25	23
\$2,000 to \$4,999.....	8	14	25
\$5,000 and over.....	4	7	30

¹ Liquid assets by Federal Reserve definition, includes: United States savings bonds; savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions; and checking accounts.

Source: From Federal Reserve Bulletin, August 1949. Taken from 1949 Survey of Consumer Finances, table 11, p. 608.

Senator KERR. Is it possible that if you did increase the amount of the coverage it would create a fund that would enable you to pay more than 10 percent of that wage as between \$3,000 and \$4,800? Would this injection of \$1,800 a year to the contribution both of the worker and the employer create an income to your agency that would enable you to pay a greater benefit than just 10 percent of that?

Mr. **ALTMAYER**. That is the point I am trying to make. You have made it better than I have. That is the purpose of recommending the increase in the maximum: so that higher benefits can be paid to higher wage earners.

Senator **KERR**. Over and above the 10 percent which you have referred to?

Mr. **ALTMAYER**. Yes, sir.

Senator **KERR**. Now, is that statement reflected in your prepared statement, Doctor?

Mr. **ALTMAYER**. I tried to reflect it in this statement; but it apparently has turned out to be very confusing.

Senator **KERR**. I would not say that it is confusing, but I would say that it is lacking in clarity.

Mr. **ALTMAYER**. Well, that is a soft way of saying the same thing, Senator, and I appreciate it.

Senator **MILLIKIN**. Mr. Chairman, may we suggest that Mr. Altmeyer provide us with a revised paragraph on this subject, stating exactly what his views are on it?

The **CHAIRMAN**. Dr. Altmeyer will perhaps be willing to revise this paragraph so as to meet these criticisms which have been suggested.

Senator **KERR**. Mr. Chairman, my questioning has not been in the form of criticism at all. My questioning has been in the form of searching as to what I believe his purpose to be.

Senator **MILLIKIN**. And my suggestion was that he make clear in the statement what he has in his mind.

(Mr. Altmeyer later submitted the following revised paragraph:)

However, the higher wage earner receives at least his money's worth for his own contributions, whether he is a long-term or short-term contributor. The extra benefit costs due to including in the calculation wages between \$3,000 and \$4,800 a year, are approximately equal to the additional contributions paid by workers on this excess. The net effect is that the employer contributions that are payable on this excess go to pay for the generally higher level of benefits for all workers.

The **CHAIRMAN**. Suppose you proceed now, Dr. Altmeyer. I think in a short time we will have to suspend.

Mr. **ALTMAYER**. May I start reading at the top of page 13?

The **CHAIRMAN**. Yes, sir.

Mr. **ALTMAYER**. The proportion of wages not covered by social insurance is even greater—I had already pointed out the proportion of the total that is not covered—for regularly employed skilled and semiskilled workers. These workers constitute a large proportion of those most aware of the inadequacies of present social insurance benefits. If the wage base were raised to \$4,800, higher benefits could be paid to those individuals whose earnings are between \$3,000 and \$4,800 than would be possible under either the present law or H. R. 6000. This increase is essential, in view of the proposed increase in benefits for those whose wages average \$100. Otherwise, the differential in benefits between low-paid and high-paid workers will fail to reflect sufficiently the wages lost when the hazard materializes. Moreover, raising the wage base would help reduce the cost of the program as a percentage of pay roll. This is because benefits are a much larger proportion of the worker's former wages at \$100-a-month level than at \$400 a month, although both the \$100 and the \$400 man pay the same percent of their total wages in contributions.

The CHAIRMAN. Doctor, on that point: You say—

if the wage base were raised to \$4,800, higher benefits could be paid to those individuals whose earnings are between \$3,000 and \$4,800 than would be possible under either the present law or H. R. 6000.

That would be true only if we changed the formula on which those payments were made, would it not?

Mr. ALTMAYER. Well, even if you did not change the formula, if you retained the 10 percent it would be true.

The CHAIRMAN. Yes.

Mr. ALTMAYER. But I do not think it would be quite fair.

The CHAIRMAN. Not at the same rate.

Mr. ALTMAYER. That is right.

The CHAIRMAN. Now, on that point, the Advisory Council, as I recall it, recommended 50 percent of the first \$75, did they not?

Mr. ALTMAYER. They recommended, as I recall, Senator, 50 percent of the first \$75 instead of \$100.

The CHAIRMAN. And 15 instead of the 10.

Mr. ALTMAYER. Yes, going up to \$4,200.

The CHAIRMAN. That is right.

Senator BREWSTER. Doctor, you are paying now about \$800,000,000 a year in this program, as I understand it?

Mr. ALTMAYER. Yes, sir.

Senator BREWSTER. Do you have a figure as to what those people have paid in to secure these benefits, present and prospective?

Mr. ALTMAYER. You mean the individuals themselves? Or the employers and the individuals?

Senator BREWSTER. Well, both.

Mr. ALTMAYER. You see, the point is that the employers' contributions are not earmarked for any individual.

Senator BREWSTER. You can just double it. The individual is always doubled.

Mr. ALTMAYER. If you assume that it was earmarked.

Senator BREWSTER. Well, could you give us that figure, so that we could have an idea of how the equities of the present system are operating on current recipients' present and future payments?

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeier submitted the following information.)

CONTRIBUTIONS PAID IN RESPECT TO THOSE NOW RECEIVING BENEFITS

As of December 1949, there were 2,740,000 individuals receiving monthly benefits at an annual rate of nearly \$700,000,000. Employee taxes paid in respect to the above 2¼ million beneficiaries now on the rolls would total about \$250,000,000 with, of course, a similar amount on their behalf by their employers.

These 2¼ million beneficiaries will on the average receive payments for about eight more years so that the total amount which will be paid out to them will be about \$7,500,000,000 or 15 times as much as the approximately one-half billion dollars of combined employer-employee taxes paid on their behalf. It is to be expected that such a high ratio would prevail both in regard to the retirement cases and to the survivor cases in the early years of the system. In respect to the latter, it is quite customary in private insurance that those who die in the early years will receive far more in face value than the few premiums that they have paid—in fact, this is the entire purpose of life insurance. In respect to the retirement cases, there is a close parallel with private pension plans with those retiring in the early years receiving benefits far greater in value than contributions that they paid and, in fact, in many contributory retirement plans, there are those beyond the retirement age when the plan was set up who never contributed but got sizable pensions anyhow.

The CHAIRMAN. Doctor, on account of the parliamentary situation on the floor we will have to suspend at this point.

Now, some members of the committee may wish you to supply some illustrative cases as to just how these benefits would increase under the House formula and under, let us say, the Advisory Council's recommendation.

We will ask you to come back tomorrow at 10 o'clock, Doctor, and we hope that we will have a longer time to spend with you.

We will recess until 10 o'clock tomorrow.

(Thereupon, at 11:07 a. m. Tuesday, January 17, 1950, the committee recessed until Wednesday, January 18, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

WEDNESDAY, JANUARY 18, 1950

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

PRESENT: Senators George, Johnson of Colorado, Hoey, Millikin, Taft, and Butler.

Also present: Mrs. Elizabeth B. Springer, acting clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. We will proceed now. Doctor, you may take up where you left off in your prepared statement.

STATEMENT OF ARTHUR J. ALTMAYER, COMMISSIONER FOR SOCIAL SECURITY, SOCIAL SECURITY ADMINISTRATION, WASHINGTON, D. C.—Resumed

Mr. ALTMAYER. I was on page 13, the middle of the page. I will take up next—

The CHAIRMAN. Benefit formulas, I assume, unless you want to say something about the preceding paragraph about which a good many questions were asked.

Mr. ALTMAYER. I thought I would finish the prepared statement and then go back because some of the questions cannot be answered without referring to interrelated factors.

The CHAIRMAN. Very well, you go ahead and finish. Then you may go back to any other part of it you wish.

Senator MILLIKIN. Where are you commencing, Doctor?

Mr. ALTMAYER. On page 13, beginning with benefit formula.

Under the present law, monthly benefits are calculated by taking 40 percent of the first \$50 of average monthly wages and 10 percent of the remainder. H. R. 6000 amends this provision by providing for 50 percent of the first \$100 of average monthly wages and continuing the 10 percent on the remainder. In order that the insurance benefits may be made more adequate, the 10-percent factor should be increased to 15 percent.

The CHAIRMAN. That is in keeping with the Advisory Committee recommendations.

Mr. ALTMAYER. Yes, sir; they went up to \$4,200. We are recommending going up to \$4,800.

Senator MILLIKIN. What is the basis for the increase? What is your theory on it?

Mr. ALTMAYER. In order to maintain somewhat the same relationship between benefits through the whole scale.

Senator MILLIKIN. And 15 percent is the figure that would do that?

Mr. ALTMAYER. Furthermore-----

Senator MILLIKIN. Is 15 percent the figure that will do that?

Mr. ALTMAYER. It will do that and something more, Senator. I was going to say it has a bearing on the question that Senator Taft raised yesterday about the increase from \$4,200 to \$4,800. But I will wait until I have finished and then Senator Taft may want to bring up that question. It is interrelated, in other words.

Senator MILLIKIN. If he does not bring up the question I will bring it up, and at that time you will also discuss the 15 percent at that point?

Mr. ALTMAYER. Yes, sir.

Under H. R. 6000 payments for the 3,000,000 persons now on the benefit rolls will be increased considerably less than will the benefits for those who come on the rolls just after the new legislation becomes effective. It would be equitable, and would involve fewer administrative problems, if the payments for those now on the rolls were increased by a method which on the average yielded more nearly the same results as would application of the new benefit provisions.

The CHAIRMAN. Do you suggest that method, Doctor?

Mr. ALTMAYER. Yes, sir; the method we suggested in H. R. 2807 would have raised the benefits for those now on the rolls to more nearly the same level as the benefits for those retiring after the enactment of the new legislation.

Senator MILLIKIN. That would be at the taxpayer's cost, would it not?

Mr. ALTMAYER. No; we estimate, Senator, that the level-premium figure would cover that cost as well as the other costs involved in the revision.

Senator MILLIKIN. It obviously would not apply to prior calculations on the present rate of benefits.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. It would have the effect, if we have a reserve system, to that extent of reducing reserves.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. May I ask a further question?

The CHAIRMAN. Yes, sir.

Senator MILLIKIN. Is there any objection to that? It seems to me that we cannot have two systems of benefits where the benefits have matured. Off the cuff it seems to me that is equitable. What are the objections to it?

Mr. ALTMAYER. I didn't get your question.

Senator MILLIKIN. I am talking about increasing the benefits of those who are now receiving them.

The CHAIRMAN. Who are already on the rolls.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. It seems to me off the cuff that is equitable, so I am asking you what are the objections to it.

Mr. ALTMAYER. I don't know of any objections. They did raise them about 70 percent.

Senator MILLIKIN. Yes.

Mr. ALTMAYER. We are suggesting that they be raised somewhat more so that they smooth in more closely with the new benefits.

Senator MILLIKIN. Are there any objections to the principle of doing it?

Mr. ALTMAYER. I do not know of any, Senator.

4. Increase in benefit amount for each year of coverage: Under the present law, basic benefits are increased by 1 percent for each year of coverage. H. R. 6000 reduces the rate of increase to one-half of 1 percent per year. This agency believes it most important that this "increment" be retained at 1 percent.

The provision of an additional amount of benefit for each year in which the individual made contributions on a significant amount of wages is essential in order to maintain equity between the short-term and long-term contributor. The person who has worked and contributed to the system for 40 years or more should receive more in benefits than the one who has contributed only 5 years. Without an increment in the benefit formula, two men whose monthly wages while working were the same and who were insured employment for the same proportion of their possible time, would receive exactly the same amount of monthly benefits, even though one of them had contributed for 5 years and the other for 45 years.

5. Eligibility requirements: One important measure of the success of a contributory program of social insurance is the extent to which it reduces the need for payments under the noncontributory public-assistance programs. In the long run, the additional coverage and liberalized benefits amounts provided under H. R. 6000 would achieve this objective to a much greater extent than would the present law. However, the great mass of older workers newly covered under this bill could not qualify for old-age benefits until they had contributed for at least 5 years, and many of them will be unable to work so long. Therefore we recommend somewhat less restrictive eligibility requirements, especially for those who were past middle age when the insurance program began.

The CHAIRMAN. Do you suggest a formula or method for that?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. Is that in the first bill that was introduced?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. That is the same method that you suggest here?

Mr. ALTMAYER. That is one method. The Advisory Council suggested another method. There are various methods, Senator, that I think would be less restrictive than the one contained in H. R. 6000.

Senator MILLIKIN. There is no way to compel a rational relationship between the noncontributory public assistance and the contributory, is there? I mean there is not a day in the week that someone cannot get up in Congress and move an amendment to increase the amount of contribution to the noncontributory public assistance, is there?

Mr. ALTMAYER. No, sir.

Senator MILLIKIN. So we will always have that problem with us.

Mr. ALTMAYER. Yes, sir. I think so, except that I do not think people realize sometimes that the old-age assistance, for example, is on the basis of need and resources must be taken into account, whereas the insurance benefits are payable regardless of the amount of resources.

Senator MILLIKIN. Yes.

Mr. ALTMAYER. So it is not quite correct to compare average payments under the two, because in one resources are taken into account and in the other resources are not.

Senator MILLIKIN. It always has been our theory that as we increase the benefits under the contributory system we could decrease the amount of public assistance.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Personally I think that is sheer theory. I do not think it will happen much because the States are building up large public assistance pensions and there will be all sorts of pressures to continue the system, and personally I believe it will be continued.

I would like to ask you how many people who are receiving public assistance benefits are also receiving contributory insurance benefits.

Mr. ALTMAYER. We think there is about a 10-percent overlap.

Senator MILLIKIN. About 10 percent?

Mr. ALTMAYER. About a 10-percent overlap.

Senator MILLIKIN. Those receiving contributory benefits are also receiving public assistance?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Is that an increasing number?

Mr. ALTMAYER. Yes, sir; and I think perhaps my 10-percent figure is based upon a previous period of time. It may be more now.

Senator MILLIKIN. Can you get us some statistics on that State by State?

Mr. ALTMAYER. We do not have very recent statistics. They have to be obtained by actual field investigation, and that is rather costly to undertake. So we have made some sample studies. I do not think we have made any for the last year or two.

Senator MILLIKIN. I believe the question has an important bearing, Mr. Chairman, and I suggest that we put in the record whatever they have on that.

The CHAIRMAN. Will you supply us, Doctor, your latest figures on that?

Mr. ALTMAYER. Yes, sir.

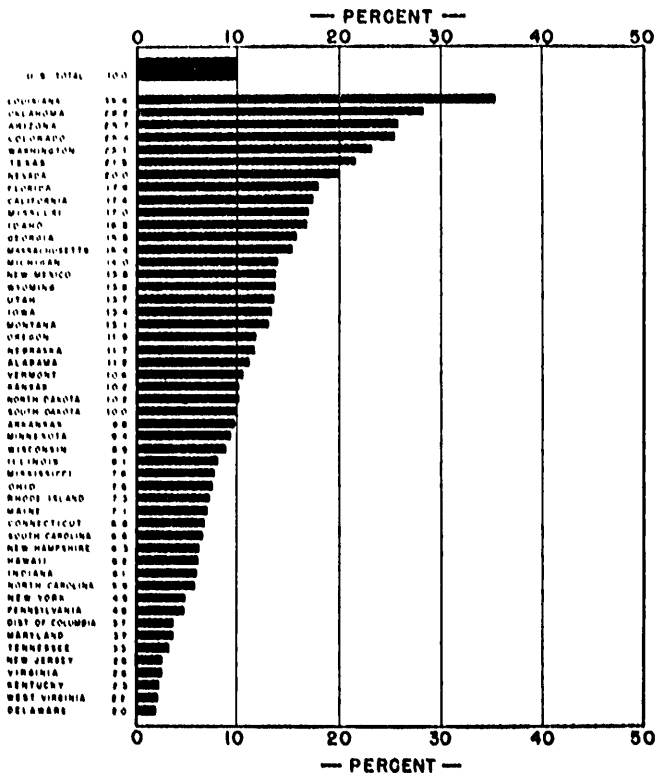
The CHAIRMAN. Let them go in the record.

Mr. ALTMAYER. Yes, sir.

(The information referred to is as follows:)

PERCENT OF AGED OASI BENEFICIARIES RECEIVING OLD-AGE ASSISTANCE

JUNE 1948



The CHAIRMAN. They are samples from all the different States?

Mr. ALTMAYER. In different localities.

The CHAIRMAN. In different localities?

Mr. ALTMAYER. Yes, sir. I might point out, Senator, and you would be interested in this, that while the percentage of insurance beneficiaries that have actually sought supplementary public assistance is rather small; nevertheless, if one examines their resources and income as they have stated them to our people who call upon them, a large proportion of those persons could qualify under the requirements laid down by the States for the receipt of public assistance, but they choose to live on a lower standard of living rather than to seek supplementary public assistance.

Senator MILLIKIN. The original theory was that the benefits under the contributory system were not intended to meet all reasonable human needs, that they were in the nature of a supplement to savings or other sources of income. Is that not correct?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. But we are moving rather in the direction of a sort of minimum subsistence figure, are we not?

Mr. ALTMAYER. I do not think we can ever expect or should expect to set up a system which does not take reasonable account of the savings, the home ownership, and other assets that the large proportion of people may be expected to have.

Senator MILLIKIN. Do you believe that the benefits under the contributory program should not go so high as to stifle incentives for savings?

Mr. ALTMAYER. I certainly do.

Senator MILLIKIN. Is that a part of the theory of the whole system?

Mr. ALTMAYER. I think it is.

Senator MILLIKIN. Are you in favor of the continuance of that theory?

Mr. ALTMAYER. I am, and I think it stimulates private savings.

Senator MILLIKIN. How shall we reconcile that with private pensions?

Mr. ALTMAYER. I think private pensions proceed upon a somewhat different basis and I think have a place as supplementary to a basic Government plan. I think employers in setting up private pension plans have in mind maintaining stability of their working force and the productivity of their working force, and that sort of thing. I think that supplementary private pensions plans still have a very important role to play.

Senator MILLIKIN. Yesterday I asked for statistics showing the savings of our citizens according to income brackets.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. You have not forgotten that?

Mr. ALTMAYER. No, sir.

Senator MILLIKIN. I think it has an important bearing on a number of aspects of our problem.

Mr. ALTMAYER. Yes, sir.

6. Provisions for permanent and total disability: The addition of disability benefits to the old-age and survivors' insurance program will be an important contribution toward economic security. Under the present law insured workers who become permanently and totally disabled before reaching retirement age receive no benefits and in

many cases lose their insured status before they reach retirement age. Therefore, permanent and total disability benefits will introduce a much needed element of flexibility in the present retirement concept and obviate the necessity of reducing the retirement age generally.

The strict qualifying requirements for insured status, that is, for permanent and total disability, will limit benefits to those whose work record shows both recent and regular attachment to the labor force. These strict qualifying requirements, together with strict statutory provisions defining disability and requiring 6 months waiting period, will keep the cost of disability benefits at a moderate level.

Senator MILLIKIN. Dr. Altmeier, do you not believe that is subject to what we were talking about the other day, that there will be a constant pressure to relax those strict requirements that you are speaking of?

Mr. ALTMAYER. Yes; I have no doubt that there is always a feeling that any requirements are too strict when they apply to the individual case. That is human nature.

Senator MILLIKIN. Needless to say to you we are running a political institution here, and it should be. I suggest that probably the whole tendency, even though you started out with a very logical program, you would find a constant weakening of it by liberalization of it.

Mr. ALTMAYER. I think that is true, sir.

Senator MILLIKIN. I have no opinion on the subject, but I am just wondering whether we are again dealing with theory rather than something that can be kept under control.

Mr. ALTMAYER. It is interesting to note that the experience under Government life insurance, the policies of which contain a permanent total disability feature, has been very favorable.

Senator MILLIKIN. Will you give us a memo on that?

Mr. ALTMAYER. Yes, sir.

(The information is as follows:)

EXPERIENCE OF VETERANS' ADMINISTRATION WITH DISABILITY BENEFITS

The Veterans' Administration has had wide experience with payment of disability benefits since World War I. Besides paying disability for service-connected conditions, since 1930 it has been paying benefits to all veterans with 90 days' or more service who are found with 100 percent disability and who report an annual cash income of not more than \$1,000 if single and not more than \$2,500 if they have one or more dependents. At present some 175,000 veterans are paid non-service-connected disability benefits. In addition to these, veterans of World War I holding a United States Government life insurance policy are protected against permanent total disability by waiver of premium upon the occurrence of permanent total disability and payment of benefits amounting to \$5.75 a month for each \$1,000 of life insurance. These benefits reduce the face value of the life insurance. Since 1930 the amended provisions of United States Government life insurance contracts allow the purchase of additional protection against total disability which has lasted at least 4 months (again the amount is related to the amount of life insurance). These benefits do not reduce the life insurance policy held by the veteran.

Only recently the experience of the Veterans' Administration with these disability provisions of United States Government life insurance has been studied by Prof. Dan Mays McGill, professor of life insurance, University of North Carolina. Professor McGill's study is sponsored by the Huebner Foundation for Insurance Education. The study was made with the aid of a cooperating committee representing the Life Insurance Association of America, the American Life Convention, and the Institute of Life Insurance. The conclusion arrived at

by this study, based on analysis of the veterans disability insurance experience to date, is as follows:

"The disability experience of United States Government life insurance has not been unfavorable. The combined experience of the two disability clauses appears to have been more favorable than commercial insurance experience, although exact comparisons cannot be made because of differences in age limitations, qualification periods, and definitions of disability. The limited amount of Government insurance available to the policyholders may have been a factor in this result. As has been seen, the overwhelming majority of United States Government life insurance policyholders have had only the protection which the automatic clause provided."¹

We have made some analysis of veterans' experience ourselves. Not only the experience under the insurances in connection with United States Government life insurance but payments of permanent total disability for non-service-connected disabilities as well. To the extent that one is able to judge, the veterans' experience has been more favorable than the experience of private insurance carriers, not only with respect to insurance, but for compensation cases as well to which almost all veterans who are not barred by the income limits are entitled in the event of total disability.

Professor McGill suggests that the limited amount of Government insurance available (maximum \$10,000) may account for the more favorable experience that the Veterans' Administration has had with disability insurance than private carriers. To the extent that low benefits in relation to earnings is a factor it will also be true of the disability provisions of H. R. 6000.

Senator MILLIKIN. Was not the experience of private companies very unfavorable?

Mr. ALTMAYER. In the early years. I think their most recent experience is all right, but they had a very disastrous experience just about the time of the depression, 1920 and 1930.

Senator MILLIKIN. Is my memory correct when I suggest that we had a railroad retirement system which went on the rocks during the depression and it was succeeded because of that reason by the regular railroad retirement system?

Mr. ALTMAYER. The various railroads had retirement plans.

Senator MILLIKIN. Yes.

Mr. ALTMAYER. They were not fully funded. Most of them were in financial difficulty. Congress passed a Railroad Retirement Act in 1934 which was declared unconstitutional. Then it was succeeded by another one, I think in 1935.

Senator MILLIKIN. But did not that legislation follow unfortunate experiences prior to the legislation?

Mr. ALTMAYER. You mean in retirement?

Senator MILLIKIN. Yes.

Mr. ALTMAYER. As I say, the unfortunate experience was that the railroad workers were growing older so far as the composition of the labor force was concerned, and the railroad company retirement plans were not on a funded basis.

Senator MILLIKIN. So when the railroads got in trouble, the system was in trouble, is that not correct?

Mr. ALTMAYER. That is right.

The CHAIRMAN. Was not the early experience of the Veterans' Administration with this very provision also very unhappy, Doctor, the life insurance to which you have referred?

Mr. ALTMAYER. I don't recall. That may have been in the early period, but over the whole period it has been more favorable than private life-insurance experience with the same feature. That may be accountable by the sort of lives that are written and so on. I

¹ McGill, Dan Mays, Ph. D., Julian Price Associate Professor of Life Insurance, University of North Carolina. An Analysis of Government Life Insurance, 1940, page 102.

would not argue just why it was, but the interesting thing is that it has been so favorable.

Senator MILLIKIN. Our distinguished chairman will recall that we are constantly having bills in here for liberalization of these disability programs so far as they affect the veteran, and that has fastened in my mind that we might have the same sort of experience under the proposed disability insurance.

The CHAIRMAN. I think under that pressure, we have had to liberalize, from time to time, the total and permanent disability features, both in writing the law or in granting large discretionary powers to the Administrator. I think it was quite troublesome for a time. The courts were pretty well full of cases after the Supreme Court held that there was a contractual relation under those policies. The courts then were pretty well filled with litigation. We were forced to liberalize and grant wider discretion, with a view of simply eliminating a great flood of litigation over this very feature.

All right, Doctor.

Senator MILLIKIN. May I ask one more question?

Dr. Altmeier, roughly speaking, would it be true that unless these requirements are held strictly to the type that you have in mind, might not the cost of the thing get out of hand?

Mr. ALTMAYER. The experience in other countries, all the countries that have old-age retirement systems--and with the exception of two, all these other countries do have permanent and total disability--has not been unfavorable. We have the same sort of provision, as you know, in the Railroad Retirement Act, in the Civil Service Retirement Act, and under workmen's compensation where total and permanent disability is compensated. So I think we have considerable Government experience in this country and abroad which indicates that the cost can be kept in line with proper definitions and proper administrative safeguards.

Senator MILLIKIN. May I assume correctly before you have finished your case that we will have detailed testimony on those points?

Mr. ALTMAYER. Yes, sir.

We believe that the provision for permanent total disability could be improved in one very important respect, namely, providing dependents benefits in the same way that dependents benefits are provided for workers who retire. The strict requirements mentioned above would still keep the cost of benefits at a moderate level. We would recommend that rather than exclude dependents benefits entirely, the top limit to the benefits in a single case be made somewhat lower than the top limit of 80 percent of wage loss specified for retirement benefits.

We believe that the bill is very sound in making specific provision for establishing cooperation with rehabilitation agencies since experience indicates that many persons classified as permanently and totally disabled can actually be rehabilitated. However, financing the necessary rehabilitation services should not depend entirely upon the availability of Federal and State funds from general revenues. Workmen's compensation laws, for example, have long recognized the desirability of financing rehabilitation out of workmen's compensation revenues.

This committee will naturally want to know what the cost will be, not only of H. R. 6000 in its present form, but also of the modifica-

tions I have just outlined. Obviously paying higher benefits to more people will result in a large total disbursement of benefits. However, the increase in the contribution base and the broadening of coverage results in partly offsetting savings when cost is calculated as a percentage of pay roll. The estimated level premium cost of H. R. 6000 modified as suggested would be about 7.2 percent. If the estimated level premium takes into account an increasing wage level for the next half century comparable to that which has occurred during the past half century, the percentage for H. R. 6000 in its present form would be roughly 5.1 percent and for H. R. 6000 as modified it would be roughly 6.0 percent of pay roll.

Senator BUTLER. Mr. Altmeier, in connection with this last statement is your statement in agreement with the opinion that was given by your actuary when the same subject was under consideration in the House?

Mr. ALTMAYER. Yes, sir.

Senator BUTLER. If I recall correctly, the statement at that time was to the effect that the cost would go up, just the opposite to what your statement seems to be.

Mr. ALTMAYER. I think perhaps this concept of level premium is what is misleading. Level premium is that premium which, if levied over the lifetime of the system, would be sufficient to cover the costs incurred. You are correct, of course, that the costs go up for the next 40 years or so, but the level premium is that premium which would be sufficient over the lifetime of the system and would take into account those increasing costs.

The CHAIRMAN. Doctor, you don't make any reference to the act of 1943, the Senate amendment, under which we authorized appropriations out of the general fund for the purpose of supporting the old-age and survivor's insurance program. The House omits that altogether from its bill, as I understand it. Is that correct?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. Would you be prepared to say now whether you approve that omission?

Mr. ALTMAYER. Senator, it all depends upon——

The CHAIRMAN. What we do?

Mr. ALTMAYER. What you do. The House proceeded upon the assumption, the theory, the belief, the conviction that this ought to be a self-sustaining system without any subsidy from general revenues. Upon that assumption it is necessary to levy a premium to take care of the cost, and they estimate that at 6.2 percent. At one time, you recall, in the last 10 or 15 years there has been much discussion as to whether or not the premium levied should be just enough to cover the yearly costs involved. But if that is done, and no reserve built up, as you will recall from previous consideration of this subject, it means that the ultimate premium must go up rather steeply. So when this question was under discussion in 1943, I think it was, and that level was pointed out, Senator Johnson proposed or sponsored this amendment, and Senator Vandenberg supported it, of a guaranty that if the contributions levied were not sufficient to take care of the outgo in any year, there would be the necessary appropriation from general revenues to make up the deficit.

Senator MILLIKIN. Have we not always gone on the theory that at some future period the system would have to be supplemented with appropriations?

Mr. ALTMAYER. As I say, I think in 1943 when the amendment was introduced you were veering in that direction, but I do not think the Ways and Means Committee has ever accepted that policy.

The CHAIRMAN. The Advisory Council rather went in that direction, too, did it not?

Mr. ALTMAYER. Of an eventual Government subsidy?

The CHAIRMAN. Of a Government supplement; yes.

Mr. ALTMAYER. I think that is right.

Senator MILLIKIN. May I ask Mr. Fauri when did they figure the Government subsidy would start?

Mr. FAURI. The Advisory Council? I think they estimated the tax rate was to go to 2 percent in 1957, and after the point was reached that a 2-percent tax on employer and a 2-percent tax on employee plus interest on the investment of the trust fund did not meet the current expenditures, then consideration should be given to Government subsidy, as I remember it.

Mr. ALTMAYER. May I correct a statement I made? I said Senator Johnson sponsored that amendment. Senator Murray was the sponsor of that 1943 amendment.

Senator BUTLER. Returning again to the question that I asked, I am not quite clear on your position compared with the statement made by the actuary, the statement taken from that study, actuarial study No. 28, last February, under the subject, Basic Assumptions.

Mr. ALTMAYER. What page did you say?

Senator BUTLER. It is not paged through. It is under Basic Assumptions here. And apparently this is a statement by the actuary. In the second paragraph there is this statement:

However, under such circumstances if the wage level continued to rise, the benefits payable would continuously decrease in adequacy.

It would appear to me that your estimate of 6 percent would have to increase along with the increase in wage levels.

Mr. ALTMAYER. The first sentence of that paragraph is this: "On the other hand, if wages continue to rise, and such assumed liberalizations are not made," by some future Congress, "these estimates overstate the cost as a percentage of pay roll," because your pay roll base will be higher and the benefits will not bear as high a ratio to the increased wages. "And contribution rates based on them would be too high."

Then it goes on to say as you just read:

However, under such circumstances if the wage level continued to rise, the benefits payable would continuously decrease in adequacy. Benefits under the system would be subject to considerable criticism a decade or so hence because of the inadequacy of the benefit relationships to wages.

I think what he is suggesting is that Congress would then be confronted with the necessity of reconsidering the scale of benefits just as you are considering it today because of the great increase in wages and the fixed benefit provisions. The sum and substance is in line with what I have just testified, that if the benefits prescribed today by the Congress are calculated on a static wage, the percentage is higher than if they are calculated on the assumption of an ever-increasing wage level at all comparable to the increase that has occurred over the last half century or century. The increase has been about 3 percent, as I recall, compounded annually. I don't think that this estimate that I have presented of ever-increasing wage level takes full account

of the increase that has occurred in the past. I think it is closer to an estimate of 1½ percent compounded annually.

So if account is to be taken at all of the increasing wage level, then I think this estimate that I have presented of 6 percent is conservative.

Senator MILLIKIN. What has been the increase in productivity per worker over the same period?

Mr. ALTMAYER. I think it is roughly comparable. It runs about 2 percent per worker.

Senator MILLIKIN. Will not the productivity per worker have to be increased substantially by better machines and better technologies if the pay rolls are to stand these increasing deducts which are being proposed?

Mr. ALTMAYER. If they are increased beyond what they are today, the workers will naturally seek higher wages. It all depends upon the nature of the deducts. If they are in the form of insurance or savings to the worker, then of course they are simply a part of his total remuneration. If they are for general tax purposes, that is a different story.

Senator MILLIKIN. But they all are a part of the cost.

Mr. ALTMAYER. Oh, yes; they are all part of the labor cost.

Senator MILLIKIN. As you increase the labor cost, that will be offset by increased productivity. Otherwise, you are tying up the economy like a pretzel.

Mr. ALTMAYER. There is no question about it.

Senator MILLIKIN. We use the words "insurance" and "security," and I suggest that there cannot be either unless we have a productivity per worker that overcomes the total cost of all these various deducts for taxes, for social security, possibly for socialized medicine, and so forth and so on. Would you agree with me on that?

Mr. ALTMAYER. Yes, sir; except I do not want to be understood as suggesting these are additional costs. The worker is confronted with the cost of maintaining himself under any circumstance.

Senator MILLIKIN. If you count this as part of the worker's wage, the worker's wage is a part of costs. From the employer's standpoint any outlay of money he makes is a part of costs, and I suggest again that it follows that unless you keep your productivity in excess of your increases in costs, you are going to stymie your economy.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. I am talking about doing it with honest dollars rather than bigger and faster printing presses.

Mr. ALTMAYER. I should like now to turn to public assistance.

The CHAIRMAN. Yes, sir.

Mr. ALTMAYER. The expansion and liberalization of the social-insurance system would reduce the need for public assistance. Yet in the immediate future large numbers of aged persons, children, and disabled persons will be forced to rely on assistance because the insurance program has not covered all occupations from its inception and because it does not cover these who are already retired or disabled or survivors of those who have already died. Therefore, it is necessary to strengthen the assistance program to meet the needs of people during a transitional period before the social-insurance program became fully effective. H. R. 6000 makes a number of changes in the public-assistance titles of the Social Security Act which we believe would greatly improve public assistance. These are as follows:

1. An additional grants-in-aid program would be established by a new title XIV and thus coverage under the public assistance programs

would be extended to persons who are permanently and totally disabled.

That would cover only needy persons on the basis of need, who were permanently and totally disabled.

Senator MILLIKIN. Is that not already provided for in the assistance acts of the various States?

Mr. ALTMAYER. The States or localities have what they call general assistance. I will have some figures to present as to how many of those are State programs, how many are purely local programs. They do not distinguish between permanent and total or any other cause. It is the residual needy group not covered under the three categories.

Senator MILLIKIN. And regardless of age.

Mr. ALTMAYER. Yes, sir; not covered under the three categories of the aged, the blind, and dependent children.

2. The formula governing the extent of Federal financial participation in assistance payments made by the States is changed for titles I, IV, and X, and for the new title XIV. This formula would retain present maximums on assistance payments but would increase, over present provisions, the Federal share of payments. In title IV, relating to aid to dependent children, the bill would extend Federal financial aid in payments up to \$27 a month made by States in meeting the need of a parent or other relative caring for dependent children.

3. The term "assistance" is redefined in all titles and would include, in addition to a money payment, payments made directly to persons supplying medical services to assistance recipients. The maximums on Federal participation would apply in each individual case to the total of cash payments and medical payments.

I do not know whether I made myself clear on that third point.

The CHAIRMAN. I do not quite understand it.

Mr. ALTMAYER. The present definition of assistance in the various titles of the Social Security Act define assistance as money payments made directly to the recipient, money payments, cash. The States have great difficulty in financing on a realistic basis the medical expenses of recipients of cash assistance, because the medical expenses are unpredictable in the individual case and cannot, therefore, be included easily within the monthly cash payment. This amendment that is proposed in H. R. 6000 would match on the same basis as the cash payment that the States make, the payment they make for medical care directly to the doctors, the hospitals, and the other vendors of the service rendered to the recipients of cash assistance.

Senator BUTLER. To any amount?

Mr. ALTMAYER. No. It is within the existing individual maximum of the case. But they could make various arrangements. For instance, they could make arrangements with Blue Cross or Blue Shield and it would give the State welfare departments a flexibility in financing the medical costs involved that they do not have at the present time.

Senator MILLIKIN. What control do they have over the doctor or the theory of medicine?

Mr. ALTMAYER. I do not think they would have any control by reason of this amendment. Many States and localities now of course have made arrangements with the local doctors of one kind or another, and they would make similar arrangements under this amendment, except that they could make payments directly to the doctors instead

of including an amount in the cash assistance which is then paid to the doctors.

Senator MILLIKIN. But at the State level the States can make any sort of regulations that they want to make so far as the payments are concerned, can they not?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Would some sort of restriction on the extent of that control be desirable in connection with a bill of this kind?

Mr. ALTMAYER. I do not know what restriction or control would be envisaged. I do not think it is necessary. I do not recall that it has ever been a burning question in the States. The whole problem that has vexed the welfare departments and the doctors is some way by which they can get payment as directly as possible, without a lot of red tape.

Senator MILLIKIN. What I am getting at is, one of the objections to the proposed social medicine plan is that in the natural tendency of governmental affairs the first thing you know the Government will be telling the doctors what medicines to prescribe and be setting up all sorts of qualifications for the doctors who receive the money, various kinds of controls, hospital rules and regulations, and so forth and so on. I am just wondering whether the same sort of objection, without discussing its merits at all, would be open to this.

Mr. ALTMAYER. The representatives of the medical profession would really have to advise you on that. All I can say is that traditionally the governments have been expected to pay for the medical treatment of persons receiving public assistance or relief. I think that the medical profession are fully prepared to cooperate so far as providing the necessary high-quality medical care for these people receiving assistance. I do not think the same question that concerns the medical profession in the case of health insurance is involved in making the necessary arrangements to pay the medical profession or the hospitals for services given to these recipients of public assistance.

Senator MILLIKIN. At the present time the Federal Government does maintain a certain amount of regulation and control over what happens to the public assistance money that we appropriate.

Mr. ALTMAYER. Yes, we have specific requirements in the law.

The CHAIRMAN. Would this new definition of assistance increase the contribution of the State so as to bring the possible maximum benefits up under any one of these titles beyond what is now fixed in the law?

Mr. ALTMAYER. This particular change here I do not think has much money significance. It has some. But the increase in Federal participation comes largely because of point No. 1, where the matching formula is changed in H. R. 6000.

The CHAIRMAN. I understand that is changed, but this new definition of assistance would not affect that. The maximum would remain the same whether it was a contribution in assistance or in cash.

Mr. ALTMAYER. That is right. The way it might affect it some is as regards some payments that the States cannot claim credit for now because they are made directly to the vendors, you see—they do not get matching now because of this definition of assistance which covers only money payment directly to the assistance recipients. As regards those payments which they have not been able to work into the monthly cash budget of the recipient they have not been able to claim

Federal matching. Under this new definition they would be able to claim that.

The CHAIRMAN. That is what I was getting at.

Senator MILLIKIN. It provides a new matching fund, is that correct?

Mr. ALTMAYER. It does not provide a separate matching fund for medical care, but it broadens the definition of assistance so that within the present individual monthly maximum for which the Federal Government will match, the cost of medical care which is paid for directly to the vendors may be included.

The CHAIRMAN. Or it might consist entirely of medical care assistance if the need for such assistance reached that point, could it not?

Mr. ALTMAYER. You mean if they rendered no cash assistance at all, and merely medical care?

The CHAIRMAN. Yes.

Mr. ALTMAYER. If a person met all the qualifications of age and need and that sort of thing, but he would have to meet those requirements.

The CHAIRMAN. I understand he would have to meet those qualifications.

Mr. ALTMAYER. Yes.

The CHAIRMAN. But if assistance were extended to him other than in cash, then the State would be able to say that we are entitled to the Federal contribution.

Mr. ALTMAYER. Yes, sir.

Senator JOHNSON. Are these contributions in addition to the regular cash allotment, or are they part of what he was getting before?

Mr. ALTMAYER. As I say, the States naturally try their best to include in the cash payment enough to take care of these medical expenses, but in many cases they find it very difficult to do so because of the unpredictable character of the medical expenses. So they are driven to making payments directly to the vendor, and when they do that they cannot claim Federal matching of those direct payments to the vendor of the service. This amendment would permit them to do so within the present maximum of \$50 in the case of the aged and the blind, and \$27 for the first child in the case of aid to dependent children.

Senator JOHNSON. But under the old plan the recipient made his own contract for medical services.

Mr. ALTMAYER. Yes.

Senator JOHNSON. And under this plan-----

Mr. ALTMAYER. He could do so too.

Senator JOHNSON. The State does it.

Mr. ALTMAYER. The State could do it either way. They could either include it or not. If it is a regular monthly amount, say, insulin or some feature that is known to be regular, they can include it in the cash amount. But in the unpredictable cases, they cannot.

Senator BUTLER. Mr. Altmeyer, the present cash payment is limited.

Mr. ALTMAYER. Yes.

Senator BUTLER. Why could not the same limit be made under the law without this amendment?

Mr. ALTMAYER. The same top allowance? This amendment does not change the top allowance.

Senator BUTLER. But why could not the same settlement be made with the patient under the existing laws that it would be with this amendment?

Senator MILLIKIN. Perhaps Senator Butler has in mind merely to amend the law to state affirmatively that medical expenses can be paid out of the Federal appropriation.

Mr. ALTMAYER. That is what this does.

Senator MILLIKIN. Is that all this does?

Mr. ALTMAYER. That is all it does.

The CHAIRMAN. All right.

Senator MILLIKIN. Could the State make a direct contract with the Blue Cross for servicing a group of its people?

Mr. ALTMAYER. Yes.

4. The prohibition in titles I and X against Federal financial participation in payments made to inmates of public institutions would be modified to allow such participation to inmates of certain public medical institutions. This also would be changed so as to require all States making payments to inmates of institutions after July 1, 1953, to establish and maintain standards for the institutions.

You will recall that in the present law there is a specific provision which prevents Federal matching if the recipient is in a public institution. If a recipient is in a private institution these cash payments can continue to be made, but in the case of the aged particularly it is being found more and more difficult to find necessary domiciliary and nursing care for these aged persons. Therefore, if an institution met the definition of a medical institution, not just the old-fashioned poorhouse, to put it crudely, the States could get Federal matching for the cash payments made to the persons who were in such institutions.

However, these individuals would have the right, these recipients would have the right to choose for themselves whether they wanted to live in these group arrangements to receive the necessary nursing care or whether they wanted to live under some other arrangement, which is a great distinction, of course a very necessary distinction. It makes all the difference in the world when a provision of this kind is considered.

Senator MILLIKIN. Is a needy person at the present time barred from public assistance because he is in a public institution for medical care?

Mr. ALTMAYER. Yes, sir; barred so far as the Federal Government's sharing in the cost of the assistance.

Senator MILLIKIN. But he can get his public assistance even though he may be in a hospital.

Mr. ALTMAYER. You mean if the State and local governments have some arrangement of their own.

Senator MILLIKIN. Say that John Doe is aged and dependent and qualifies generally for public assistance. After having so qualified and after having received whatever the benefit may be in the particular State, is he barred from that benefit because he goes into a public medical institution?

Mr. ALTMAYER. Yes; unless it is for a temporary period of time. We have interpreted the law to provide that he is not an inmate, if

he morely goes in for temporary medical treatment; but if he becomes a permanent resident in a public institution the present law is very definite in excluding that case from Federal financial participation.

The CHAIRMAN. Not so if it is a private institution.

Mr. ALTMAYER. Not if it is private. For instance, many religious and fraternal orders have homes for the aged, and those don't come under the exclusion in the present act.

Senator MILLIKIN. Then would the purpose of this be to reimburse a public medical hospital so far as it would reimburse it?

Mr. ALTMAYER. This is separate from the medical point that I was just discussing. This would enable the Federal Government to share in the cash assistance that is rendered to that person. That person would choose for himself how he would expend this cash payment, whether he would make arrangements to live in this public medical institution where he could get the sort of nursing care, 24-hour care, that he needed, or whether he would live with some relative or whether he would go into some private institution, or what.

Senator MILLIKIN. I still am not clear on the point that I am driving at. Suppose that an aged person needing assistance is in a public hospital which is not permitted to accept fees for service. At the present time he does not get public assistance.

Mr. ALTMAYER. Unless it is just a temporary thing.

Senator MILLIKIN. Under this law what would he get and who would get it?

Mr. ALTMAYER. He would get the amount that the State determined was his budgetary deficiency, just as in the case of any of these other aged persons.

Senator MILLIKIN. Would the public hospital get a part of that, or would it all be for the fellow who was in the hospital?

Mr. ALTMAYER. I think I see your point. He might then use a portion of that cash payment to reimburse in whole or in part the public authority that was operating this institution.

Senator MILLIKIN. But if the public authority were prohibited by law from taking the payment, what would be his situation?

Mr. ALTMAYER. Then I would presume that the amount of cash assistance granted him would be reduced; but I would think that any local or State authority would immediately change their regulations to take advantage of the reimbursement they could obtain through the cash payment.

Senator MILLIKIN. That is exactly what I was driving at. So that in the end, through the practical operation that you have just described, it would put Federal money into public medical institutions.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. It would also be a source of some income for a lot of needs that a man has even if he is in a public institution. Those needs could be met by this kind of payment, is that correct?

Mr. ALTMAYER. Yes, sir.

Senator JOHNSON. Do you make any distinction between voluntary commitment to a medical institution and commitment by law? For instance, in Colorado we have a hospital for the insane, and a great many old folks, more than 100 at least, have been committed to that hospital by courts.

Mr. **ALTMAYER**. In the definition of medical institution, the Ways and Means Committee specifically excluded mental and tuberculosis hospitals.

The **CHAIRMAN**. All right, Doctor.

5. The bill would make various changes in the aid-to-the-blind program directed toward giving greater consideration to the special needs of blind persons and allowing the States certain options with respect to consideration of earned income of recipients. Earned income up to \$50 a month could be disregarded by States in determining need and the amount of the assistance payment in accordance with plans worked out between the State welfare agency and the State vocational rehabilitation agency. That is to say, if an arrangement is worked out where the State vocational rehabilitation people and the State welfare people felt there was a good chance of making this person self-supporting, they could exempt up to \$50 the earnings while he was being brought back to a self-supporting basis.

Senator **MILLIKIN**. That cannot be done at the present time?

Mr. **ALTMAYER**. That cannot be done at the present time.

A further change specifies that the States must establish blindness either by examination by a physician skilled in the diseases of the eye or an optometrist. The act does not now specify how blindness is to be established.

The **CHAIRMAN**. Under the present act, blindness need not be established by an examination by a doctor or an optometrist.

Mr. **ALTMAYER**. There is no specific provision, but we do require the States to set up methods for determining whether or not a person is blind.

The **CHAIRMAN**. Have you not had some protests from the oculists?

Mr. **ALTMAYER**. Not from the oculists. I think the purpose of this amendment is to permit a State, if it so desires, to use the services of an optometrist. However, if it is a diseased eye condition which an optometrist is not authorized under State law to treat, then I presume it would still be necessary for a State to avail itself of the services of an oculist.

Senator **MILLIKIN**. I am just wondering whether that is spelled out in the law.

Mr. **ALTMAYER**. No; it is not. You mean what I have just said?

Senator **MILLIKIN**. Yes.

Mr. **ALTMAYER**. No, sir; it is not.

Senator **MILLIKIN**. Give us a practical example of how this would work in the case of a blind person.

Mr. **ALTMAYER**. Most States have set up standards for determining what constitutes blindness, 20/200 is a rather usual standard. That means that a person can see at 20 feet what he should be able to see at 200 feet. If his vision is impaired to that extent in both eyes, he is considered to be blind. Then they have standards relative to the degree of restriction of the visual field that are a corollary or complementary to this restriction in visual acuity that I have just mentioned. They get the necessary reports from qualified practitioners as to this person's vision in these two respects, and there might be some other respects that I have not mentioned. Then, on the basis of those reports, they determine whether the person qualifies as a blind person.

Then in addition to qualifying as a blind person, he of course must qualify as a needy person.

Senator MILLIKIN. Then what happens under the present system?

Mr. ALTMAYER. Then they provide him with cash assistance.

Senator MILLIKIN. What will happen under this amendment?

Mr. ALTMAYER. I do not know exactly what will happen in the States, except that specific mention is made that the States may avail themselves of the services of an optometrist in making that determination of blindness.

Senator MILLIKIN. And eliminate \$50 in the needs test? Did I not see that?

Mr. ALTMAYER. No.

Senator MILLIKIN. It says income up to \$50 a month could be disregarded by the States.

Mr. ALTMAYER. In connection with earnings, if a man is undergoing a rehabilitation program; yes, sir.

The CHAIRMAN. That doesn't mean, then, Doctor, that by giving the State the option or the additional authority to use the optometrist to determine the blindness, that that is necessarily exclusive?

Mr. ALTMAYER. That is my interpretation, but it is just my interpretation.

The CHAIRMAN. You do not know what the States would decide. All right.

Mr. ALTMAYER. 6. Several changes are proposed in the plan requirements of the various titles. The State plan would have to include a training program for the personnel administering the plan. Plan requirements are also inserted which would also require that all individuals be given an opportunity to apply for and to receive aid promptly if eligible and to obtain a fair hearing if a claim is not acted on within a reasonable time. In aid to dependent children, a new plan requirement is proposed requiring the State to report to the appropriate law-enforcement officials all aid-to-dependent-children cases in which a parent has deserted. Residence requirements which the States may impose for aid to the blind are reduced, effective July 1, 1951, to 1 year. In the totally and permanently disabled program, the residence requirements may not exceed the period specified in the State aid-to-the-blind plan.

Senator MILLIKIN. Dr. Altmeyer, was there any controversy over that 1-year provision?

Mr. ALTMAYER. I do not believe there was, Senator.

Senator MILLIKIN. No objections to it?

Did the States that have high pensions—

Mr. ALTMAYER. This is applicable only to the blind and the permanently disabled. It is already 1 year in the case of aid to dependent children. It will continue to be 5 out of 9 years for the aged.

Senator MILLIKIN. How many blind are there in the United States?

Mr. ALTMAYER. The number receiving blind assistance is about 90,000.

Senator MILLIKIN. Have you got that broken down by States?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Could we have that in the record, sir, at some point?

Mr. ALTMAYER. Yes, sir.

(The information is as follows:)

Number of recipients of aid to the blind, October 1949

Total.....	91, 599	Mississippi.....	2, 635
Total, 47 States ¹	73, 296	Missouri.....	2, 780
Alabama.....	1, 347	Montana.....	510
Arizona.....	817	Nebraska.....	605
Arkansas.....	1, 810	Nevada.....	32
California.....	9, 572	New Hampshire.....	310
Colorado.....	392	New Jersey.....	705
Connecticut.....	200	New Mexico.....	465
Delaware.....	148	New York.....	3, 858
District of Columbia.....	258	North Carolina.....	3, 782
Florida.....	3, 151	North Dakota.....	116
Georgia.....	2, 586	Ohio.....	3, 715
Hawaii.....	88	Oklahoma.....	2, 714
Idaho.....	209	Oregon.....	385
Illinois.....	4, 533	Pennsylvania.....	15, 482
Indiana.....	1, 850	Rhode Island.....	163
Iowa.....	1, 192	South Carolina.....	1, 423
Kansas.....	752	South Dakota.....	210
Kentucky.....	2, 132	Tennessee.....	2, 366
Louisiana.....	1, 743	Texas.....	6, 210
Maine.....	659	Utah.....	206
Maryland.....	468	Vermont.....	180
Massachusetts.....	1, 408	Virginia.....	1, 412
Michigan.....	1, 757	Washington.....	743
Minnesota.....	1, 084	West Virginia.....	933
		Wisconsin.....	1, 358
		Wyoming.....	85

¹ 47 States with plans receiving Federal funds.

Mr. ALTMAYER. 7. By changing the definition of the word "State" in title XI, Federal grants for all assistance programs would be made available to Puerto Rico and the Virgin Islands, with Federal financial participation on approximately the same basis as set forth in the original Social Security Act of 1935.

We believe this bill would greatly improve the present titles of the Social Security Act relating to public assistance. However, we wish to suggest certain changes which we believe would make it still more effective. The important changes which we should like to submit for your consideration are:

1. We believe that the basis of Federal matching should be revised and that consideration should be given to the ability of the States to meet their share of the assistance cost. A number of other laws and bills utilize as a reasonable test of ability the per capita income of the States as measured by the Department of Commerce. We have proposed that States whose per capita income is less than the national average should receive additional sums of Federal aid in order to help equalize the burden of the public-assistance program.

Senator MILLIKIN. Again did you make this proposal to the House Ways and Means Committee?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. What were the pros and cons on it?

Mr. ALTMAYER. I am not a very good witness because naturally I think that we should take into account per capita income as the best test of the ability of the State to meet its share of the cost. However, I think that on the other side it was felt that the formula itself in the

law, in the actual percentage of matching, ought to be established without preference to how it would affect an individual State. However, recognizing that there is a problem there in the low-income States, the formula has been changing from a straight 50-50 matching to a larger proportion of matching by the Federal Government in relationship to the size of the average payment that is made, the theory being that the lower-income States will have lower average payments. Therefore if the Federal Government matches the low average payment at the higher rate than they match the higher average payments, they will be accomplishing the fundamental purpose of helping the low-income States more than the high-income States.

But it does not work out sometimes exactly that way. Sometimes you have a high-income State with low average payments and sometimes you have a low-income State with high average payments.

Senator MILLIKIN. I am just wondering whether there is a test in the formula of the ability of the State to contribute more even though it is a low-income State.

Mr. ALTMAYER. I don't know exactly what you mean by that.

Senator MILLIKIN. You have a total amount of State revenue. A certain percentage of it is spent for education, a certain percentage for public assistance, a certain percentage for highways, a certain percentage for insane asylums, and so forth and so on. Is there any consideration in the formula of the fact that the State might do better in public assistance out of the revenues available to it than it is doing? In other words, would this sort of formula encourage a State not to do as much as it might be able to do?

Mr. ALTMAYER. On the contrary, I think if you stay with the fundamental ability of the State measured by per capita income, which I believe is the best single measure, one does not then get into the embarrassing situation of scrutinizing the sort of taxes that are levied and the purpose for which the taxes are used in a particular State. That would get one into all sorts of complications as regards a particular State. If you go back to the original source of the taxes, however, you have the measure of the ability.

Senator MILLIKIN. Is there any weight given to the difference in the cost of living in the States?

Mr. ALTMAYER. No, sir; and the cost of living does not vary much between States. It varies more between various parts of a State than it does between States.

Senator MILLIKIN. Is there not a rather substantial difference in wage scales in different parts of the country?

Mr. ALTMAYER. Yes; and that would be measured by the per capita income.

Senator MILLIKIN. Yes; but that also reflects the cost of living to some extent.

Mr. ALTMAYER. To some extent, but interestingly enough not to the extent that most people believe.

Senator MILLIKIN. Have we any figures on that?

Mr. ALTMAYER. The cost of living variation by States?

Senator MILLIKIN. Bringing per capita income in relation to the cost of living in the particular States.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. That would be interesting if we could have something of that kind in the record.

Mr. ALTMAYER. Yes, sir.

(The information is as follows:)

Information on cost of living is not available for States. However, the cost of a budget for a four-person city worker's family in June 1947 has been compiled by the Bureau of Labor Statistics of the Department of Labor for 34 cities in 25 States. As the tabulation below indicates, the cost of this budget varied from a low of \$3,004 in New Orleans to a high of \$3,458 in Washington, D. C., a difference of \$454. In some of the cities in low-income States, the cost of the budget is actually higher than in some of the cities in high-income States.

State and city (grouped in order of State per capita income)	State per capita income, 1946-48	Cost of budget for 4-person family in June 1947 ¹
New York:		
Buffalo.....	\$1,700	\$3,095
New York.....	1,700	3,347
Illinois: Chicago.....	1,642	3,282
California:		
Los Angeles.....	1,028	3,251
San Francisco.....	1,628	3,317
D. C.: Washington.....	1,624	3,458
Maryland: Baltimore.....	1,451	3,200
Massachusetts: Boston.....	1,433	3,310
Ohio:		
Cincinnati.....	1,425	3,119
Cleveland.....	1,425	3,200
Washington: Seattle.....	1,404	3,358
Michigan: Detroit.....	1,394	3,293
Colorado: Denver.....	1,362	3,168
Pennsylvania:		
Philadelphia.....	1,338	3,203
Pittsburgh.....	1,338	3,291
Scranton.....	1,338	3,163
Wisconsin: Milwaukee.....	1,332	3,317
Indiana: Indianapolis.....	1,277	3,098
Oregon: Portland.....	1,274	3,161
Minnesota: Minneapolis.....	1,220	3,282
Missouri:		
Kansas City.....	1,227	3,010
St. Louis.....	1,227	3,247
New Hampshire: Manchester.....	1,163	3,132
Maine: Portland.....	1,146	3,200
Florida: Jacksonville.....	1,128	3,135
Texas: Houston.....	1,118	3,007
Virginia:		
Norfolk.....	1,075	3,241
Richmond.....	1,075	3,223
Louisiana: New Orleans.....	909	3,004
Georgia:		
Atlanta.....	907	3,150
Savannah.....	907	3,150
Tennessee: Memphis.....	906	3,220
Alabama:		
Birmingham.....	828	3,251
Mobile.....	828	3,276

¹Source: City Worker's Family Budget; Monthly Labor Review, Feb. 1948, Department of Labor, Bureau of Labor Statistics.

Mr. ALTMAYER. Federal aid in the case of dependent children is now limited to children in homes where there has been death, incapacity, or absence of a parent, thus placing a premium on family disintegration. We believe that Federal funds should be available to enable needy families to stay together and to maintain the integrity of family life. This can be done by deleting the clause in section 406 of the existing law which allows Federal financial participation only where a parent is dead, incapacitated, or absent from the home.

That is to say, you may have the case of an unemployed father seeking work. His insurance benefits are either insufficient or have

become exhausted. If he deserts his family, then the family can qualify for aid to dependent children. If he stays with the family undertaking to seek work and contributes as much as possible, his very presence in the home automatically excludes the children in that family from qualifying as dependent children under title IV of the Social Security Act.

Senator MILLIKIN. But what if he leaves home to get a job in some other town without intention to desert?

Mr. ALTMAYER. And he maintains contact with the family?

Senator MILLIKIN. Yes.

Mr. ALTMAYER. Then it would not be considered absence.

Senator MILLIKIN. It is only the case of desertion that you are speaking of.

Mr. ALTMAYER. Yes, sir.

3. The bill extends the assistance program to persons who are totally and permanently disabled. This extension will encompass only a portion of the persons in need who cannot qualify under the present three categories, such as the aged who have not yet become 65 years of age. This is to be regretted since the general assistance programs which must operate without Federal help are generally quite inadequate in meeting the need of destitute persons. But regardless of whether the extension goes beyond disabled persons, we would suggest that a provision be made for rehabilitation similar to that included under section 107 of the bill relating to permanent and total disability insurance benefits.

The CHAIRMAN. Would you mind giving us a summary of the arguments on both sides on this permanent disability provision?

Mr. ALTMAYER. We recommend, as you recall, that there be a so-called fourth category, which would include needy persons who could not qualify for one reason or another under the existing three categories. However, I think that it was felt by the Ways and Means Committee that that would open up the Federal Government to an unknown liability for matching; and therefore it was felt that it was safer from the standpoint of the Federal Government and would accomplish to a large extent the objective if the fourth category were restricted to permanently and totally disabled persons.

What we see happening is that in the case of general assistance—by “general assistance” I mean this fourth category—since the States do not get any Federal financial participation, the assistance rendered is far less adequate not only because the States are less able to meet the established need, but also because there is a natural tendency to put State moneys in those programs where they attract Federal dollars. So, that is why we have recommended this fourth category for other persons who do not qualify under the three existing categories, but still retaining the needs basis for assistance.

Senator MILLIKIN. How many permanently and totally disabled persons are there in the United States?

Mr. ALTMAYER. There are about 2,000,000 all told, 2,000,000 that have been disabled for 6 months or more.

Senator MILLIKIN. Out of the working force or out of all categories of persons?

Mr. ALTMAYER. On any one day the best estimates go something like this: There are about 8,000,000 people disabled.

Senator MILLIKIN. All kinds.

Mr. ALTMAYER. All kinds, temporarily and permanently disabled.
 Senator MILLIKIN. And regardless of occupation?

Mr. ALTMAYER. Regardless of previous occupation. Of that 8,000,000 about half can be said to have been in some gainful employment or occupation. The others are young children, aged persons, and housewives who are not in a pecuniarily gainful occupation. I do not want to get into an argument about whether they are in a gainful occupation. Of the 4,000,000 who have been disabled for over 6 months, half of those are from the gainfully occupied and half from the nongainfully occupied.

Senator MILLIKIN. The gainfully occupied would include professional people, for example?

Mr. ALTMAYER. Oh, yes.

Senator MILLIKIN. It would include the self-employed?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. If you have any figures so far as the industrial working force is concerned, how many industrial workers are permanently and totally disabled, do you have any figures on farm hands or domestic employees?

Mr. ALTMAYER. No, sir. These estimates are so broad that any attempt to break them down by categories would just be adding another uncertainty to their admittedly—

Senator MILLIKIN. Has that not been one of the difficulties in getting at the subject of insurance for permanently and totally disabled, that the statistics are so slippery that it is difficult to make actuarial calculations?

Mr. ALTMAYER. The statistics are much better when it comes to those who have actually applied for their insurance rights under public or private programs, but the statistics are uncertain when you go to the great population where there has been no contact either by public or private insurance companies.

Senator MILLIKIN. Is there any rule of thumb, rough rule of thumb, whereby if you know the number of your working force, you can say that so many of those at any given time are totally disabled?

Mr. ALTMAYER. It would depend to a considerable extent upon the occupation. For instance, in mines there is a much larger proportion of the previous working force permanently and totally disabled.

Senator MILLIKIN. You just do not have the figures, is that right?

Mr. ALTMAYER. I think we may have some figures, and I will see what we have, but I do not think that they are at all inclusive.

Senator MILLIKIN. If we could get some durable figures in this thing, good, reliable statistics on which you can estimate what your ultimate costs might be, I believe it would be useful.

Mr. ALTMAYER. Yes, sir; but I should make it clear that we do have more definite figures on the permanently disabled who have actually sought public assistance.

Senator MILLIKIN. Yes.

(Mr. Altmeyer later submitted the following information:)

The number of persons who are counted as disabled at any time depends on various factors: the definition of disability; the composition of the population as to age, sex, and certain other characteristics; on the prevailing health standards; and on the condition of the labor market.

The latest attempt to enumerate the disabled in the United States was made in connection with the current monthly population survey made by the Census Bureau. In February 1949 the Census Bureau added supplementary questions

to its monthly survey of employment among a sample of 25,000 households to determine the number of disabled individuals in these households. The sample returns adjusted to represent the total population of the country indicated there are 2.1 million disabled persons in ages 14 to 64 with disabilities which have already lasted more than 6 months. This survey was limited to the noninstitutional civilian population.

If allowance is made for disabled persons in institutions, this figure is increased to nearly 3,000,000.

Estimated number of persons with disabilities which have lasted more than 6 months in civilian noninstitutional population of the United States, ages 14-64 (Based on Current Population Sample Survey, February 1949, made by Census Bureau)

Age	Both sexes ¹	Male	Female
Total.....	2,050,000	1,274,000	785,000
14 to 19.....	107,000	65,000	42,000
20 to 24.....	108,000	68,000	40,000
25 to 34.....	238,000	146,000	90,000
35 to 44.....	283,000	168,000	128,000
45 to 54.....	509,000	305,000	204,000
55 to 64.....	806,000	525,000	281,000

¹ Those with unknown duration of disability ignored.

Figures on total disabilities in the population are not used, however, in arriving at estimates for disability insurance.

Estimates of the number who would file claims for disability insurance benefits, the number of claims that would be allowed and the number on the rolls and their benefits in any given year are derived by standard actuarial methods. First, the covered work force for each year is calculated and from this is derived the number of individuals who will meet the insured status requirements in that year by age, sex, and average earnings. These are durable figures; they are derived directly from statistics that come from the old-age and survivors insurance wage records. Appropriate disability incidence rates by age and sex are applied to the total insured population to obtain the number of new disability cases. Then this number is reduced by subtracting out terminations of disability. The terminations are obtained from tabular rates, subdivided by age, sex, and duration since disability. Both incidence and termination rates are derived from analyses of existing disability claims experience under private insurance companies and social insurance systems in other countries as well as here in the United States under the railroad retirement and other Federal insurance programs. For a description of the specific actuarial bases used in our disability cost estimates, see page 7 of Actuarial Study No. 28, Social Security Administration.

Mr. ALTMAYER. Yes, we have that. In a period of very high employment it is true that a large proportion of the people in this fourth category are the permanently and totally disabled. When we run into a period of unemployment, and unemployment insurance benefits either become exhausted or inadequate, then additional persons come in to this fourth category which throws the proportion of the disabled off.

Senator MILLIKIN. That seems to be where your field of uncertainty is as to the additional persons who would come in.

Mr. ALTMAYER. Yes, that is right.

Senator MILLIKIN. What have been your estimates of cost on this disability program?

Mr. ALTMAYER. Permanent and total disability. The Ways and Means Committee estimated that there would be somewhat less than 200,000 persons aided under this category. That is on page 54 of their report.

Senator MILLIKIN. Are we talking now about public assistance category?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. What would it be on the insurance side?

Mr. ALTMAYER. Under the strict definitions contained in H. R. 6000, of this total of 6.2 percent level premium, there was included an estimate of fifty-five one-hundredths of 1 percent to cover disability benefits.

Senator MILLIKIN. Level?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. All the way through the whole insurance?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. How much would it be in the next 20 or 30 years?

Mr. ALTMAYER. It would start out very small because of the necessity of their being not only recently attached to the labor market, but having a long and regular period of attachment.

Senator MILLIKIN. What would be the peak from which you would derive your levels? I mean the peak which enters into the establishment of your level?

Mr. ALTMAYER. There is a committee print captioned "Actuarial cost estimates for expanded coverage and liberalized benefits proposed for the old-age and survivors' insurance system by H. R. 6000" dated October 3, 1949. On page 9 of that report the figures are given, broken down by the cost of old-age, survivors' and disability benefits.

The level premium on a low cost estimate, total level premium is 4.82 percent. On a high-cost estimate it is 7.75 percent. As I have stated, the intermediate estimate is 6.2 percent.

Turning to the years, we find that the estimate for 1955 is twelve one-hundredths of 1 percent for disability benefits, running to a peak in the year 2000 of thirty-six one-hundredths of 1 percent. Those were the low.

Senator MILLIKIN. What is the estimated labor force in the year 2000?

Mr. ALTMAYER. I do not know.

Senator MILLIKIN. I see by the tabulation that in the year 2000 the cost of disability benefits is figured to be \$1,233,000,000.

Mr. ALTMAYER. You say that statement is made?

Senator MILLIKIN. On page 9 in the tabulation, estimated absolute cost in dollars for H. R. 6000 by type benefit. I run down the column headed "Disability" and I find that in the year 2000 the cost would be \$1,233,000,000.

Mr. ALTMAYER. Yes; under the high cost estimate; \$541,000,000 for the low cost.

I do not have the labor force, Senator, for the year 2000. However, the population, age 20 to 64, in that year would be 113,000,000 as compared with 87,000,000 in 1950.

I had reached the top of page 20.

4. Although the bill makes provision for Federal participation in direct payments for medical care, such participation is limited by the maximum on individual monthly payments, as I have already explained. A natural characteristic of illness is that it is unlikely to affect all the members of any given group at one time but the cost of medical care in a particular month for the persons who are affected is likely to be in excess of the individual maximum payment. We

believe, therefore, it is essential that a modified arrangement be made for financing medical care for needy persons.

Senator MILLIKIN. Have you been discussing the modifications?

Mr. ALTMAYER. I have not, Senator.

Senator MILLIKIN. What is your modification?

Mr. ALTMAYER. It could be in one of two ways. There could be a separate provision providing that the Federal Government will participate in the same ratio for medical expenses as it does for cash assistance, but subject to a maximum of \$6 average per person for the aged and the blind, and \$3 for the children because the incidence of costly illness is not so great among children. Or if the Federal matching were put on an average basis instead of subject to the individual maximum in each case, that would overcome this difficulty. If Federal matching were put on an average and if the maximum were an average maximum of \$50 instead of an individual maximum of \$50, then the cost of the medical care could be included more readily in that maximum. But when the maximum remains on an individual basis, as I say, the actual medical expense in that individual case added to the cash assistance may run over the \$50, and in that event the State or locality must bear the entire cost.

Senator TAFT. This is for old people only?

Mr. ALTMAYER. This is for all these categories, aged, blind, dependent children, and if you had a fourth category for that category. We are talking about the problem of Federal participation in the cost of medical expense, which it is very difficult to include in the monthly payment in cash to the recipient.

Senator MILLIKIN. It is in the field of public assistance.

Mr. ALTMAYER. Yes; entirely.

Senator TAFT. In the general field where an old person becomes incapacitated, there are usually homes of various sorts where the State has paid all the medical care. Why should the Federal Government assume any of it?

Mr. ALTMAYER. You mean these people who are eligible under the categories?

Senator TAFT. Yes; old age, people over 65. That is what all the county homes are for, to protect those who require medical care and care for them in those institutions. Those have not gone down any. They have gone right on, as they did before the social-security law.

Mr. ALTMAYER. As I stated before you came in, we recommend not only that the Federal Government share in the medical expense, but share in the cash assistance that is rendered to persons in public medical institutions exclusive of mental and tuberculosis institutions, because there is a great problem which has developed in providing necessary nursing care for these aged persons. It is very difficult. The reason why the present exclusion is in the law, that is, that there be no Federal matching if the recipient is in a public institution, was due to the desire of Congress—of course I am thoroughly in accord with that—of abolishing the old-fashioned poorhouse.

Senator TAFT. Not the old people's homes, I do not think. At least we have a county home in every county in Ohio, I know, and those are still operating, and generally are well thought of as far as I can see.

Mr. ALTMAYER. Of course, they do not get any Federal matching.

Senator TAFT. No; but they will under this proposal.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. We agreed, I think, in our discussion of this earlier, Senator, that the tendency would be, local institutions now being prohibited from taking any money from the destitute person, the law would be changed so that in a sense this would be also a form of assistance to those institutions. I think we also agreed that in addition to the purely medical aspect of the thing, people who are in public institutions have some need for money aside from the strict medical angles of it.

Senator TAFT. Yes. There is some justification for a general pension of some kind, but the question of assuming the cost of medical care was what I had reference to.

Mr. Altmeier, I notice that under this one thing that concerns me a great deal. Under the budget actually presented by the President, the payments under the Federal old-age and survivors plan, at least those payments to people in this country, will increase from \$782,000,000 in the current fiscal year to \$2,300,000,000 in the next fiscal year. In other words, they will be trebled. We will pay \$1,600,000,000 more by reason of the passage of this act, apparently. At the same time the Federal Security Agency's public-assistance programs will increase in cost from \$1,144,000,000 to \$1,200,000,000 according to the budget estimate next year.

So we have a net result here of an increase of Federal payment in this field of \$1,800,000,000, is that a correct statement?

Mr. ALTMEYER. I would have to examine those figures and see what is included. I do not know, for instance, whether temporary disability is included.

Senator TAFT. I got them from the President's budget. That is the actual. I am a good deal concerned about the amount of money that is just going out of the Federal Treasury. If you consider this year alone, we are paying \$1,144,000,000 for public assistance, we are paying—this is not in this line exactly, but we are paying out in national service life insurance to veterans, \$2,600,000,000; Federal employees retirement compensation, \$255,000,000; Federal old-age and survivors, \$782,000,000; the railroad retirement, \$313,000,000; out of the unemployment fund this year \$2,033,000,000. So actually there are gratuitous payments being made in the present budget of \$6,169,000,000. Taking off the national life insurance, it would be about \$3,500,000,000.

Next year those payments will amount, by reason principally of the increase in this bill, and with \$500,000,000 decrease in unemployment benefits, to \$5,641,000,000.

It seems to me we are getting to a point where there is just so much free cash going to so many millions of people that you are getting into a very dangerous over-all situation. I think we ought to approach with a great deal of care anything which involves such a tremendous increase in Federal expenditures. Some of those things show up in the budget and some do not, but whether they do or not, it is cash payment by the Federal Government to individuals scattered throughout the United States. Alone it presents, it seems to me, quite a serious question mark when we approach anything that increases it.

Mr. ALTMEYER. That is why I feel that our basic system should be a contributory system, a contributory system where the costs of the benefits are brought out into the open and where the means for financing those benefits are stated and must be considered in connection with the benefits. I do not think that any other system except a

contributory system can bring about the necessary relationship between the benefits and the cost of the benefits and how those costs are to be met.

I agree with you thoroughly that when so many persons are affected and so much money is being paid out, it is very necessary to be sure that you are developing a system that does not become the master instead of the servant of the people.

Senator TAFT. You say a contributory system. I suggest that while this is a contributory system, the contributions have a very remote relation in most cases to what a man gets. I suggest that you can show cases, and I will try to develop those later. As far as calling it insurance is concerned, it is a misnomer. Some people pay one thing and get a great deal more, some people pay more and get less. There is some relation, some remote relation between what you pay and what you get, but as a practical matter the people who are being paid today haven't begun to pay anything like what they are getting back compared to what somebody may pay later on. There is no basis for saying that people are paying for these old-age insurance payments that go out from the fund.

Mr. ALTMAYER. First, it is insurance—

Senator TAFT. I suggest one other thing, and that is that, as a matter of fact, wages today are set on a take-home pay basis, that where the employer contributes, he adds it to his costs and it is nothing in the world but a tax on the people of the United States currently made and currently used to pay other people who are not working. I suggest that, fundamentally analyzed, that is exactly what this system is, and all this talk about insurance and contribution is away beyond anything that really is the fact. I do not say there is no basis for it, but it is away beyond anything justified by the theory that this is a contributory insurance plan.

What do you say to that?

Mr. ALTMAYER. I am in complete disagreement with you on every point. One, it is insurance because it spreads the risk. That is the definition of insurance. It is not private insurance, where there is a very specific relationship between the individual—

Senator TAFT. Wait a moment. Insurance is to spread the risk? Insurance is paying for something under a contract which estimates your risk at a certain value. It is a contract between two people in which you get something for what you pay equal to what you pay. This does not pretend to give you what you pay.

Mr. ALTMAYER. Of course that is your definition of insurance.

Senator TAFT. That is what I think insurance is.

Mr. ALTMAYER. But you are defining private insurance, and you are not even defining private insurance the way I think insurance experts would be satisfied with it. But be that as it may, this is a system whereby the risk is spread and there are payments made in a definite manner to a central fund, out of which the benefits are paid for those risks when they eventuate.

Secondly, the benefits—and I think that is a very important feature—are related to something that can be calculated mathematically, not dependent upon the discretion of any one person anywhere. The benefits are specified in the law. They can be calculated mathematically, and they are definitely related to income loss.

That is the other feature of a contributory social insurance system that I think is very important. The contributions are based upon

the phenomenon which you are insuring, which is the pay roll. The benefits are based upon the same phenomenon, the pay roll, and therefore you have a triple relationship between contributions, pay roll, and benefits. Because of that very definite relationship, I think you have an opportunity to keep benefits and costs in line and to make those benefits do the most good, provide the maximum amount of protection, because they are related in such a definite way to proven income loss, wage loss.

Senator TART. Mr. Altmeyer, I do not admit that because it seems to me, as I say, even salaries today are fixed on a net basis. Wages certainly are fixed on a take-home pay. That is what the negotiation is for in every labor agreement, for the take-home pay. That is what they look at. That is the figure that they are trying to get. As a matter of fact, the pay-roll tax, either by the employer or employee, it seems to me is passed right on in the cost of the goods, passed on in the general cost of the goods to the fellow who buys the product.

In other words, it is a general tax on the body politic.

Mr. ALTMAYER. I do not think economists would agree with you on that, either. I think that is the usual statement that is made, that all costs are passed on to the consumer.

Senator TART. I say pay-roll taxes.

Mr. ALTMAYER. I don't think pay-roll taxes are. I think it is all dependent upon the type of product. I think in some cases the employer bears the cost and has to absorb it out of his profits. In some cases the worker gets a smaller take-home pay. In some cases it is passed on in whole or in part. But I do not think anybody can make the flat statement that social-insurance contributions are passed on automatically to the consumer. I just do not think it is true.

Senator TART. I want to make one thing clear. I do not favor abolishing the basing of benefits on wages that have been received during life or something of the sort. I think that is an entirely sound part of the system. What I question is, as to the people who are working today who pay this pay-roll tax today, whether that money is not taken in effect and paid right out that same year or the following year to the people who have worked in the past; in other words, whether, after all, in the long run, the only way you can support people who do not work today is through the labor and the taxes paid by people who are working today, regardless of any insurance plan, that is, when you do it on a national basis.

Mr. ALTMAYER. I think, Senator, everybody would agree with you that you can only provide benefits which are translated into actual goods and services through the mechanism of money out of the goods and services that are produced today. You cannot store up those goods and services in some deep freeze and have them available 50 years from now. The actual benefits translated into human needs have to be met out of the production at the time those needs are met.

But we are talking about a money mechanism which will enable in this case the Federal Government to finance the promises that it makes, so that when it reaches a future period of time the Federal Government's financial situation is such that its debt, for example, in the hands of the general public is enough less so that it can meet its promises 50 years from now.

Senator TART. I can see the purpose of that, but still the money, not only the goods and services but the actual money used to pay these current benefits, as long as we have abandoned the actuarial basis for

this system because it proved to be impossible, is paid out of the taxes paid by other people who are working, not out of the taxes that I paid 20 years ago. They are paid out of the actual cash that comes into the Treasury from the current pay-roll tax.

Mr. ALTMAYER. Senator, on that, which has been a very—I won't say fruitful, but very interesting discussion for 15 years, I don't think you would agree with me. Perhaps you ought to wait until some insurance actuary or representative comes before you to explain what I would explain, but I think more persuasively, that the workers of this country and the people of this country are not paying twice, as I think you are suggesting, for—

Senator TAFF. No; I am not suggesting that. I think that what they paid during their lives was good at that time to pay other people. That is going to be the net result. I know that argument, and I try to answer the argument that you pay twice. You do not pay twice, of course. That is very widely believed, I may say. I think on my trip to Ohio I got that question at nearly every meeting. Nevertheless, it does seem to me that what I paid has been used. It was used to pay other benefits years ago, and I am being paid, if I am 65 or 70, out of current payments made by other workers.

Mr. ALTMAYER. I would agree with you on that.

Senator TAFF. May I ask one other thing about this public-assistance end of this program? This increases the public-assistance payments, doesn't it, from the current law?

Mr. ALTMAYER. Yes; about \$250,000,000 additional cost to the Federal Government in a full fiscal year.

Senator TAFF. But it increases also the proportionate share of the Federal Government.

Mr. ALTMAYER. That is a large part of this \$250,000,000.

Senator TAFF. In other words, the Federal Government pays four-fifths of such expenditures up to \$25. It pays \$20 out of the first \$25; is that right?

Mr. ALTMAYER. That is right; yes; but now three-fourths out of the first \$20, and this would go four-fifths of the first \$25.

Senator TAFF. They have been paying \$15 out of the first \$20.

Mr. ALTMAYER. That is right.

Senator TAFF. And now they are to pay \$20 out of the first \$25.

Mr. ALTMAYER. Yes, sir.

Senator TAFF. After that, one-half.

Mr. ALTMAYER. And then one-third. It is a three-step proposition.

Senator TAFF. Have you seen this speech of Hohaus? I suppose you have.

Mr. ALTMAYER. Yes.

Senator TAFF. What have you to say as to the condition that has arisen under the old-age assistance program particularly with reference to the comparison that he makes that in Ohio today 100 out of every 1,000 of the population over 65 are on the public-assistance rolls; in New Jersey, only 65. That is only one-third of the number on in Ohio. In Louisiana 810 out of every 1,000 are on public-assistance rolls over 65. In other words, the State policy has been such in one State that they have run it away out with smaller payments. As a matter of fact, Hohaus shows that if you can increase enough you can get more money out of the Federal Government by reducing your payments and putting more people on the rolls.

Mr. ALTMAYER. I am sorry you were not here when I suggested a

different method of Federal matching related to per capita income rather than to the size of the payment, which would meet that last point that Mr. Hohaus makes.

As regards the first point, the great variation in the percentage of aged persons who are receiving assistance in the various States; that is due to some extent, to a considerable extent, to the fact that in the low-income States the people when they reach age 65 are more necessitous than the people in the high-income States because they have not been able to save. I think even more largely—

Senator TAFT. There is not much difference between Ohio and New Jersey, though.

Mr. ALTMAYER. I am saying that is not the entire reason for the difference. I think a greater reason for the difference is the prevailing attitude in the State toward the sort of minimum living they want to provide the aged persons in that State. That is to say, under the Social Security Act need is not determined by the Federal Government, but by the State. The Social Security Act is very specific in saying that this act is intended to assist the States in meeting these needs to the extent of their financial capacity.

Senator George and Senator Johnson may remember that in 1935, when this act was being considered by the Senate Finance Committee, Senator Byrd time after time asked Mr. Witte, who was testifying, "Who is going to determine who is needy and who is going to determine how much that needy person is going to get?"

Mr. Witte testified time after time that that would be within the province of the State, and that accounts for this great variation in the proportion of the aged persons being aided in the various States, to a large degree.

That is not to say that I do not believe the Federal Government has a responsibility. We do feel that the States must establish very definite State-wide standards for determining need.

Senator MILLIKIN. But they establish the standards.

Mr. ALTMAYER. They must establish those standards. They must be State-wide, they must be consistent in their application, and they must be objective. But when we have said that, then we say that the level of assistance is really up to the State. The only way you can meet that situation is if you write into the Federal law very specific provisions as regards what shall be the budget for an aged person and very specific provisions as to whether every cent of income and every cent of resources shall be subtracted from the monthly assistance that they are to receive.

Senator MILLIKIN. That would completely federalize the system.

Mr. ALTMAYER. I think it would, too.

Senator TAFT. What would you think of this? I do not want to make this as a suggestion because I do not know that I would be for it. What would you think of the suggestion that we simply put everybody under the Federal old-age and survivors insurance at a minimum rate? They get a minimum. With no wage credit they still get a minimum, \$25 or \$30, separated entirely from the States. Give no further assistance to the States. The State could add to that whatever it wanted in the case of each State. In other words, if we are going to give an old-age pension to a man who has 1-year credit, why not give it to him when he has not had any credit? We will never get to the old-age insurance plan under this thing. The old-age assistance is growing still and is something that is going to grow for some time. Why do

you not put the whole thing under the old-age insurance and give everybody a flat figure and simply say to the States, if this is not enough, and it would not be enough probably for a lot of them, it is up to the States to provide the addition to it. How would that kind of system work out, and get rid of this difference between the States and the insurance and let them work out their own plans at home?

Mr. ALTMAYER. First, you have a political question. It really is not a technical question. It is a political question of what this flat amount is going to be. You suggest \$25. Somebody else may suggest \$50. Somebody else might suggest \$100.

Senator TAFT. What are your average Federal old-age assistance benefits today?

Mr. ALTMAYER. They average about \$25.

Senator TAFT. The Federal share is \$25?

Mr. ALTMAYER. \$25.

Senator TAFT. That would be the guide, I would suppose, that is why I was suggesting it.

Mr. ALTMAYER. That is one plan.

Senator MILLIKIN. It would all come to the same thing, would it not, under the operation of political pressures you are speaking of?

Senator TAFT. Everybody would get this, you see.

Senator MILLIKIN. Let us say everybody got \$25 and that the States had nothing to do with the \$25. The States would immediately set a pressure here for everybody to get \$75.

Mr. ALTMAYER. There seems to be a difference of opinion, then, as to where you would set the flat amount. But that is one problem---

Senator MILLIKIN. I want to make clear I am against setting a flat amount, and I am against the Federal Government's having any more to do with it than it has at the present time. I am heartily in favor of the present system which I hope the States would improve in some particulars.

Mr. ALTMAYER. Then the second question is, Are you or are you not going to have universal coverage of this insurance system? You cannot, to my mind, develop anything along the lines that you have suggested unless you decide first and foremost whether you are going to have universal coverage and universal contribution to finance the future, because if you blanket in---

Senator TAFT. I think you have it because I think you pay it in the cost of the goods you buy. Everybody pays it now. I think the taxes are well distributed. They are right today on everybody in the country. There is therefore some argument for saying that everybody ought to get something back.

Mr. ALTMAYER. Would you then make appropriations out of general revenues to pay this additional cost?

Senator TAFT. The pay-roll tax would have to be enough to cover it.

Mr. ALTMAYER. Pay-roll tax on only a portion of the pay roll of the country to finance the people.

Senator TAFT. That is right; that pay-roll tax is passed right on. Look at John Lewis' pension fund; the 20 cents a ton goes right on to the consumer.

The CHAIRMAN. You would have to have universal coverage in order to be equitable at all.

Mr. ALTMAYER. That is the point, Senator. I do not think you could sustain your position without universal coverage.

Senator TAFT. I am not suggesting the thing. What occurs to me is that what we are doing anyway is paying certain people out of a tax. We are taxing the people and taxing all the people to pay certain people old-age pensions. It is all right to pay them when they are paid with some relation to what they have earned, but it is only in rather remote relation to what they have earned. If we are going to do that I think there is at least argument to say we ought to cover everybody.

Mr. ALTMAYER. I think there is a problem there, and I think it is because we did not have universal coverage in 1935; and if we do not get universal coverage today, in 1965 we are going to have the same discussion.

Senator TAFT. We are still paying only 2 million out of 11 million people over 65 years of age.

Mr. ALTMAYER. Exactly, and why is that? Because we did not start a system with universal coverage. I hate to remind you but the Committee on Economic Security did recommend universal coverage in 1935, just as we are recommending it today. Let me say that if you have universal coverage, it is possible to so arrange your eligibility requirements so that you can bring in a larger proportion of those already aged; but to consider the one without the other it seems to me leads you in to financial disaster.

Senator TAFT. You may be right. I do think the present system is so unsound and I think the whole theoretical basis of it is so unsound that we ought to probe the fact of whether there is anything more sound than the present system.

Senator MILLIKIN. Will not the pressures from high pension systems in private industry move in the direction of universal coverage?

Mr. ALTMAYER. Do they push us in that direction, you ask?

Senator MILLIKIN. Yes.

Mr. ALTMAYER. I think they do, because I think that people raise the question why should some workers receive the \$100 a month and some other workers not receive \$100?

Senator MILLIKIN. If you and I start operating a lathe at the same time and we reach our retirement age at the same time, and you are with Big Steel and get \$100 pension, and I am with a little company but doing precisely the same kind of work, the dispossessed from those larger benefits are so numerically great that you will find all sorts of pressures to drive you toward some kind of high universal pension. I am not talking about whether it can be borne by the economy, I am not giving any theory on it, but it seems to me that all the pressures will be in that direction.

The CHAIRMAN. Doctor, you have practically completed your general statement?

Mr. ALTMAYER. I had practically, yes. I have a page and a half. Do you want me to read this rapidly so you have that out of the way or do you want to adjourn?

The CHAIRMAN. I was thinking about your coming back tomorrow. Can you come back tomorrow?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. We will be glad to have you come back.

The committee is in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12 noon, the committee recessed until 10 a. m. Thursday, January 19, 1950.)

SOCIAL SECURITY REVISION

THURSDAY, JANUARY 19, 1950

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Hoey, Myers, and Millikin.

Also present: Mrs. Elizabeth B. Springer, acting clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will please come to order.

Doctor, was there a portion of your prepared statement that you had not completed?

STATEMENT OF ARTHUR J. ALTMAYER, COMMISSIONER FOR SOCIAL SECURITY, SOCIAL SECURITY ADMINISTRATION, WASHINGTON, D. C.—Resumed

Mr. ALTMAYER. Yes, sir. On page 20, beginning with the heading, "Child welfare services."

H. R. 6000 provides for amending title V, part 3, of the Social Security Act by (1) increasing the annual allotment for child welfare services from \$3,500,000 to \$7,000,000, (2) increasing the flat amount available annually to each State from \$20,000 to \$40,000, and (3) authorizing the use of Federal child welfare services funds for—

paying the cost of returning any run-away child who has not attained the age of 16 to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met.

The CHAIRMAN. That is the new feature, is it?

Mr. ALTMAYER. Yes, sir; that is the new feature.

The CHAIRMAN. Is there an estimated cost on that, Doctor?

Mr. ALTMAYER. No, sir. As I understand the effect of that amendment, it would be to permit the States to include in their costs this cost. This would not come out of a direct Federal appropriation to a Federal department. It merely makes clear that a State agency that is getting these Federal grants can use those funds for taking care of this sort of situation if it arises.

Although approximately 240,000 children are receiving service under existing public child-welfare programs, there are many children in every State in need of this service to whom it is not available. Many children, especially run-away children, are still being detained in jails because of lack of services and facilities to meet their needs. Babies are being placed for adoption through black markets. Other

children, sometimes very young ones, are sent to training schools for delinquents, even though their problems are not sufficiently serious to warrant commitment to an institution for delinquents. Many of these children need not have been removed from their homes at all if the parents and community had been able to turn to a trained child-welfare worker for help in meeting the child's problem. This is true, even after taking into account the valuable services being rendered by private agencies which, of course, should be encouraged and fully utilized.

Increased funds would enable the States to provide more adequate child-welfare services to more children. Therefore, it is recommended that Federal funds for aid to the States for programs of child-welfare services be increased to \$12,000,000.

The cost to the Federal Government of the foregoing modifications to H. R. 6000 as it relates to public assistance and child-welfare services is largely dependent upon the Federal matching formula which is adopted. The Ways and Means Committee report estimates that the total increased cost of H. R. 6000 as it relates to public assistance and child-welfare services would be approximately \$256,000,000 a year. However, H. R. 6000 includes a more expensive Federal matching formula than the formula based on the per capita income of the various States which we recommended to the committee a year ago. Therefore, if H. R. 6000 is modified to incorporate the suggestions we have just made to this committee, including the Federal matching formula which we recommended a year ago, to the Ways and Means Committee, the cost to the Federal Government would be approximately the same as H. R. 6000.

I should like to reiterate our belief that H. R. 6000 represents a long step forward in the direction of improving the Social Security Act. While we have suggested some changes which we believe would significantly improve the bill, in no way do we wish to understate its fundamental excellence.

I should like now to illustrate some of the points in my statement by showing you certain charts which are attached to this statement.

Those are the small charts. We have them blown up. I can speak from the blown-up charts at the easel and you could follow either the smaller charts—

The CHAIRMAN. You have all the small charts in the statement here?

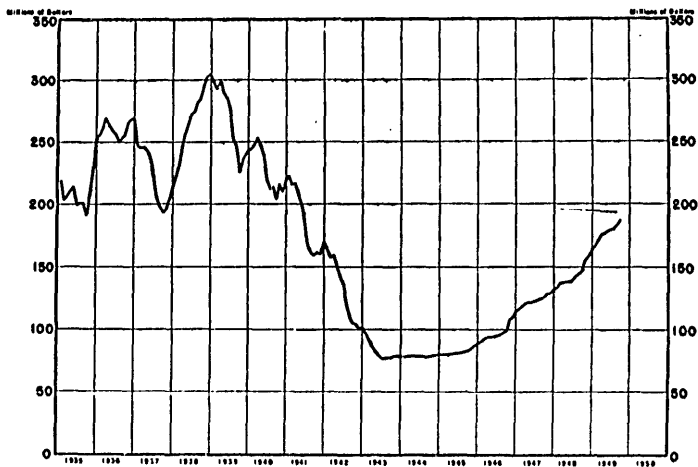
Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. I think we can follow it better from the smaller charts.

Mr. ALTMAYER. The first chart is captioned "Payments for all public aid (public assistance and Federal work programs) by month, 1935-49."

(The chart referred to is as follows:)

PAYMENTS FOR ALL PUBLIC AID (PUBLIC ASSISTANCE AND FEDERAL WORK PROGRAMS) BY MONTH, 1935-1949



Senator MILLIKIN. With reference to the Federal work programs, are those confined to what might be called relief programs?

Mr. ALTMAYER. Those were the FERA, CWA, and WPA programs which were in effect at the early part of this period, 1935 to 1949.

Senator MILLIKIN. Do they include flood-control projects, reclamation projects?

Mr. ALTMAYER. No, not unless they were included in the work-relief program. Many of them were, but many were not. You will notice that the monthly peak of Federal expenditures was reached in the period toward the end of 1938 with a little bit over \$300,000,000 expenditure per month. Then the Federal expenditure went down steadily until 1943 when it leveled off and started to rise very gradually until the end of 1945 when again the rise in monthly Federal expenditures for public assistance took on a steep increase.

Senator MILLIKIN. In what year were the Federal works programs terminated?

Mr. ALTMAYER. I will look that up, Senator. I think it is in the very late thirties or perhaps early forties.

Senator MILLIKIN. Then roughly from that point on, the rest of the graph represents public assistance?

Mr. ALTMAYER. That is right. I merely put in the work relief in order to give some comparability so far as the earlier period is concerned.

As the chart indicates, we are moving close to \$280,000,000 a month Federal expenditures.

Senator MILLIKIN. What is the reason for the rise, considering the state of our employment?

Mr. ALTMAYER. The rise is due to the increased cost of living and the fact that the state of our employment is not so good today, so far as full employment is concerned, as it was during the wartime.

Senator MILLIKIN. What was the unemployment at the end of the period of public aid?

Mr. ALTMAYER. At the end of public aid? You mean public works?

Senator MILLIKIN. I mean the Federal works programs. What was the unemployment at that time?

Mr. ALTMAYER. That was just about the beginning of the war period. My recollection is that the estimated unemployment was about 8,120,000 in 1940, and it then started to decline rapidly, the next year, 1941, 5,560,000, and it got down—

Senator MILLIKIN. It was 8,000,000 when?

Mr. ALTMAYER. In 1940, the monthly average for 1940.

Senator MILLIKIN. So, under the tendency of the graph at the present time, we will soon have the same amount of money for these purposes put out under the present number of unemployed as we did when we had 8,000,000 unemployed.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. We have how many unemployed now?

Mr. ALTMAYER. I think the figure today runs around 4,000,000; but let me point out, Senator, that there has been a great change in the cost of living, of course, since that 1940 period.

Senator MILLIKIN. There has been an increase in the work force, too?

Mr. ALTMAYER. Yes, the total work force.

Senator MILLIKIN. Yes.

Mr. ALTMAYER. Since these payments are based upon need, since need varies with the cost of living, and since the cost of living has increased 70 percent since 1939, that factor must be taken into account in comparing the figure today with the figure in 1940.

Senator MILLIKIN. From which it may be concluded, may it not, that when we talk about security, when we talk about insurance, so far as our future projects are concerned, it all turns on what the purchasing value of the dollar will be.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. And unless we can control that, we have no security and we have no insurance, is that correct?

Mr. ALTMAYER. That is right.

Then another factor that must be taken into account in studying this increase is the fact that the aged population of course has increased greatly since 1940.

Senator MILLIKIN. What thinking has your agency done on employment for the aged to the extent that they want to work and to the extent that they are able to work?

Mr. ALTMAYER. That falls rather largely in the province of the Labor Department at the present time because the Bureau of Employment Security is now in that agency.

Senator MILLIKIN. But you cannot isolate yourself from that problem. It has a terrific impact upon your own job.

Mr. ALTMAYER. That is right. Therefore, we try to point out, as I think I mentioned in this statement, that it is to the advantage of every one if the older workers' skills and abilities are utilized to the full. Contrary to popular opinion, the older worker's productivity

does not decline to the extent that his chronological age would indicate, unless of course it is very hard physical labor. The older worker, through greater care, through the development of skills arising out of past experience, has a great contribution to make, and it is a great error not only from the social standpoint but from the economic standpoint, from the standpoint of the employer as well as the worker, not to use these workers. Most employers will retain the older workers, but whether they have it specifically set down as an instruction to their personnel department or not, they are very reluctant to take on workers in their middle forties. We believe that providing adequate old-age insurance benefits will help a great deal to overcome that reluctance because then the employer will not be so worried about what happens to these older workers who enter his employ in the middle forties, but retire in the early sixties.

Senator MILLIKIN. Is it not perfectly apparent, Doctor, that if you shorten the period of productivity and in the increasing longevity those processes can go on to a point which would bog down this whole system?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. So we have a great problem confronting us of how to utilize, to the extent that they can be utilized, the services of aged people who want to work and who are still able to work, maybe not a full 6 hours or a full 8 hours, but a few hours of the day.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. I was reading in a London paper just night before last where a great company over there has set up a sort of separate establishment where their older employees can work as long as they want to. They can come in and work an hour a day if they feel up to it, or they can work 3 or 4 hours a day. Most of them do not work more than 3 or 4 hours a day, but they make some money, they keep their feeling of self-respect, and they want to do it. Many aged people don't want to quit when they get to be aged. They want to keep on going as long as they can. So isn't a survey of that situation an important part of this whole problem that we have to consider?

Mr. ALTMAYER. It certainly is, and that is one of the tragedies of the present-day highly mechanized mass production: that the employer finds it more difficult to work in as a part of his labor force people who would like to work part time or staggered time instead of the standard time.

Senator MILLIKIN. Has a survey been made of the employers in this field of mass production to find out what their plans are to enable part-time work of their older employees if they want to take that work?

Mr. ALTMAYER. So far as I know, there has been no national survey.

Senator MILLIKIN. Mr. Chairman, I suggest that before we finish this inquiry we call in employers of that type to find out what they are thinking about, what they are doing to stop this junking of people at a relatively early age, find out what their plans are to keep people working as long as they want to work and are able to do some work.

The CHAIRMAN. We will have many of the employers before us, and we can question them along those lines. We might assign that task to some particular group before we finish the hearings.

Under the present law, Doctor, under the old age and survivors' insurance, what can the recipient earn after age 65 and still get his benefits?

Mr. ALTMAYER. He can earn only up to \$15 a month. We are recommending that that amount be raised to \$50 a month.

The CHAIRMAN. That is from 65 to 75, and then you take the limitation off at age 75?

Mr. ALTMAYER. Yes.

The CHAIRMAN. They can earn as much as they please after 75?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. That is a realistic approach.

Senator MILLIKIN. Some of these men who are 75 or older are pretty active fellows, Mr. Chairman.

The CHAIRMAN. Yes, that is quite true. But what is your recommendation on that? Do you agree with the House on that?

Mr. ALTMAYER. Yes; we certainly do. I might point out another interesting aspect of the employment of older workers which arose out of my experience in administering a State workmen's compensation law before I became a Federal official. That is, that the feeling on the part of some employers that these older workers constitute a hazard which is likely to have an adverse effect upon their workmen's compensation insurance premiums I believe is largely erroneous, because statistics indicate that the older workers do not become injured as often as the younger worker. He is more careful. It is true that when he does become injured, the healing process may be somewhat prolonged as compared with the younger worker, but the much lower incidence of accidents among the older ones more than compensate for the longer healing period or the greater extent of permanent disability arising out of an accident.

Senator MILLIKIN. It is conceivable, is it not, that if you work an older worker beyond the point of fatigue, the rate of accident might increase?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. Is not the problem to find jobs to fit the energies of the worker?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. It seems to me that this business of the aged to the extent that they can work and want to work goes somewhat beyond the social security problems that we are discussing. I think you have morale factors and sociological problems there that are very very important beyond this subject. This is not a narrow subject, but it is beyond the relative narrowness of the subject we are considering.

Senator HOEY. The older people probably it would be necessary to make some change in compensation in order to give them employment because they probably would not be able to do the same sort of job as effectively as young people. So I think the employers would have that difficulty to deal with in paying probably smaller compensation for them.

Mr. ALTMAYER. Of course, many labor organizations in their collective agreements do take into account this problem of their older members and make the necessary adjustments so that they can be retained as they grow older.

Senator MILLIKIN. I look forward, Mr. Chairman, to testimony on that subject to see how widespread is the process of giving the elderly worker a chance to continue to work to the extent that his abilities permit and his desires permit.

May I ask one more question, Mr. Chairman: Do these payments for public aid include unemployment compensation?

Mr. ALTMAYER. No, sir.

Senator MILLIKIN. What has been the history of unemployment compensation during the war years and subsequent to the war years?

Mr. ALTMAYER. During the war years of course unemployment insurance payments declined to a very small figure. In 1943 to 1945 the number of unemployed and the amount paid out—I can't read it from this chart, but it is quite insignificant. Then in 1945 at the termination of the war the figure shot up to more than one and one-half million recipients as the transition and reconversion process was under way. But that was short-time unemployment and the figure then declined rapidly and zigzagged along at less than a million, in fact dropping down to as low as about 600,000, until the latter part of 1948, when it shot up to approximately 1,900,000 in 1949. Since then it has gone down somewhat.

Senator MILLIKIN. Can you give us the relative unemployment during the period that you are discussing? Let us take the period starting, say, 1945 and to the present, in terms of general unemployment and in terms of recipients of unemployment insurance.

Mr. ALTMAYER. The total unemployment was estimated at 670,000, monthly average, in 1944. It moved up to a monthly average of a little bit over a million in 1945, continued to increase in 1946, became an average of 2,270,000, then declined somewhat in 1947 to a monthly average of 2,142,000, declined a little further in 1948 to a monthly average of 2,064,000, and then as I say, it rose in the latter part of 1948 and 1949 to a monthly average in 1949 of 3,395,000. I think the most recent estimate is close to 4,000,000.

Senator MILLIKIN. The number of those getting unemployment insurance has risen out of proportion to the increase in the number of unemployed. Is that not correct?

You might do a little calculating on that.

Mr. ALTMAYER. Yes, I would have to check on that.

The CHAIRMAN. Those figures include unemployed GI's and payments made to them?

Mr. ALTMAYER. These estimates of total unemployment includes all, whether they are insured under State unemployment insurance laws or not. It comes out of course that less than half of the estimated unemployed are actually drawing weekly unemployment insurance benefits.

Senator MILLIKIN. Is that an increased proportion over, say, the end of the war?

Mr. ALTMAYER. As I study the figures, it didn't seem to me that the proportion had varied greatly, but I will check those to see.

Senator MILLIKIN. Will you give us some figures on the decline in State reserves on unemployment?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. So we can see what the status of those reserves is.

Mr. ALTMAYER. Yes, sir. They are in very good shape I should say?

Senator MILLIKIN. We have an enormous, mounting expenditure for public assistance, unemployment insurance, out of proportion to the rise in unemployment, and there may be an explanation in your suggestion that that is due to some extent to take care of the increased cost of living.

Mr. ALTMAYER. Yes.

I should point out that this present-day unemployment must be considered in relationship to local and regional variations. It is a spotty picture. With the exception of probably two or three States, the State funds under unemployment insurance have not been very greatly reduced during this last year and a half or two years.

Senator MILLIKIN. You will give us some figures on that?

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeyer submitted the following material:)

STATUS OF UNEMPLOYMENT INSURANCE RESERVES ON JUNE 30, 1949

The increased benefit outlays throughout the country during the first 6 months of 1949 were easily financed out of the funds available for such a contingency. The sharp rise in disbursements, due to a decline in employment, could not be defrayed entirely out of current tax collections, because the average tax rate under experience rating dropped to the low point of 1.2 percent. The accumulation of reserves over the years, however, had proceeded at a faster rate than was anticipated or, perhaps, even intended at the beginning of the program. The surplus of 7.6 billion dollars earmarked for benefits at the end of 1948, therefore, was more than adequate to finance the rising benefit expenditures during January-June 1949. Despite the increased benefit costs and a record low average tax rate for the country as a whole, the 51 State reserves on June 30, 1949, totaled 7.3 billion dollars, less than 4 percent below the record high of December 31, 1948.

ACCUMULATION OF RESERVES

The unemployment insurance system has been characterized by an almost continuous growth in size of reserves (see table 1). This growth was sharply accelerated during the war years, when unemployment was unusually low because of a manpower shortage. The accumulation of funds was interrupted once during the reconversion period following the cessation of hostilities, and again during 1949 when manufacturers curtailed production. From the beginning of the program through June 30, 1949, tax collections for financing unemployment insurance benefits plus interest earned by the State accounts in the unemployment trust fund totaled 13.4 billion dollars (table 1, column 4). Benefit disbursements for insured spells of unemployment, on the other hand, aggregated only 6.1 billion dollars, or approximately 45 percent of the total amount raised for that purpose (table 1, column 5). The remaining 7.3 billion dollars available on June 30, 1949, was equal to 9.3 percent of aggregate taxable wages for the 12 months ended June 30, 1949, or the equivalent of almost 8 years of collections at the prevailing average tax rate of 1.2 percent and almost $3\frac{1}{2}$ years at the standard rate of 2.7 percent (table 1, column 6).

Nationally, the drain on available reserves during the first 6 months of 1949 was the heaviest in the history of the program. Although benefit expenditures in dollar amounts during the reconversion period were almost as high, average employer tax rates exceeded 1.4 percent as compared with an average of 1.2 percent during January-June 1949. Similarly, benefit expenditures in 1938, for the 23 States that paid benefits over the entire year, were at a higher rate—2.2 percent of taxable wage. Taxes during that year, however, were being collected at the rate of 2.7 percent, and could, therefore, meet benefit obligations and still yield a surplus. In 1949, however, the reserves withstood the combined impact of rising benefit outlays and depressed tax rates under experience rating. During the first 6 months of 1949, benefit outlays totaled \$808,000,000, tax collections yielded \$434,000,000, and \$80,000,000 was credited to the State accounts in the unemployment trust fund as earned interest. The reserves, therefore, were diminished by \$294,000,000 over the 6-month period—a decline of less than 4 percent.

TABLE 1.—Selected data on financial aspects of unemployment insurance, by State, June 30, 1949

[Data corrected to Sept. 8, 1949]

Region and State	Month and year benefits first payable	Average employer contribution rates (percent) for 12-month period ended June 30, 1949 ¹	Amounts as of June 30, 1949 (in thousands)			Amount of benefits ² paid for each \$1 collected as of June 30, 1949	Ratio of benefits ⁴ to taxable wages, ⁴ calendar year—											Funds available at end of year as percent of taxable wages ⁶		Percent of employed covered workers who could be paid benefits for maximum duration out of funds available on June 30, 1949							
			Cumulative contributions and interest ³	Cumulative benefits paid ⁴	Funds available for benefits ⁵		Since benefits first payable	1938	1939	1940	1941	1945	1946	1947	1948	12-month period ended June 30, 1949	1939	1940	1941	1945	1946	1947	1948	12-month period ended June 30, 1949	Under State formula ⁷	Under uniform formula ⁸	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	
Total.....		1.2	\$13,396,096	\$1,088,032	\$7,308,065	\$0.54	\$1.21	2.2	1.5	1.7	0.9	0.8	1.7	1.1	1.0	1.5	5.4	6.0	6.5	11.8	10.8	10.1	9.5	9.3	48.7	38.2	
Region I:																											
Connecticut.....	Jan. 1938	.6	286,075	110,883	175,191	.45	3.83	2.2	.8	.7	.3	1.2	1.5	.7	.9	1.9	4.4	5.7	6.4	13.4	13.5	12.9	11.6	11.0	49.0	44.1	
Maine.....	do	1.7	78,113	37,474	40,639	.54	1.27	3.4	2.1	2.3	.8	.6	1.7	1.2	1.4	2.1	2.5	2.7	3.7	12.3	11.7	11.1	10.7	10.3	83.8	42.1	
Massachusetts.....	do	1.3	471,856	327,840	144,024	.83	1.82	2.2	1.4	2.2	1.0	.6	1.5	1.7	1.5	2.4	5.1	5.6	6.1	8.5	7.0	5.9	5.3	4.4	18.5	16.9	
New Hampshire.....	do	1.4	46,498	21,609	24,889	.57	1.80	2.7	1.4	2.1	.7	.2	.3	1.0	1.2	2.4	5.3	5.4	5.7	12.2	10.9	10.3	9.7	8.4	43.8	33.1	
Rhode Island.....	do	1.4	*125,354	91,628	*33,726	.85	3.27	4.5	2.5	3.3	1.1	1.2	2.3	1.9	2.5	4.7	4.1	4.9	6.4	17.0	16.5	12.9	8.4	6.2	24.6	24.4	
Vermont.....	do	1.5	24,672	8,681	15,991	.41	1.17	1.7	1.1	1.6	.6	.3	.7	.8	.9	1.8	5.7	5.6	6.3	12.7	12.0	11.7	11.6	11.3	63.7	42.2	
Region II:																											
Delaware.....	Jan. 1939	.6	23,192	8,054	15,138	.48	.84	.....	.8	1.0	.5	.6	1.0	.5	4	.5	6.8	8.1	8.7	9.5	8.2	7.5	7.1	7.1	32.1	28.7
New Jersey.....	do	1.3	*780,090	335,733	*444,357	.52	1.29	.....	1.2	1.2	.8	1.4	2.8	1.8	1.4	2.0	7.9	9.6	10.1	16.9	15.6	15.5	14.0	13.4	62.9	55.1
New York.....	Jan. 1938	1.5	2,190,697	1,193,346	947,351	.63	1.69	2.1	1.8	2.1	1.2	.7	2.1	1.7	1.6	2.4	4.0	4.3	5.2	12.0	10.6	10.4	9.4	8.7	36.5	35.5	
Pennsylvania.....	do	.9	1,117,321	491,344	625,977	.51	1.12	2.7	1.9	1.5	.6	.5	1.6	.9	.6	1.0	3.4	4.4	5.5	11.6	10.3	9.0	8.5	8.7	41.2	33.9	
Region III:																											
District of Columbia.....	do	.6	64,581	19,356	45,226	.38	1.328	.7	.9	.8	.1	.4	.6	.6	.7	7.6	8.7	9.5	13.2	11.0	10.1	9.2	9.3	57.7	37.7
Maryland.....	do	1.2	224,631	100,491	124,140	.51	1.21	.....	1.3	1.4	.7	1.0	2.3	.9	.8	1.5	3.7	4.5	5.0	12.7	11.3	10.6	10.2	10.0	40.8	35.3
North Carolina.....	do	1.5	207,157	52,596	154,591	.29	1.64	2.4	1.1	1.1	.6	.2	.5	.5	1.0	4.6	5.9	6.2	13.8	12.5	11.9	11.9	11.2	89.2	54.9		
Virginia.....	do	.7	127,710	45,085	82,625	.42	1.22	1.9	1.3	1.6	.5	.2	.7	.4	.5	.9	5.0	5.2	4.8	9.2	8.6	8.3	8.1	7.9	65.8	32.9	
West Virginia.....	do	1.3	149,082	57,306	91,778	.45	1.55	2.5	1.2	1.0	.6	.4	1.3	.7	.5	.8	3.8	5.2	5.8	10.2	9.3	8.7	8.8	9.0	56.3	37.8	

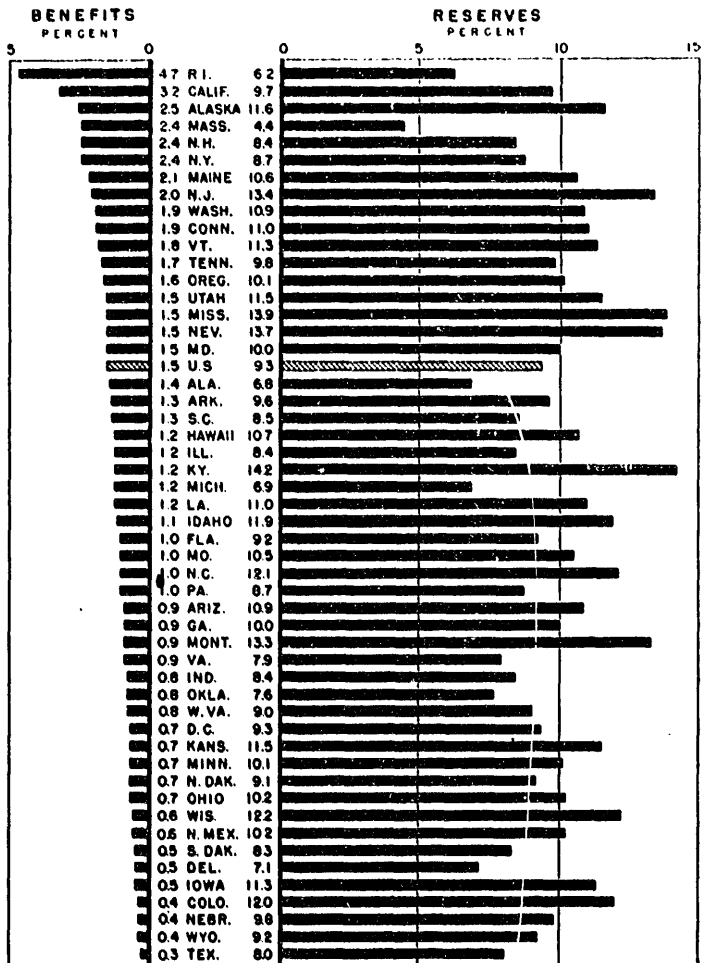
See footnotes on p. 89.

TABLE 1.—Selected data on financial aspects of unemployment insurance, by State, June 30, 1949—Continued

[Data corrected to Sept. 8, 1949]

(1)	(2)	(3)	Amounts as of June 30, 1949 (in thousands)			Amount of benefits * paid for each \$1 collected as of June 30, 1949		Ratio of benefits † to taxable wages, † calendar year—									Funds available at end of year as percent of taxable wages †					Percent of employed workers who could be paid benefits for maximum duration out of funds available on June 30, 1949							
			(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)			
Region IV:																													
Kentucky.....	Jan. 1939	1.6	\$158,311	\$41,648	\$116,663	\$0.33	\$0.68	.....	1.8	1.7	.7	.4	1.0	.6	.6	1.2	9.5	11.2	11.4	15.8	15.2	13.8	13.9	14.2	.....	.....	92.4	56.6
Michigan.....	July 1938	1.9	728,244	431,317	296,927	.69	.63	.....	2.5	1.5	.6	2.3	2.3	.8	.8	1.2	3.2	3.9	5.3	7.5	6.2	6.1	6.7	6.9	.....	.....	37.8	29.4
Ohio.....	Jan. 1939	.7	773,033	218,608	554,425	.36	.94	.....	1.2	1.2	.4	.5	1.2	.4	.4	.7	6.5	7.6	8.0	11.4	11.1	10.4	10.1	10.2	.....	.....	42.7	40.7
Region V:																													
Illinois.....	July 1939	1.0	907,545	401,264	506,281	.59	1.12	.....	.....	1.7	.9	.8	1.6	.8	.8	1.2	7.1	7.6	7.9	11.3	9.7	8.8	8.3	8.4	.....	.....	37.6	37.2
Indiana.....	Apr. 1938	.7	312,068	121,329	190,734	.47	1.22	.....	1.4	1.2	.5	.7	1.3	.3	.4	.9	4.5	5.4	5.7	10.5	10.3	9.1	8.3	8.4	.....	.....	57.9	35.6
Minnesota.....	Jan. 1938	1.1	193,742	69,489	124,253	.41	.65	.....	1.8	1.5	2.1	1.3	.3	1.0	.4	.7	4.7	5.2	5.3	10.7	10.4	10.2	10.0	10.1	.....	.....	50.2	38.3
Wisconsin.....	July 1936	.7	276,378	57,585	218,793	.26	.53	1.6	.6	.7	.4	.3	.6	.2	.3	.6	8.0	8.8	8.4	13.7	13.6	12.6	12.0	12.2	53.8	51.1
Region VI:																													
Alabama.....	Jan. 1938	1.0	131,921	71,074	60,847	.62	1.02	3.9	1.8	1.8	.8	.9	2.2	1.0	.9	1.4	5.0	6.3	6.2	9.2	8.5	7.0	6.9	6.8	43.3	25.8
Florida.....	Jan. 1939	.9	12,129	45,536	74,592	.45	1.01	.....	1.6	2.6	1.8	.4	.8	.9	.8	1.0	5.9	4.9	4.8	10.1	9.8	9.6	9.0	9.2	.....	.....	87.5	36.7
Georgia.....	do	1.1	147,778	45,405	102,374	.38	.83	.....	1.1	1.4	.7	.6	.8	.7	.5	.9	6.8	7.9	7.1	11.1	10.8	10.4	10.0	10.0	.....	.....	83.3	38.8
Mississippi.....	Apr. 1938	1.3	62,723	19,165	43,558	.34	.88	.....	1.7	2.2	1.2	.3	.7	.7	.8	1.5	4.8	4.0	4.3	12.0	12.4	13.3	14.1	13.9	.....	.....	104.0	50.4
South Carolina.....	July 1938	1.2	76,596	23,954	52,642	.38	1.01	.....	1.4	1.4	.7	.1	.4	.5	.6	1.3	6.2	6.4	6.5	11.3	9.9	9.2	8.9	8.5	.....	.....	52.9	31.8
Tennessee.....	Jan. 1938	1.4	182,080	80,868	101,213	.50	1.20	2.3	1.5	1.9	1.1	.4	1.5	1.2	1.1	1.7	4.4	4.9	4.7	10.4	11.3	10.6	10.1	9.8	69.1	42.5

CHART A
 BENEFITS AND RESERVES AS PERCENT OF
 TAXABLE WAGES, JUNE 30, 1949



ADEQUACY OF RESERVES

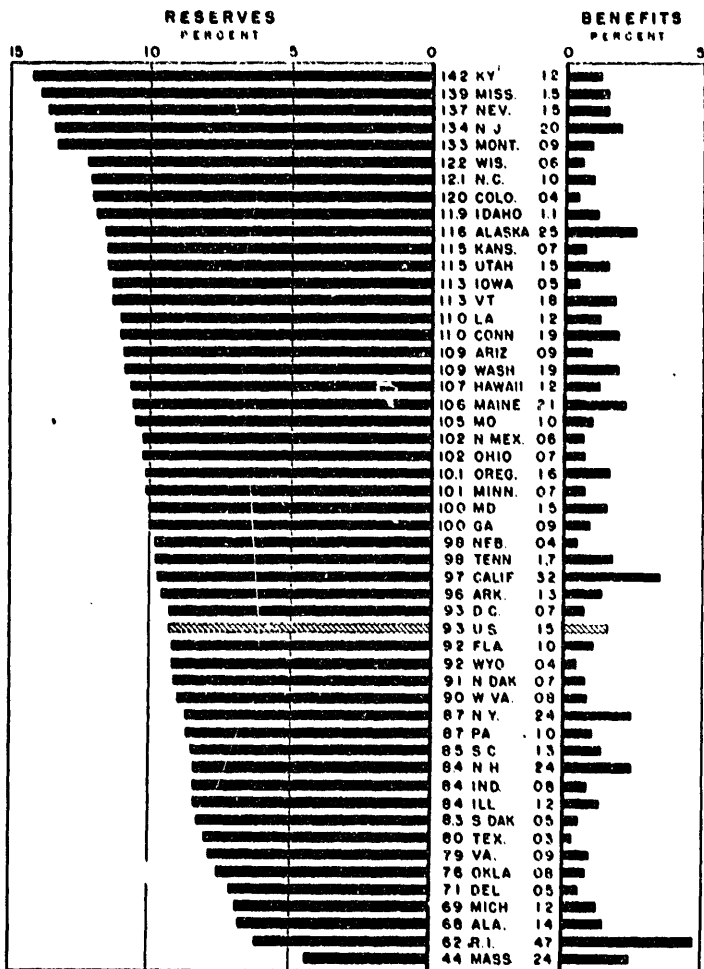
The funds available for benefits on June 30, 1919, aggregating 7.3 billion dollars could easily withstand the impact of a sharp rise in unemployment. The increased benefit outlays during the business decline of the preceding months resulted in only a slight drain nationally and, except for one or two States, the ability of the funds to finance heavy potential benefit loads was not impaired.

The sum of the 51-State reserves on June 30, 1919, was equal to 9.3 percent of the preceding 12 months' aggregate taxable wages (table 1, column 25). The reserves varied among the States not only in absolute dollar amounts, but also when related to aggregate taxable wages in each State. The reserve ratio was highest in Kentucky at 11.2 percent, and exceeded 13 percent in 4 other States -- New Jersey, Mississippi, Montana and Nevada (chart B). The percentages in the remaining States were 12.0-12.9 in 3, 11.0-11.9 in 8, 10.0-10.9 in 11, 9.0-9.9 in 9, 8.0-8.9 in 8, 7.0-7.9 in 3, and less than 7.0 percent in 4. The reserve as a ratio of taxable wages was lowest in Massachusetts with 4.4 percent, and somewhat higher in Rhode Island, Alabama, and Michigan with 6.2, 6.8 and 6.9 percent, respectively.

If the 51-State reserves had been combined into a pooled fund, an estimated 48.7 percent of the covered workers employed during an average month of 1918 could, out of funds available on June 30, 1919, be paid benefits for maximum duration provided under the most recently enacted State laws (table 1, column 26). In fact, reserves in two States--Arizona and Mississippi--were more than enough to pay such benefits to all employed covered workers. Reserves in the other States were large enough to pay benefits for maximum duration to the following percentages of employed covered workers: 80.0-99.9 in 6, 60.0-79.9 in 13, 40.0-59.9 in 24 and less than 40 percent in the remaining 6. The smallest proportion of employed covered workers--18.5 percent--could be paid benefits for maximum duration in Massachusetts, and next to the lowest, 21.6 percent in Rhode Island.

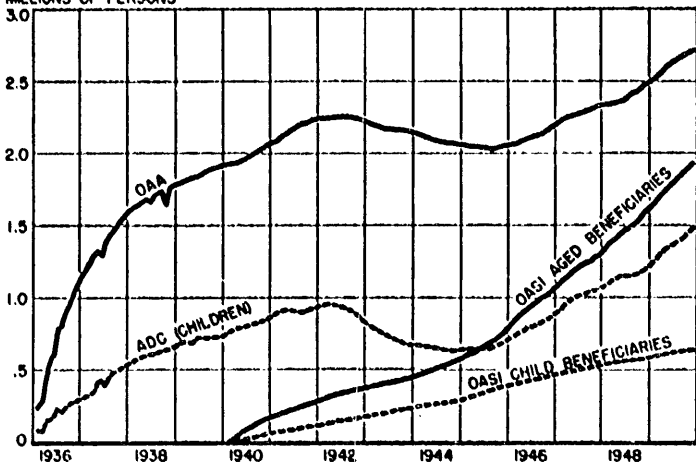
Mr. ALTMAYER. We turn to the second chart.
(The chart referred to is as follows:)

CHART B
RESERVES AND BENEFITS AS PERCENT OF
TAXABLE WAGES, JUNE 30, 1949



AGED AND CHILD BENEFICIARIES OF OLD-AGE AND SURVIVORS INSURANCE AND
RECIPIENTS OF OLD-AGE ASSISTANCE AND AID TO DEPENDENT CHILDREN
UNDER THE SOCIAL SECURITY ACT, FEBRUARY 1936–NOVEMBER 1949

MILLIONS OF PERSONS



Mr. ALMEYER. There are four lines, two dealing with the aged and two dealing with children. An attempt has been made in that chart to compare the changes in the number of recipients of old-age assistance—that is abbreviated to OAA—the top line, and the number of aged beneficiaries under old-age and survivors' insurance—OASI. It will be noted that the increase in the number of aged beneficiaries has been at a somewhat more rapid rate, in fact, a considerably more rapid rate, than the increase in the number of old-age assistance recipients.

Senator MILLIKIN. Is that not due to the increasing age of the system?

Mr. ALMEYER. Yes. As the system grows older, the number of persons reaching retirement age who have insurance status increases. But there are still 2,700,000 old-age assistance recipients as compared with 1,900,000 aged and survivors' insurance beneficiaries.

Turning to the two dotted lines, it will be noted that the number of children receiving aid to dependent children, called ADC, is greater than the number of child beneficiaries under the old-age and survivors' insurance system. However, if this chart were further analyzed, that is, the figures back of it, there is this very interesting feature, and I think encouraging feature, as regards the insurance system. The number of child beneficiaries under the insurance system is entirely related to children whose fathers have died. They are the surviving children of insured workers who have died. If the number of children receiving aid to dependent children is analyzed, it will be found that the number of children receiving aid to dependent

children because of the death of the parent is somewhat less, as I recall, than the number of child beneficiaries under the old-age and survivors' insurance system.

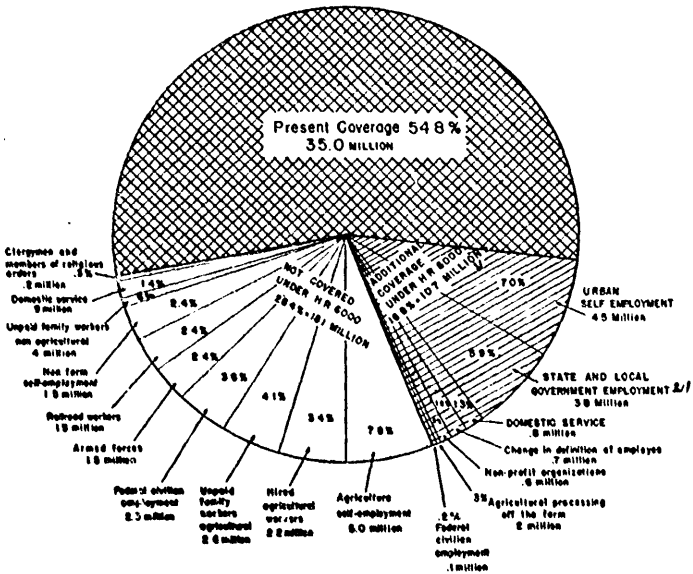
So, so far as orphan children are concerned, the insurance system is really taking hold very effectively and keeping down the number of dependent children who need to have aid to dependent children. The reason why the total number of children under aid to dependent children is greater, 1 1/4 million, compared with 600,000 old-age and survivors' insurance, is because a large number of these children are dependent due to the physical incapacity of the father or the disappearance of the father from the home.

We turn to the third chart.

(The chart referred to is as follows:)

EMPLOYED LABOR FORCE IN COVERED AND NON-COVERED EMPLOYMENT UNDER H.R. 6000

JUNE 1951



1. In addition, H.R. 6000 would cover 100,000 American citizens employed by American firms outside U.S. and 500,000 workers in Puerto Rico and the Virgin Islands.

2. Employer has coverage under voluntary agreements between the States and the Federal Government.

Mr. ALTMeyer. That is an attempt to show the total number of gainfully occupied persons in this country, which adds up to close to

64,000,000. The top part of the circle shows the proportion of that total who are covered at any one time under the old-age and survivors' insurance system, namely, 35,000,000, or 54.8 percent. The section with the straight lines, no cross hatching but lateral lines, shows the additional coverage that would occur under H. R. 6000, 10,700,000, broken down by the urban self-employed, 4½ million; State and local government employment, 3.8 million; domestic service, 800,000, change in the definition of employee, 700,000; nonprofit organizations, 600,000; agricultural processing off the farm, 200,000; Federal civilian employment not covered under existing retirement systems, 100,000.

That would still leave uncovered those groups mentioned in the blank sector of the circle, namely, 18,100,000 persons. Of those persons the major groups that we have recommended be given consideration so far as inclusion are agriculture self-employment, 5,000,000, the farmers, in other words; hired agricultural workers, 2,200,000; and domestic service, 900,000, domestic servants who would not be covered under the definition of domestic service in H. R. 6000.

Senator MILLIKIN. What is your theory for coverage on self-employed and proprietors?

Mr. ALTMAYER. Because, as I think you had in mind when you asked for those figures on the equity of farmers, that the amount of savings of a large proportion of the farmers who are classified as self-employed is not greater, if as great, as the savings of employed persons. So when they reach retirement age and their current income disappears, they are in just as much need as employed persons so far as having a small monthly cash income to supplement their remaining resources. That is also true of the self-employed in the cities. Added to that fact is that the self-employed, that is, the small employers in the cities, who are obliged to pay contributions on behalf of their workers, feel especially aggrieved because many of them feel they are in no more assured financial status than their more highly paid workers and therefore they are very—

Senator MILLIKIN. They have a choice of whether they want to become workers or whether they want to be proprietors. If they choose to be proprietors, they choose to take the opportunity for larger gains than the worker gets and suffer the chance of larger losses. Is there not an inconsistency?

Mr. ALTMAYER. Whether there is an inconsistency or not, there is a problem there when they reach 65 years of age.

Senator MILLIKIN. I do not overlook the problem. It reminds me of the story they used to tell on the late Senator Long, that he was talking to an audience and mentioning various forms of chaos. After the meeting was over a couple of fellows who attended the meeting were talking about it and one asked the other what he thought of the talk, and the answer was that there ought to be more chaos. The existence of the problem does not automatically provide the solution.

Mr. ALTMAYER. There is, of course, a great in and out movement between the small self-employed person and the employed population. One day a person may be in business for himself, and the next day he may have gone out of business, either voluntarily or compulsorily, and gone to work for somebody else. If his entire working lifetime is not included, he suffers so far as building up benefit rights.

Senator MILLIKIN. Was not our basic theory that this should be a system for the benefit of workers?

Mr. ALTMAYER. I do not recall that that was our basic theory. I think we were thinking in terms of meeting the old-age problem in as economical and effective manner as possible.

Senator MILLIKIN. Of course, the existing law is defined in terms of workers.

Mr. ALTMAYER. Oh, yes.

Senator MILLIKIN. That gives some clue as to what those who drew it were thinking about.

Mr. ALTMAYER. As I said yesterday, I believe, the committee on economic security did recommend the extension to agriculture. So I think the committee was thinking of as universal coverage as possible for those gainfully occupied, whether they were self-employed or working for others.

Senator MILLIKIN. Pursuing that theory that would mean a universal pension for those having a problem of old age.

Mr. ALTMAYER. Yes; but universal pension on a contributory basis.

Senator MILLIKIN. May I ask another question, Mr. Altmeyer? In connection with the self-employed proprietor, what is your philosophy for having a payment or contributory system that is less than the combined contribution of an employer and an employee?

Mr. ALTMAYER. I do not know that there is any theory. It is merely a compromise between having the self-employed person pay only the employee end of the contribution or paying both the employer and the employee end.

Senator MILLIKIN. I am wondering if a person who by his voluntary choice wishes to occupy the role of an employer and at the same time have the social-security benefits of an employee, should not pay the combined contribution.

Mr. ALTMAYER. You will run into some difficulties for the long-term contributor if that is done, because the long-term higher income contributor—by the long-term, I mean 40 years or so—would be paying in a considerable sum as compared with benefits if he paid twice the employee contribution.

Senator MILLIKIN. I was just trying to get the logic of it. If during that period of time he occupies the dual role of employer and employee and wishes to take the benefits that may accrue to him as an independent operator, an independent proprietor, and at the same time the benefits that accrue from being an employee also, why should he not as a matter of logic pay the combined rate? Isn't it a fact, as a practical matter, that we want to bring them in, so we give them an attractive sop to accomplish the job?

Mr. ALTMAYER. As I say, I don't know there is any logic in it. It is a compromise between two extreme positions.

Senator MILLIKIN. It certainly is a compromise.

Mr. ALTMAYER. Yes.

Senator MILLIKIN. But it also is a sop. I am just wondering how we justify it.

Mr. ALTMAYER. As I say, there is that one complication.

Senator MILLIKIN. Shall we be honest and justify it as a sop to bring them in?

Mr. ALTMAYER. No; I think there is this real problem. Senator Taft mentioned it a couple of days ago. We have to be sure in

constructing this system that while we do insure a greater proportion of the wage loss of the low-wage earner, we also insure a sufficient proportion of the wage loss of the higher wage earner and not charge him so much that he doesn't get his money's worth in the long run.

Senator MILLIKIN. Why should you charge the fellow who rises above the \$3,000 level any more, considering benefits received, than we charge the fellow under \$3,000?

Mr. ALTMAYER. They all pay the same percentage, whether they are above or below, the employee pays the same percentage. There is no difference.

Senator MILLIKIN. I thought it was developed the other day that per dollar input against per dollar outtake, the fellow between \$3,000 and \$4,800 range receives less outtake.

Mr. ALTMAYER. Oh, yes.

Senator MILLIKIN. In relation to the fellow from \$3,000 and down per dollar of input.

Mr. ALTMAYER. Yes, surely.

Senator MILLIKIN. Why should that be?

Mr. ALTMAYER. Because you need to use a larger proportion of the employer's total contributions to insure a larger proportion of the wage loss of the lower wage earner.

Senator MILLIKIN. But that does not alter the fact that by operation of just what you have been describing, the fellow from \$3,000 to \$4,800 is paying more per outtake than the fellow from \$3,000 on down.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. Is that correct?

Mr. ALTMAYER. That is correct, but if—and there are two “if's” that I would inject there. If the second step in the formula is made 15 percent instead of 10 percent, as we recommend, and if the annual increment, that is, the increase in the benefit amount to each year of contribution is retained at 1 percent, you do retain equity so far as the long-term higher wage earner is concerned. It is only when you have a long-term high wage earner that you then have to be careful that the contributions that he has paid on over a long lifetime are sufficient so that he gets at least his money's worth.

You have different classes of insured workers. You have the single worker, and you have the worker with dependents. There is no attempt under this type of insurance, of course, to relate the contribution to whether a man is a single man or a married man. He may be a single man today and a married man tomorrow. If he happens to be a married man when he retires or dies, there are certain dependent benefits paid. As Senator Taft brought out, there is no exact relationship maintained between the individual contribution and the individual benefit that may be paid in that case, but the employer's contributions are used more largely for the lower wage earner, for the aged worker, the worker who was aged when he entered the system, and for the worker with dependents. But in so using the employer's contribution to a larger extent in those cases, the single long-term high wage earner is still protected because the sort of benefits that he gets are still at least his money's worth.

Senator MILLIKIN. Let's assume that he gets his money's worth. That does not answer what may be the problem of whether he is contributing more per dollar of input in relation to the outtake than fellows down lower.

Mr. ALTMAYER. Oh, there is no question about that. That is true under the present law. Under the present law you have a break at \$50 a month. You allow 40 percent of the first \$50, and you allow 10 percent of the average monthly wage over \$50 up to \$250 a month. That means that a person whose average monthly wage is only \$50 gets four times as much benefit per dollar of wage as is applicable to the wage between \$50 and \$250 a month.

Senator MILLIKIN. That base is uniform all the way through. They all get the benefit of that base, no matter how high you go from the base.

Mr. ALTMAYER. That is right. Likewise, all get the benefit of the increased base proposed by the advisory council of the Ways and Means Committee, and by us. I think that that is perhaps where some of the confusion arises. All workers would get the advantage of that uniform basic element, and then whether it is 10 or 15 percent, then all workers are treated alike. But we recommend 15 percent instead of 10 percent to be sure that this element of individual equity is taken care of.

Senator MILLIKIN. The basic question that has been raised is whether, in addition to that inequality that you have just been talking about, you have added another one between \$3,000 and \$4,800.

Mr. ALTMAYER. I think it figures out, Senator, that the \$4,800 man will pay just about the same proportion of the cost of his benefits under this revision as the \$3,000 man would pay under the present law.

Senator MILLIKIN. You are going to give us some figures on that?

Mr. ALTMAYER. Yes. The same relationship is maintained between contributions and benefits.

The CHAIRMAN. Doctor, on the self-employed, under the House bill, what is the estimate of the number who will come in as self-employed?

Mr. ALTMAYER. We estimate the urban self-employment that would be taken in would be 4,500,000.

The CHAIRMAN. And then do you take in agriculture?

Mr. ALTMAYER. No, there is no agriculture taken in under the House bill.

The CHAIRMAN. Not even self-employed?

Mr. ALTMAYER. No, sir.

The CHAIRMAN. So the farmer cannot come in, although he is operating his own business. He is not permitted to come in.

Mr. ALTMAYER. That is right.

The CHAIRMAN. The whole farm group is excluded except those, about 200,000—

Mr. ALTMAYER. In the processing operations off the farm.

The CHAIRMAN. Agricultural processing off the farm.

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. All right, I just wanted to get that clear. What is the payment required of the self-employed?

Mr. ALTMAYER. It is one and a half times the payment for the employed. Senator Millikin was raising the question whether it should not be doubled.

The CHAIRMAN. What is it?

Mr. ALTMAYER. The rate now is $1\frac{1}{2}$ percent. It went up to $1\frac{3}{4}$ percent January 1. So it would be $2\frac{1}{4}$ percent.

The CHAIRMAN. For the self-employed?

Mr. ALTMAYER. For the self-employed. Eventually—

The Chairman. Does the same \$3,600 limit apply there?

Mr. ALTMAYER. Yes.

The CHAIRMAN. And the \$4,800 if your recommendation is taken?

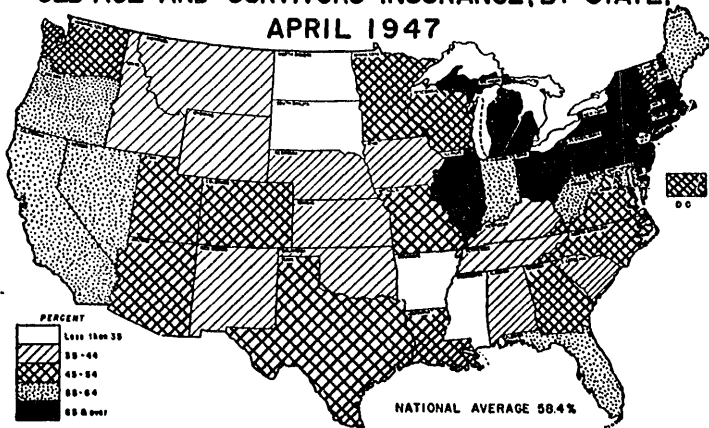
Mr. ALTMAYER. Yes. But only cash income in the case of farmers is taken into account.

The CHAIRMAN. Yes. All right.

Mr. ALTMAYER. We turn to that chart which constitutes a map of the United States.

(The chart referred to is as follows:)

**ESTIMATED PERCENT OF EMPLOYED CIVILIAN
LABOR FORCE IN EMPLOYMENT COVERED BY
OLD-AGE AND SURVIVORS INSURANCE, BY STATE,
APRIL 1947**



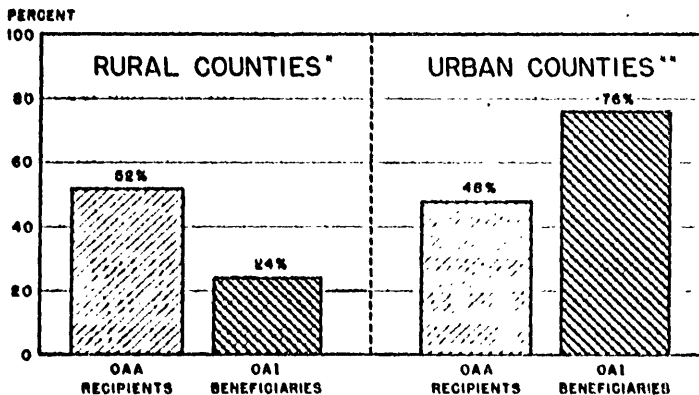
Mr. ALTMAYER. It will be noted that the estimated percent of the employees civilian labor force covered under old-age and survivors' insurance is much greater in the northeastern section of the country than in the South or the West. It is a little surprising, perhaps, that some of these far western States do not have the same percentage of coverage as some of the northeastern States, California, for example. But that was a fact in April 1947. That is the last estimate that we made.

We turn to the next chart.

(The chart referred to is as follows:)

OASI AGED BENEFICIARIES AND OAA RECIPIENTS

JUNE 1946



* LESS THAN 50% OF POPULATION IN 1940 CENSUS

** 50% OR MORE OF POPULATION IN 1940 CENSUS

Mr. **ALTMAYER**. This is based upon June 1946 studies. It will be noted that if the beneficiaries under old-age and survivors' insurance and under old-age assistance are broken down as between those residing in rural counties and those residing in urban counties, in the rural counties 52 percent of the total number of recipients, both insurance and assistance, are old-age assistance recipients.

Senator **MILLIKIN**. Could you back up to the other chart, Doctor? You mentioned the fact—

Mr. **ALTMAYER**. May I correct my statement, because I think I made a misstatement. The 52 percent in the rural counties relates to the total number of old-age assistance recipients. There are 48 percent of the total number of old-age assistance recipients in the country residing in urban counties, and 52 percent residing in rural counties, as contrasted with 24 percent of the total number of old-age insurance beneficiaries residing in rural counties and 76 percent residing in urban counties.

Senator **MILLIKIN**. Going back to the preceding chart, what is your explanation of the fact that Colorado and Utah and Arizona have from 45 to 54 percent of the employed civilian labor force in employment covered by old-age and survivors' insurance?

Mr. **ALTMAYER**. The explanation must be that, taking the total number of employees—

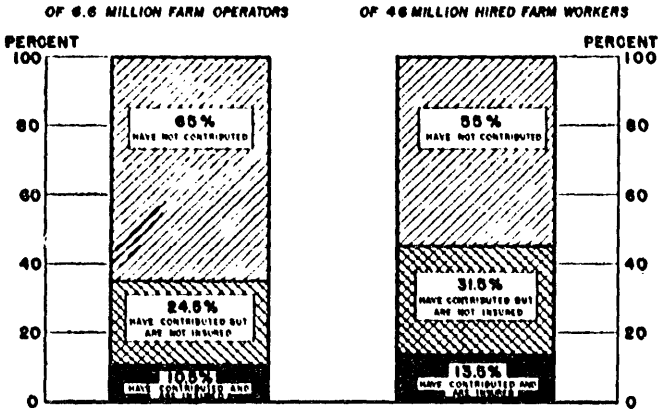
Senator **MILLIKIN**. Does it indicate that there is more industrial employment there than we ordinarily think might exist there?

Mr. **ALTMAYER**. Yes. The percentage of course is largely dependent upon the proportion of the total gainfully occupied persons who are engaged in nonagricultural employment. So whenever you come across a relatively large proportion, it is a very safe indication that the proportion of the nonagricultural employment is higher in that State.

Turning to the next chart, that merely again brings out the same point, that the rural counties do not benefit as greatly as the urban counties under the old-age and survivors' insurance system.

Then the succeeding chart is captioned "Farm operators and farm workers and OASI," that is old-age and survivors' insurance. (The chart referred to is as follows:)

FARM OPERATORS AND FARM WORKERS AND OASI



Mr. **ALTMAYER**. There an important factor is brought out that even though farm operators and farm workers are not in what is called covered employment, that is, no contributions are collected or benefits paid out on the income derived by farm operators and farm workers; nevertheless, because of the great in and out movement between this uncovered employment and the covered employment, a considerable proportion of both the farm operators and the farm workers have made contributions, under the insurance system. You will notice that so far as the farm operators are concerned, 35 percent of the farm operators, 6,600,000 farm operators in this particular tabulation, have contributed under the old-age and survivors' insurance system, but because they were not in it a very long time, only 10% percent have contributed enough to acquire insured status. Another 24% percent have contributed but are not insured. If they acquire additional time in covered employment they may again become insured, and their past period will of course help them in acquiring insured status.

Senator **MILLIKIN**. How many persons in the system have wage credits who have not qualified?

Mr. **ALTMAYER**. About 80,000,000 as you will recall, we estimated to be the number of live persons with wage credits. About 45,000,000 of those have some form of insured status, either current or fully insured status, 35,000,000 do not have.

Senator MILLIKIN. Doctor, would you give us one example each of the type of employment covered by this range of payment on the chart you are now discussing, past the 15.5 percent and up to the 8.4 percent where the wage is from \$3,600 to \$4,100?

Mr. ALTMAYER. You are speaking of the next chart, are you, Senator?

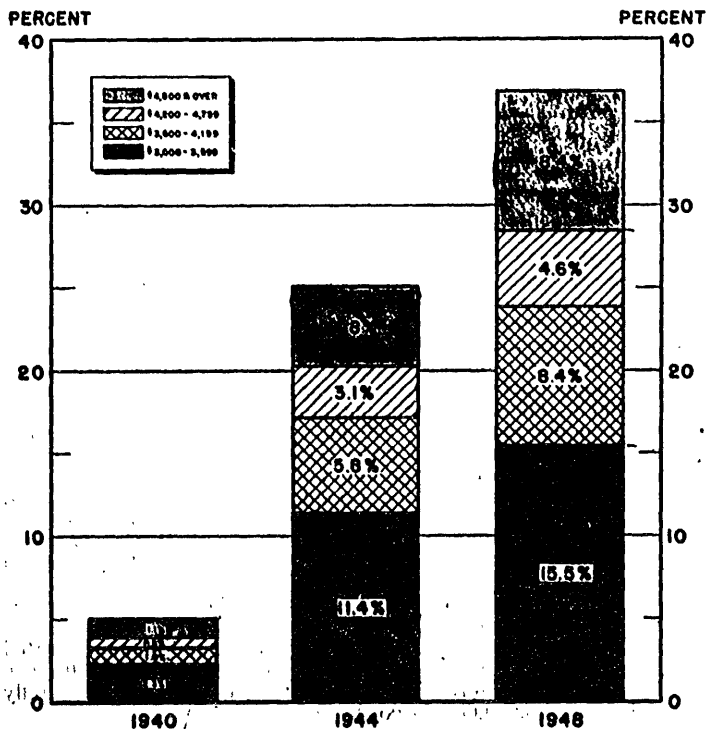
Senator MILLIKIN. I thought you were on the chart headed "Percent of regularly employed workers with wages of \$3,000 and over in 1940, 1944, and 1948." Am I too fast for you? Did I anticipate you?

Go ahead and lay your foundation.

Mr. ALTMAYER. I have finished with that other chart but I did not get your question on that.

(The chart referred to is as follows:)

PERCENT OF REGULARLY EMPLOYED WORKERS WITH WAGES OF \$3,000 AND OVER IN 1940, 1944 AND 1948



Senator MILLIKIN. You have 8.4 percent of the regularly employed workers who have wages of \$3,600 to \$4,199. Give me a type of worker who is in that range.

Mr. ALTMAYER. I don't think I understand what you mean.

Senator MILLIKIN. A coal miner or a fur worker or a machinist or what type of worker is in that range?

Mr. ALTMAYER. I think undoubtedly you are moving into the semi-skilled group.

Senator MILLIKIN. All right, now, 4.6 percent, which takes in workers from \$4,200 to \$4,799. Give me an example. Those are definitely skilled, are they not?

Mr. ALTMAYER. Well, I think you are, yes.

Senator MILLIKIN. Give me a type of worker.

Mr. ALTMAYER. A machinist, for example.

Senator MILLIKIN. A coal miner, if he works?

Mr. ALTMAYER. I don't recall what the average income of the coal miner is.

Senator MILLIKIN. Now let's get up to the 8.4 percent where the wage is \$4,800 and over. What type of workers are in that category?

Mr. ALTMAYER. There you go into the still more highly skilled and professional groups with the \$4,800 and over.

Senator MILLIKIN. Give me some examples of those highly skilled workers.

Mr. ALTMAYER. The foremen, for example. I think you would find some of the building trades skilled workers in that group.

Senator HOEY. Chemists in some of the plants, plastics and so on.

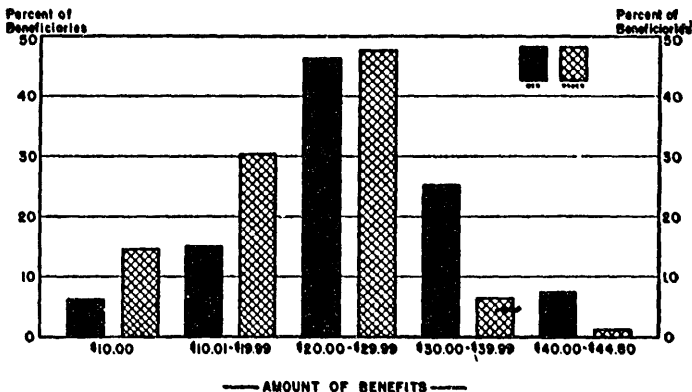
Mr. ALTMAYER. Then you would have the professional groups generally in that field. The \$4,800 stops there, you note. The 8.4 percent are the ones getting over \$4,800. That whole bar, in other words, is not the gamut that we are recommending be covered under the increased maximum wage.

The next chart deals with the break-down of the actual monthly benefits, which are called primary benefits.

(The chart referred to is as follows:)

OASI PRIMARY BENEFITS

(AT END OF 1948)



Mr. **ALTMAYER**. It will be noted that for both men and women the most usual monthly benefit amount, the primary benefit amount, not taking into account any payments for dependents, falls between \$20 and \$29.99. The average for both men and women is about \$26 per month.

Senator **MILLIKIN**. Under what circumstances do you get down as low as \$10?

Mr. **ALTMAYER**. That is where the person has been in a very brief period of time, because under the present law it is not the actual average wage when the person was insured but the average wage as determined by dividing the total elapsed time since 1937 down to the date of retirement or death, taking that total elapsed time as a divisor for the actual earnings in covered employment. So you have a much larger divisor in comparison with the earnings under the insurance system for those who have been in the insurance system a very brief period of time.

That is one fundamental question confronting this committee as to how you will determine the average monthly wage upon which monthly benefits depend. The purpose of using the total elapsed time as the divisor was, of course, to protect the system against those who would be in a very short period of time. Their average monthly wage would automatically go down because the divisor, as I say, would include the entire elapsed time, not just the insured time.

Senator **MILLIKIN**. Of those receiving insurance benefits, what percentage are men and what percentage are women?

Mr. **ALTMAYER**. I haven't got the figures added, but it is very interesting to note that a very large proportion are women.

Senator **MILLIKIN**. That ran counter to my own impression. That is why I asked the question.

Mr. **ALTMAYER**. The reason is this, Senator: If you take only the primary benefits, that is, the benefits that are based solely upon the wage earner's own wage history, then the number of male beneficiaries for the month of June 1949 was 631,600, and the number of female beneficiaries, 169,100. But the point is that a great many women qualify as the wives of insured workers or as the widows of insured workers. I don't have those added up, but I will add them up and give them to you in just a minute.

Senator **MILLIKIN**. I am not speaking of the secondary effects. Independent of that, what is the percentage? I think it would be interesting to have in the record what is the percentage of women who, as workers as such, are receiving benefits as against the percentage of men.

Mr. **ALTMAYER**. Twenty percent of the total, I would guess, are women, and 80 percent are men. Just to indicate the great importance so far as women are concerned of these supplementary benefits, there are in addition to the 169,000 women workers who are drawing benefits in their own right as workers, 263,300 widows, aged widows. Then there are in addition almost 400,000 younger widows with children.

Senator **MILLIKIN**. I was somewhat surprised at the relative heights of these bars on this graph, and that accounts for it.

Mr. **ALTMAYER**. This doesn't deal with the number, Senator. This deals with the average amount, so it would not throw any

light on the number. It is just the average amount of the primary benefits of men as compared with women.

Senator MILLIKIN. It deals with percent of beneficiaries.

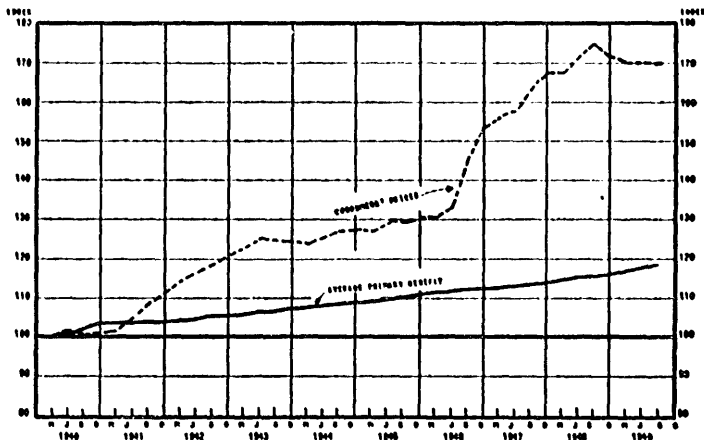
Mr. ALTMAYER. It means the percent of the men who are getting these various amounts and the percent of the women who are getting these various amounts. It is confusing.

We turn to the next chart.

(The chart referred to is as follows:)

OASI AVERAGE PRIMARY BENEFITS AND CONSUMERS' PRICES, 1940-1949

(MARCH 1940=100)



Mr. ALTMAYER. That merely indicates the well-known fact that the average benefit under the old-age and survivors' insurance system has moved up less than 20 percent, about 10 percent, whereas consumers prices have moved up about 70 percent since 1939.

Senator MILLIKIN. Has anyone ever suggested a practical system whereby the benefits would have a direct and automatic relation to the cost of living?

Mr. ALTMAYER. No. That is a problem concerning actuaries generally, how to do that in an insurance system.

Senator MILLIKIN. No one has come up with anything feasible yet?

Mr. ALTMAYER. No, sir, I haven't seen anything.

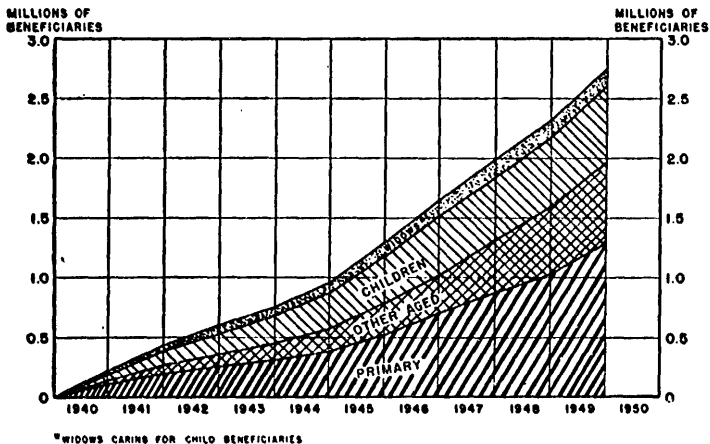
Senator MILLIKIN. That is another way of saying that this is not a static subject and that the laws will have to be changed as the purchasing value varies; is that correct?

Mr. ALTMAYER. Yes, sir.

We turn to the next chart.

(The chart referred to is as follows:)

OASI BENEFICIARIES AT THE END OF EACH YEAR 1940-1949

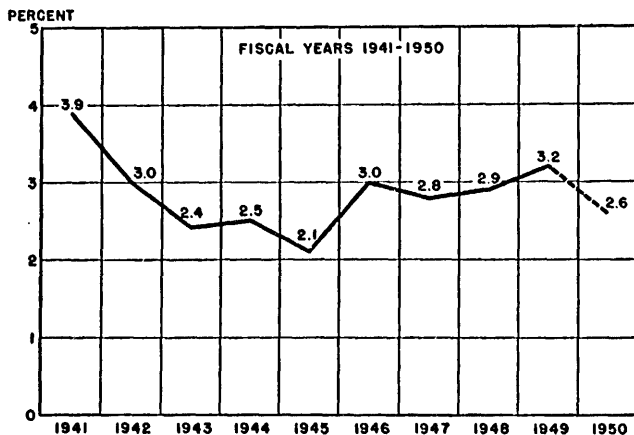


Mr. ALTMAYER. This chart breaks down the old-age and survivors' insurance beneficiaries. It will be noted that, in addition to the so-called primary benefits being paid to about 1,250,000 at the end of 1949, there are a greater number who are drawing as the widows or the children or the parents or the aged wife of the insured worker.

We turn next to the chart that is headed "Old-age and survivors, administrative expenses."

(The chart referred to is as follows:)

OASI ADMINISTRATIVE EXPENSES* AS A PERCENT OF CONTRIBUTIONS COLLECTED



* Includes all administrative costs charged against OASI Trust Fund

Mr. **ALTMAYER**. It will be noted that this chart relates administrative expenses to the contributions collected; and, of course, with the increase in the rate of contribution on January 1, the percentage attributable to administrative expenses goes down automatically to 2.6 percent.

Senator **MILLIKIN**. How does that relate to the administrative expenses for private insurance systems?

Mr. **ALTMAYER**. It is very much less. In fairness to the private insurance companies, I don't think it is strictly comparable, because there are no acquisition costs here, for example, and no competitive expenses of any kind.

Senator **MILLIKIN**. You have a larger number of persons in the system over which to spread your overhead.

Mr. **ALTMAYER**. Yes, sir. We can resort to mechanical bookkeeping methods, for example, which keep down the expense considerably.

Senator **MILLIKIN**. How does this figure compare with similar systems in other countries?

Mr. **ALTMAYER**. I think that our administrative expenses are considerably less than the administrative expenses of any other system in the world, largely because of our mechanization of the bookkeeping end of it.

Senator **MILLIKIN**. Have you got anything on that?

Mr. **ALTMAYER**. As compared with other countries?

Senator **MILLIKIN**. Yes.

Mr. ALTMAYER. I don't recall, but I will look to see if we can find something.

Senator MILLIKIN. I don't regard it as of decisive importance, but if you have something, let us have it.

Senator HOEY. How does the volume compare?

Mr. ALTMAYER. Our system, of course, is many times larger than that of any other country in the world.

Senator MILLIKIN. I doubt for that reason whether it would be of any usefulness in a comparison.

Mr. ALTMAYER. Of course, sometimes you reach the optimum point so far as size is concerned. Instead of the cost declining, it may increase when you reach a certain point. For instance, you will be interested to know that when we were establishing this system in 1937—that is when it went into effect—we had an insurance expert advise us as to how we should set up the organization, and he frankly told us that we could not operate on a centralized basis because of the sheer volume of work. He recommended a break-down, as I recall, into 12 regions completely self-sustaining, so to speak. We were so impressed by his insistence that we would have a break-down because of the sheer volume that we set up 12 production lines, so to speak, but at a centralized point so that we could watch them, the theory being that if one of them broke down in the processing, the other ones could continue while we straightened out the one that was breaking down. Fortunately, none of them broke down, and we moved to consolidate all 12 production lines into 1.

Senator MILLIKIN. We will have to give you a new building one of these days.

Mr. ALTMAYER. Senator, you are on a very very sensitive subject. I am willing to testify that we have the worst working conditions of any group of Government employees. We have our people in Baltimore in an old warehouse type of building on the water front. The lighting, the heating, the odors—because it is occupied in part by light manufacturing—are indescribable.

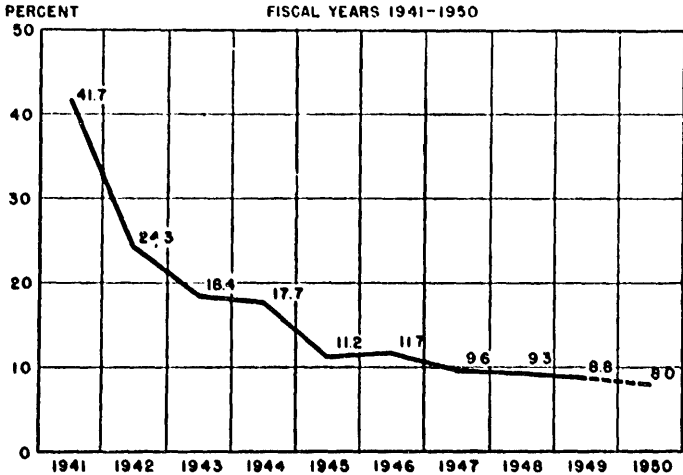
Senator MILLIKIN. I have seen your horror photographs on that, and I am quite impressed. I am inclined to believe that you do need new quarters.

Mr. ALTMAYER. We have asked for new quarters since the beginning but because of Congress being occupied with other matters we haven't actually gotten the authorization, and therefore there hasn't been the opportunity even to make plans for a new building. I appreciate your bringing that up.

We turn to the next chart, which is headed "Old-age and survivors insurance administrative expenses as a percent of benefit payments."

(The chart referred to is as follows:)

OASI ADMINISTRATIVE EXPENSES* AS A PERCENT OF BENEFIT PAYMENTS



* Includes all administrative costs charged against OASI Trust Fund

Mr. ALTMAYER. There it will be noted that the percentage is declining—

Senator MILLIKIN. Could you use the Pentagon Building by any chance?

Mr. ALTMAYER. We would be glad to use the Pentagon Building or any part thereof.

Senator MILLIKIN. You may have something there.

Mr. ALTMAYER. We are all engaged in security of one kind or another, so it might be quite appropriate.

This chart shows a steady decline in the cost of administrative expenses as related to benefit payments. Of course, in 1941 when the monthly benefit payments were just starting, the cost was very high. As the monthly beneficiary payments increase, the cost is going down steadily. As I testified several days ago, we anticipate that within the near future it will be down to 3 percent of benefit payments.

Senator MILLIKIN. Has any outside efficiency outfit ever checked your operations, someone not under your own employ or under your own suggestion?

Mr. ALTMAYER. We have had hundreds of efficiency men call upon us, and we have constantly with us representatives of the International Business Machines Corp. to advise us on ways and means of effec-

tuating economies in the handling of our bookkeeping. Then we have our own group constantly studying ways and means to improve the operation.

Senator MILLIKIN. Has any outside disinterested efficiency outfit ever given you a check-over?

Mr. ALTMAYER. No; but we have had a great many insurance experts there, and we have received many letters of commendation from these insurance experts who have called. We have had comptrollers study our operations, the comptrollers of private organizations.

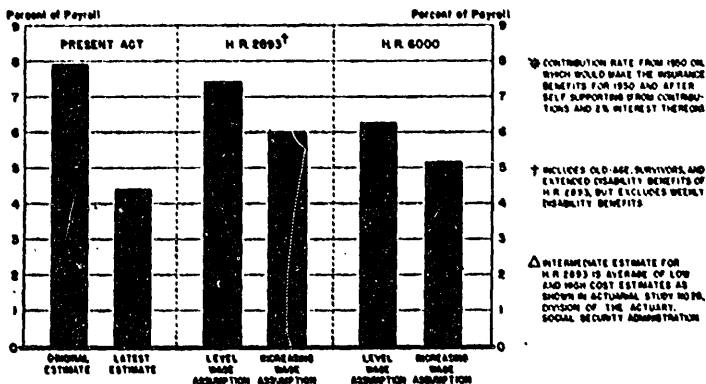
Senator MILLIKIN. You see, we would have to have a disinterested survey before we could give you this building and know how big it should be.

Mr. ALTMAYER. These gentlemen have all been disinterested, I think. They have been very helpful in observing our operations.

We turn to the next chart.

(The chart referred to is as follows:)

LEVEL PREMIUM COSTS* OF H. R. 2893† AND H. R. 6000 COMPARED WITH PRESENT ACT-INTERMEDIATE ESTIMATE^Δ



Mr. ALTMAYER. This is a bar chart in which we have attempted to show the estimated cost of H. R. 6000 as compared with the estimated cost of the present law, and of H. R. 2893 which was the bill introduced a year ago incorporating the Administration's recommendations. It will be noticed that with the level wage assumption as I have previously stated, H. R. 6000 is expected to cost about 6.2 percent of pay roll if based upon a static wage, and about 5.1 if based upon an increasing wage for the future.

Turning to H. R. 2893, it is estimated that on a static wage the cost would be 7.4 percent of pay roll; on an increasing wage, 6 percent of pay roll.

Turning to the present law, it is interesting to note that the actuaries were slightly overpessimistic when they made their original estimate. You will notice that it was pretty close to 8 percent of pay roll, whereas their latest estimate is about 4½ percent. That is an intermediate estimate. On favorable assumptions, it would fall below 4 percent.

Senator MILLIKIN. What is H. R. 2893?

The CHAIRMAN. That was the bill introduced originally.

Mr. ALTMAYER. That was introduced a year ago by Chairman Doughton at the request of the President, incorporating the Administration's recommendations. The cost of that, you will notice, is somewhat higher than the cost of H. R. 6000. However, the recommendations that I have presented to you today, while varying slightly from H. R. 2893, would keep the cost about the same as originally estimated for H. R. 2893.

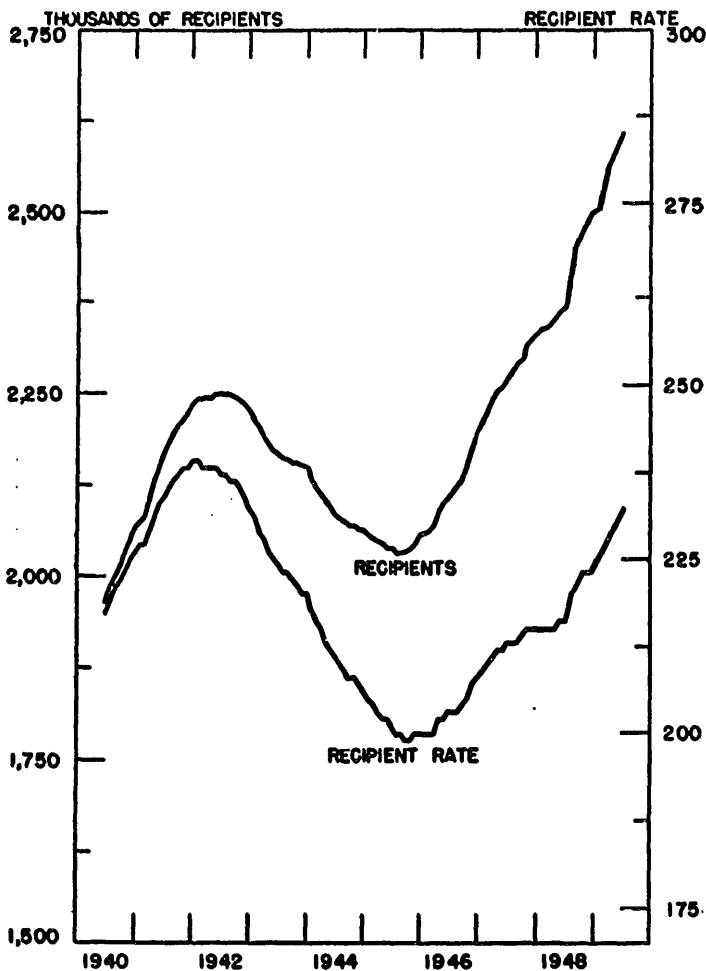
Senator MILLIKIN. Under any theory your latest estimate of the present Act, H. R. 6000, under either of the assumptions used, represents an increase over the present act.

Mr. ALTMAYER. Over the present estimate of the present act; yes, sir.

We turn to the next chart, which deals with old-age assistance.

(The chart referred to is as follows:)

**NUMBER OF RECIPIENTS OF OLD-AGE ASSISTANCE AND RATE
PER 1,000 POPULATION AGED 65 AND OVER, JUNE 1940-49**



Mr. ALTMAYER. You will note the great increase since 1940 in the number of recipients of old-age assistance in the States. This chart doesn't carry through until the present moment. If it did, it would show 2,700,000 recipients of old-age assistance in the various States. [Senator MILLIKIN. May I go back to the preceding chart? What is the present United States pay roll?

Mr. ALTMAYER. The United States as a whole?

Senator MILLIKIN. The total pay roll.

Mr. ALTMAYER. We estimate that the pay roll that would be covered under the insurance system, if we had practically universal coverage, would be about 150 billion dollars.

Senator MILLIKIN. So, compared to percent of pay roll, what would be the money increase under the bars of the preceding exhibit relating the latest estimate to the level wage assumption of H. R. 6000?

Mr. ALTMAYER. The present rate of 3 percent—that is the rate that is being collected at the present time—is estimated to bring in about 2 billion 700 million dollars. On a 150-billion-dollar pay roll it would bring in 4½ billion dollars.

The next chart, as I said, deals with old-age assistance. In order to take account of the increasing aged population, we have that second line called the Recipient rate. That is the rate of recipients of old-age assistance as compared with the total number of persons 65 years of age in this country. That rate went down considerably from 1941 to 1945, largely because these older workers were able to obtain employment in war industries and because their children were in a better position to help them than is the case today.

Senator MILLIKIN. That gives us a striking illustration of the thing you were talking about earlier, of maintaining as much employment among the aged as possible, does it not?

Mr. ALTMAYER. Yes, sir.

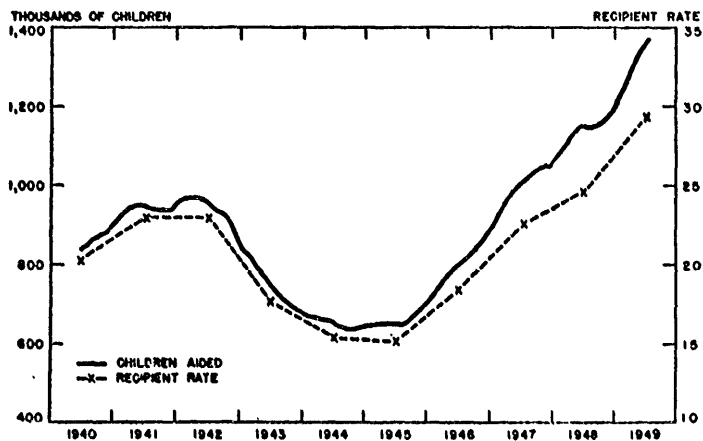
Senator MILLIKIN. The graph also represents an increasing liberalization in the States of old-age assistance, does it not?

Mr. ALTMAYER. I think there has been a tendency to increase the liberality of the eligibility requirements in the States.

We turn to the next chart, which is captioned, "Monthly Number of Children Receiving Aid to Dependent Children."

(The chart referred to is as follows:)

MONTHLY NUMBER OF CHILDREN RECEIVING AID TO DEPENDENT CHILDREN
AND JUNE RECIPIENT RATES, JUNE 1940-1949



Mr. **ALTMAYER**. There again we have the phenomenon of a decline in the number of children receiving this aid from 1941 to 1945, and a very sharp increase since then.

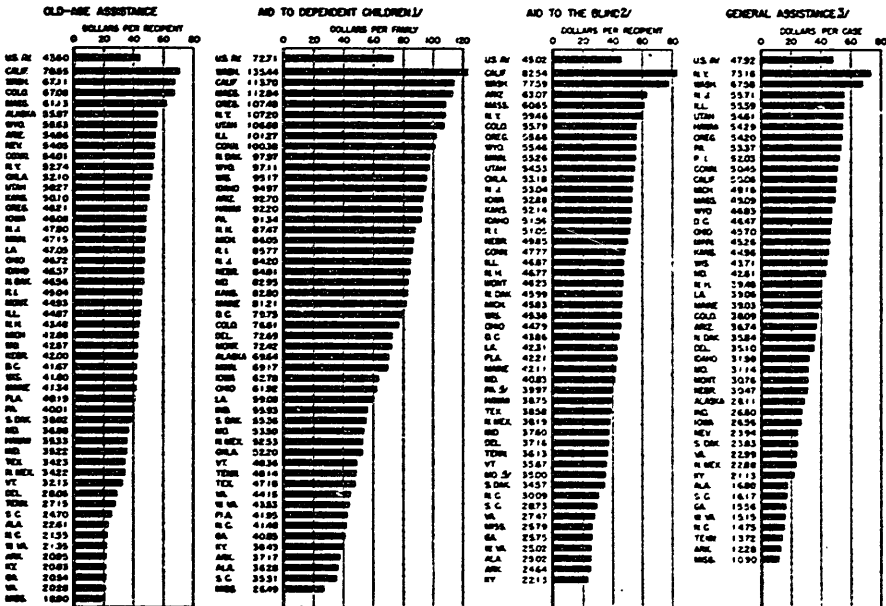
Senator **MILLIKIN**. What is the break-off age?

Mr. **ALTMAYER**. Eighteen.

We turn to the next chart, which deals with the average monthly payment in the States for the various forms of public assistance.

(The chart referred to is as follows:)

PUBLIC ASSISTANCE: AVERAGE MONTHLY PAYMENT, JUNE 1949



^{1/} NOT COMPUTED FOR NEVADA LESS THAN 50 FAMILIES. ^{2/} ALABAMA HAS NO PROGRAM, NOT COMPUTED FOR NEVADA LESS THAN 50 RECIPIENTS. ^{3/} NOT COMPUTED FOR FLORIDA, TEXAS, AND VERMONT (DATA ESTIMATED FOR FLORIDA COMPLETE DATA NOT AVAILABLE). ^{4/} NO FEDERAL PARTICIPATION.

Mr. **ALTMAYER**. Old-age assistance is the first column, aid to dependent children is the second, aid to the blind is the third. Those three are all federally aided. The fourth is the category that is called general assistance, covering people who for one reason or another cannot qualify under the existing three categories in the Social Security Act. These statistics are for June 1949.

If you turn to old-age assistance you will notice that the average monthly payment for June 1949 was \$43.60 for the country as a whole. It is somewhat higher now. However, that average varies greatly from State to State, the highest average being in California, \$70.55, and the lowest in Mississippi, \$18.80.

Senator **MILLIKIN**. I have heard recently that Colorado has nosed out California on that. Is that correct?

Mr. **ALTMAYER**. Yes; so far as the monthly average is concerned.

Senator **MILLIKIN**. Back to the preceding chart, Doctor, once again we have an illustration that the benefits being received are running higher than the increase in unemployment. Is that not correct?

Mr. **ALTMAYER**. That is correct; yes.

Senator **MILLIKIN**. Doctor, may I ask you about this chart which shows the average monthly payments State by State for old-age assistance, and so forth, are there any special explanatory things that should be said to explain the relatively low rate of old-age assistance in some of the States? I mean are there compensating factors that might explain it, or is it just the fact that the States are relatively poor?

Mr. **ALTMAYER**. I think that the latter is the largest factor, that in the States with the low per capita income the average monthly payments are lower than in States with higher per capita income, but there is not an absolutely 100 percent correlation.

Senator **MILLIKIN**. Are there any compensating assistance schemes that might be considered to be supplementary to the old-age assistance program in those particular States?

Mr. **ALTMAYER**. I think the fact that you have these beneficiaries under old-age and survivors' insurance more largely concentrated in the high-income States than the low-income States does add to the disparity between the two States. That is to say, the highly industrialized States are also the higher per capita income States, and in those States you have a larger proportion drawing old-age insurance benefits than in the low-income States.

Turning to aid to dependent children, the average per family—I want to emphasize that this is per family, not per child—is \$72.71. That includes the caretaker and an average of a little over two children per family. So that average of \$72.71 must cover the needs of three people as compared with the average of \$43.60 covering the need of one person under old-age assistance. Again there is great variation in the States as to the average payment per family for aid to dependent children.

The third column deals with aid to the blind.

Senator **MILLIKIN**. Are there any outstanding differences by States between the amount of old-age assistance and the aid to dependent children, or do they run along pretty well together? I notice that the chart is not uniform State by State.

Mr. ALTMAYER. Let's take Colorado for example. Colorado, so far as the average monthly old-age assistance payment is concerned, is third from the top in this particular chart, and as you suggested a few minutes ago, it is at the top so far as the recent figures are concerned, but if you turn to aid to dependent children it is down about the middle of the array.

Senator MILLIKIN. Does not the larger amount of public assistance to the adults help somewhat in reducing the amount of aid to children?

Mr. ALTMAYER. No; I don't think so, Senator, because in old-age assistance you have families for the most part where there are no children, and vice versa. I think there is no compensating factor to explain the disparity between those two averages in Colorado, for example, and I think you will find similar illustrations in other States.

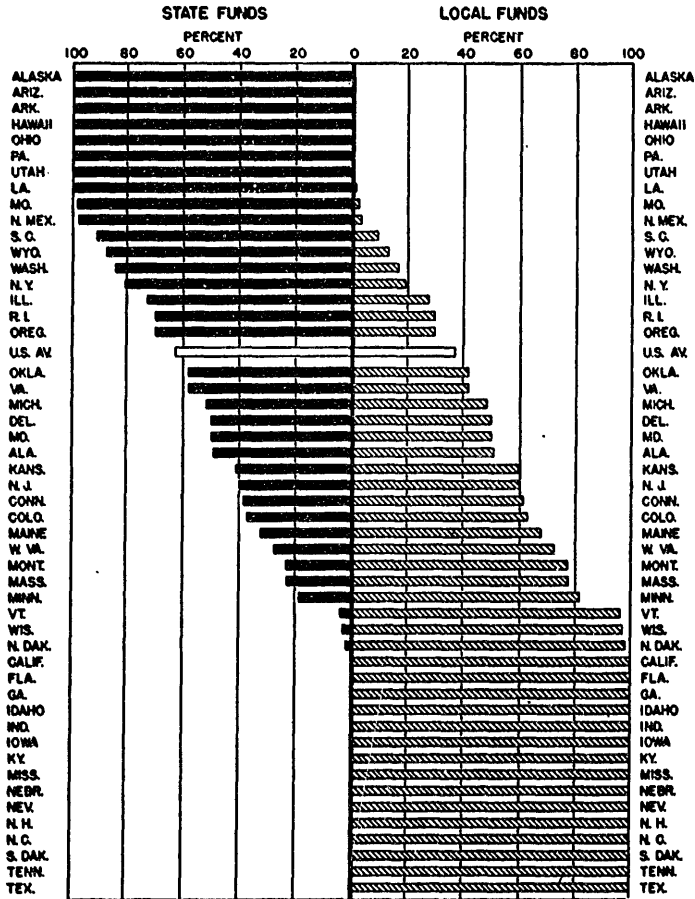
Turning to the third column, aid to the blind, there again the average for the United States as a whole is \$45, but it varies between the States from \$22.13 in Kentucky to \$82.54 in California.

The fourth column deals with general assistance, where the average is \$47.92 per case, not per individual but per case, and varies from \$73.16 in New York to \$10.00 in Mississippi.

That last column I think should be considered in connection with the next chart, which is headed "General assistance."

(The chart referred to is as follows:)

GENERAL ASSISTANCE: DISTRIBUTION OF EXPENDITURES FOR ASSISTANCE BY SOURCE OF FUNDS, FISCAL YEAR 1948-1949



Mr. ALTMAYER. General assistance is financed entirely out of State and local funds. There is no Federal participation. If you look at the chart that you just turned to, you will see that there are seven States where general assistance is paid for entirely out of State funds, and an eighth one, Louisiana, where it is paid for practically entirely out of State funds. Then, at the bottom of the page you will note that there are 15 States where the cost of general assistance is paid for entirely out of local funds, with no State participation whatsoever. Then, between those two extremes you will see States where there is joint State and local participation in the cost of the general assistance.

Senator MILLIKIN. Is it correct to say, roughly, that in those States where the public-assistance rate is high relative to matching funds, the amount of general assistance is low? I notice that California, for example, in the chart which we are now discussing, does not have any general assistance, but it has a very high rate of what you described as public assistance in the preceding chart.

Mr. ALTMAYER. Senator, I think you have to distinguish between the average monthly payment amount, which is contained in that previous chart. California, for example, has a \$50.06 average monthly payment for general assistance as compared with \$70.55 for old-age assistance. This other chart is merely a break-down—

Senator MILLIKIN. I can see that my point is not valid.

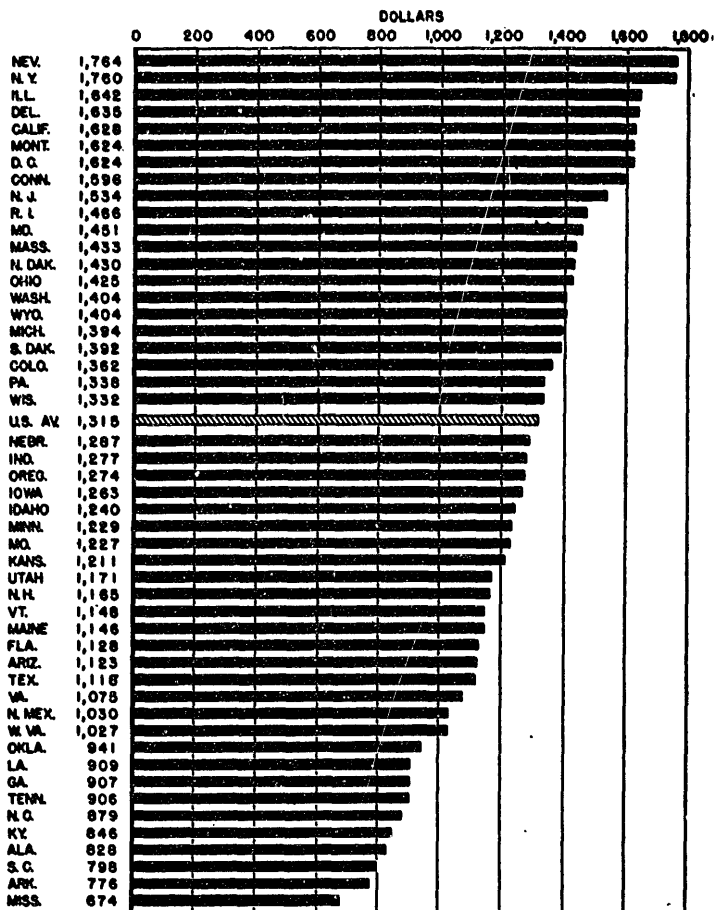
Mr. ALTMAYER. This other chart is merely a break-down to show how much the States participate in the cost of the total.

Senator MILLIKIN. That is right. I can see that there is nothing to that point.

Mr. ALTMAYER. The next chart shows the average per capita income for the 3-year period 1946 to 1948, inclusive, as calculated by the Department of Commerce, by States.

(The chart referred to is as follows:)

AVERAGE PER CAPITA INCOME, 1946-1948



Mr. ALTMAYER. The average for the United States as a whole is shown as \$1,315 per annum, and that varies for the States between Nevada, \$1,764 per annum, and Mississippi, \$674 per annum.

Senator MILLIKIN. Colorado is doing pretty good, considering its per capita income.

Mr. ALTMAYER. So far as old-age assistance is concerned?

Senator MILLIKIN. Yes. I was just getting a little plug in for my own State.

Mr. ALTMAYER. Yes. I think this is of significance in considering this whole subject of Federal matching.

The final chart merely undertakes to summarize the various changes that Congress has made in the Federal matching, the Federal share of expenditures for public assistance.

(The chart referred to is as follows:)

PROVISIONS FOR FEDERAL PARTICIPATION IN PAYMENTS OF PUBLIC ASSISTANCE

LEGISLATION	MAXIMUM AMOUNTS OF INDIVIDUAL MONTHLY PAYMENTS SUBJECT TO FEDERAL PARTICIPATION			FEDERAL SHARE OF EXPENDITURES WITHIN SPECIFIED MAXIMUMS	
	OAA AND AB	ADC		OAA AND AB	ADC
		FIRST CHILD	EACH ADDITIONAL CHILD		
1935 ORIGINAL ACT	\$30	\$18	\$12	1/2	1/3
1939 AMENDMENTS	40	18	12	1/2	1/2
1946 AMENDMENTS	48	24	18	2/3 OF FIRST \$15 (AO) + 1/2 OF THE BALANCE	2/3 OF FIRST \$9 (AO PER CHILD) + 1/2 OF THE BALANCE
1946 AMENDMENTS	50	27	18	3/4 OF FIRST \$20 (AO) + 1/2 OF THE BALANCE	3/4 OF FIRST \$12 (AO PER CHILD) + 1/2 OF THE BALANCE
H.R. 6000 (AS PASSED BY THE HOUSE)	50	27 + \$27 FOR ONE ADULT IN EACH FAMILY	18	4/5 OF FIRST \$25 (AO) + 1/2 OF NEXT \$10 (AO) + 1/3 OF THE BALANCE	4/5 OF FIRST \$15 (AO) + 1/2 OF NEXT \$6 (AO) + 1/3 OF THE BALANCE

Mr. ALTMAYER. You will note that under the 1935 original act the maximum was \$30 for old-age assistance and aid to the blind, and the matching Federal share of expenditures was one-half. In the case of aid to dependent children the maximum was \$18 for the first child, \$12 for additional children, and the Federal matching was one-third up to those maximums.

Then in 1939 the Congress changed the maximums for old-age assistance and aid to the blind to \$40. It left the maximum for children at \$18 for the first child and \$12 for succeeding children, but did change the matching ratio for children from one-third to one-half.

In 1946 Congress changed the matching ratio from a flat 50-50 to two-thirds of the first \$15 of average payment, plus one-half of the balance in the case of old-age assistance and aid to the blind; and two-thirds of the first \$9 average per child and one-half of the balance in connection with aid to dependent children. It raised the maximums also from \$40 to \$45 for old-age assistance and aid to the blind, and from \$18 to \$24 for the first child and from \$12 to \$15 for succeeding children. That is the first of the so-called McFarland amendments.

Senator MILLIKIN. Now you are coming to the Eightieth Congress. Tell us about that.

Mr. ALTMAYER. The Eightieth Congress changed the maximum for old-age assistance and aid to the blind from \$45 to \$50, for the first child from \$24 to \$27, additional children from \$15 to \$18. It upped the Federal matching ratio to three-fourths of the first \$20 average, plus one-half the balance in the case of old-age assistance and aid to the blind, and three-fourths of the first \$12 and one-half of the balance in the case of aid to dependent children.

H. R. 6000 as passed by the House retains the present maximums, except that in the case of children it also allows the caretaker to be considered as a recipient, and it changes the matching ratio to four-fifths of the first \$25 average payment, one-half of the next \$10, and one-third of the balance in the case of old-age assistance and aid to the blind. In the case of aid to dependent children it is four-fifths of the first \$15 average payment, one-half of the next \$6, and one-third of the balance.

That concludes my presentation, Mr. Chairman.

The CHAIRMAN. Are there any further questions, Senator?

Senator MILLIKIN. I don't know, Mr. Chairman, whether this is an appropriate time to get into this. Are you gentlemen going to present any testimony on the reserve fund?

Mr. ALTMAYER. The present amount and how it will run?

Senator MILLIKIN. The whole system, the reserve fund.

Mr. ALTMAYER. I think you will find the figures in the report of the Ways and Means Committee, a separate pamphlet.

Senator MILLIKIN. I know it is there, but I want the philosophy of it. Are you going to give us anything on that?

Mr. ALTMAYER. I hadn't intended to, but I would be glad to discuss it briefly.

Senator MILLIKIN. Is it agreeable to you, Mr. Chairman, that we make a start at it between now and 12?

The CHAIRMAN. Yes; if you are prepared, Doctor. You are familiar with it, I know.

Mr. ALTMAYER. I am somewhat familiar with it.

The CHAIRMAN. You you lived with it for a long time.

Mr. ALTMAYER. I think we touched on it yesterday somewhat.

Congress must decide, it seems to me, whether this is going to be a self-sustaining system or whether it is going to be subsidized in part out of general funds. The situation is still unclear so far as the present law is concerned as to what the long-range policy is as regards whether this will be completely self-sustaining or whether it will eventually be subsidized out of general funds. There is the amendment in 1943, the Murray amendment, which underwrites the financial solvency of the insurance system in the event that the cash contributions in the future at any time become inadequate. But there is no prohibition, of course, and there cannot be, as regards whether the Congress at some future time will raise the contribution rate sufficiently to make it self-sustaining.

The characteristic of any old-age retirement plan which takes into account the length of time that a person has contributed or the length of time he has been insured is one of increasing costs over the years until a point of maturity or stability is reached, which may be 50

years because it must take into account the lifetime of present young workers.

There are various ways of trying to meet that problem of increasing costs. One extreme way would be just to levy enough each year to cover the expenditures of that year. If that were done, and if the system were still to be on a self-sustaining basis, the eventual contribution rate for a system that had a level premium rate that I have mentioned in previous testimony, might run up to as much as 12 percent, shared in some proportion.

Senator MILLIKIN. When would that come, Doctor?

Mr. ALTMAYER. That would not come until probably 50 years hence, but it would move up in that direction.

Senator MILLIKIN. What would it be at the present time on a pay-as-you-go basis?

Mr. ALTMAYER. On a pay-as-you-go basis, as I have pointed out, we will be collecting more at the combined 3-percent rate than we are paying out, so it would not be necessary to have the present combined rate of 3 percent if you were on a pay-as-you-go basis.

Senator MILLIKIN. But at the present time, if we were on a pay-as-you-go basis, what percentage of pay roll would be necessary?

The CHAIRMAN. Do you mean that under the existing law the present annual rate of expenditure is about 1 percent on a pay-as-you-go basis? Under H. R. 6000 it would be some more but how much more.

Mr. ALTMAYER. The report of the committee captioned, "Actuarial Cost Estimates for Expanded Coverage and Liberalized Benefits Proposed for the Old-Age and Survivors Insurance System by H. R. 6000," issued October 3, on page 8 gives a low estimate of 3.32 percent of covered pay roll, and a high estimate of 1.49 percent of covered pay roll.

Senator MILLIKIN. That is on a pay-as-you-go basis, assuming the effectiveness of H. R. 6000 at the present time?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Independent of H. R. 6000, and with the law as it exists, taking into consideration the increased rates which took place earlier in the year, we are now collecting about 2 per cent more than is necessary to finance the system on a pay-as-you-go basis?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. What is the amount of money in our trust fund?

Mr. ALTMAYER. It runs over \$11,000,000.

The CHAIRMAN. Doctor, on universal coverage what is your estimate? What percentage would be necessary on a pay-as-you-go basis if you had universal coverage?

Mr. ALTMAYER. For the amendments that we have suggested?

The CHAIRMAN. You don't suggest complete universal coverage do you?

Mr. ALTMAYER. There are a few out, but we would estimate that the level premium would be about 6 percent. I don't recall what the initial percentage would be in the first year of coverage.

Senator MILLIKIN. It would be slightly more than H. R. 6000.

Mr. ALTMAYER. Slightly more than the House, yes.

As I said, that is one position, that you collect only enough to cover the expenditures in a given year.

The other extreme is that you start out with this so-called level premium which, if you collect from the beginning, will be sufficient to finance the system without any further increases.

No; there is a still further extreme, that you collect enough so that the system is fully funded; so that if the Congress decided it was going to go out of the business entirely and turn it over to private insurance companies, it could turn over enough assets to cover all future liabilities. I don't think anybody has ever suggested that extreme.

The level premium, though, doesn't go to that extent. It is a concept which is, as its name indicates, that you will collect enough from the beginning so that you have enough of a reserve whose interest when added to the current collections will enable you to keep on this level. Although you couldn't go out of business and have enough assets to refund the whole system, you would nevertheless not be under the necessity of raising the rate of contribution.

I think the important thing, whether it is on a pay-as-you-go basis or a level premium basis, is first to decide whether you want this on a self-sustaining basis or whether you are willing to consider eventual Government subsidy. That in turn is controlled by what I think should be the main consideration, that the Congress bear in mind what the future costs are going to be and that whichever decision is made, it is made in the light of an understanding that we must legislate not simply for today but for the future, so that we will have a definite and sound financial basis for this system.

Senator MILLIKIN. Coming to the charge that there is an ultimate double liability on the taxpayer, is it correct that at the present time the payments are made to the Treasury, the Treasury notifies the trustees of the social-security fund that they have a credit of so much, the trustees of the social-security fund say, "Give us some bonds," and the Treasury issues a special type of bond to cover the transaction; the funds thus collected and in the hands of the Treasury then go for general expenditures? How do you meet the argument that ultimately, if recourse must be made to the reserve fund, the money will have to be raised again?

Mr. ALTMAYER. The money will not have to be raised again for social-security purposes, of course. What has happened is that the Congress has not levied sufficient funds to take care of certain necessary non-social-security purposes, and has preferred to borrow from this trust fund and give the obligations of the United States to the fund in return for that borrowing.

Senator MILLIKIN. That happens when those funds are spent for general purposes, and those funds are simultaneously covered by bonds which are held by the social-security system.

Mr. ALTMAYER. Yes.

Senator MILLIKIN. But I come back to my question: If we should come to a time when we want to draw on that reserve, the charge is made that we would just have to go out and collect the money again to redeem the bond.

Mr. ALTMAYER. Or you could at that time do what you could do today. Instead of borrowing from the trust fund, you could borrow from the banks and other financial institutions of the country, and you would be carrying on exactly the same financial transaction then

that you would be carrying on today to meet certain non-social-security payments.

Senator MILLIKIN. That would continue your indebtedness to that extent.

Mr. ALTMAYER. Yes, but your indebtedness at that future time would be that much less. The total outstanding indebtedness in the hands of the general public would be that much less. That is to say, the effect is that this \$11,000,000,000, instead of being held by private investors throughout the country, is held by this trust fund, and therefore your total Government debt in the hands of private investors today is that much less. So, when you reach a point that you need to pay out something from this trust fund, the Federal Government is in a better financial situation because the amount of its obligations in the hands of private investors is that much less.

Senator MILLIKIN. It has to raise the money to buy the bonds from the private investors. Is that not right?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. That brings us to the same place where we started.

Mr. ALTMAYER. Except that the total financial burden of that particular fiscal year is that much less.

Senator MILLIKIN. You have reduced your debt by using public funds for the purpose, and the public funds were raised by taxation.

Mr. ALTMAYER. Yes. The trust fund, so far as the Federal Government is concerned, is a device to put the Government in a future year in a better financial situation than it would be without the trust fund. All that, as you know, is discussed in the report of the advisory council to this committee. It has been discussed by the social security committees of the American Life Convention, the Life Insurance Association of America, and the National Association of Life Underwriters. I think they have all reached the conclusion that this operation is a sound one and the only one that can be carried on if there is going to be any fund whatsoever. It does not involve double taxation, and it does put the Government in a better financial position in the future.

Senator MILLIKIN. I respectfully suggest that you have not made it clear that it does not involve double taxation. I am familiar with the reports to which you refer. People reading those reports continue to have the questions in mind that I have propounded to you. In other words, if you were running a private life insurance company, your reserves are assets.

Mr. ALTMAYER. They are put in the same sort of obligations.

Senator MILLIKIN. But they are the assets of a private insurance company. When it gets ready to draw on those assets, it has something which will yield money without increasing its own indebtedness and without requiring further assessment on its stockholders.

Mr. ALTMAYER. Put it this way, then, Senator. Suppose that there was a balanced budget—

The CHAIRMAN. And we didn't owe any money.

Mr. ALTMAYER. No. This actually did happen a year and a half ago.

Senator MILLIKIN. What Congress was here then?

Mr. ALTMAYER. I have forgotten, Senator. I would like to forget.

As I recall, about a year and a half ago the Treasury did actually purchase Government obligations on the open market because there was a surplus. That makes it clear, I think, just what happens in connection with this trust fund. The net effect is that this trust fund holds obligations that would otherwise be held by the general public. Those obligations would have to be sold to the general public, and they would have had to be redeemed and the interest paid, regardless of social security.

Senator MILLIKIN. I think that is all true, but you have to relate that then to what you are intending to do to social security.

Mr. ALTMAYER. Right. Then you reach the time when you want to use some of the money represented by those obligations held by the trust fund instead of by the general public. If you have a balanced budget and a little bit more to retire Government obligations, then you can retire those obligations as a part of the financial operations of the Government.

Senator MILLIKIN. Then doesn't it come to this, that unless by these operations you are decreasing your public indebtedness to the extent that you use these funds for general revenue purposes, you are in fact increasing your indebtedness? Does it not come to that?

Mr. ALTMAYER. Unless you are decreasing the amount of the public indebtedness in the hands of private investors, that is right.

Senator MILLIKIN. That brings you to the affirmative suggestion which has been made that these funds should be used for the reduction of the debt and thus should keep your books in balance, and that unless you do that, if you spend the money, in contrast, without reducing your indebtedness by a similar amount, you are simply adding to your indebtedness and ultimately will have to pay twice. Does it not come to that?

Mr. ALTMAYER. The insured beneficiaries don't pay twice. No; they do not.

Senator MILLIKIN. I am not talking about the insured beneficiaries. I am talking about the taxpayer.

Mr. ALTMAYER. He is not paying twice for the same purpose.

Senator MILLIKIN. In any event, you pay twice to cover the operation of the system.

Mr. ALTMAYER. Senator, the word "twice"—

Senator MILLIKIN. Unless you operate your system in a way that you reduce the Nation's indebtedness by the amount that you spend for general revenue purposes, are you not building up debts rather than reserves?

Mr. ALTMAYER. Putting it another way, to make your point stronger, if it is contended that because of the social security receipts Congress is going to spend that much more currently for other purposes—

Senator MILLIKIN. That is what it is going to do.

Mr. ALTMAYER. Not because of these receipts.

Senator MILLIKIN. But because it has the receipts with which to spend.

Mr. ALTMAYER. Because it has those receipts, it borrows from the fund instead of private investors.

Senator MILLIKIN. I put it to you again, Doctor: If this money that comes in from those who are remitting it is not used to reduce the

debt to counterbalance the debt which is created by giving the trustees bonds, are you not ultimately paying twice?

Mr. ALTMAYER. No, no.

The CHAIRMAN. If you are increasing the debt, of course you have to make it up by taxing the taxpayers ultimately anyway, whether that debt be to the social security system or whether you are building up your outside debt to private investors. That is true, of course.

Mr. ALTMAYER. That is true. The people of this country are paying only once.

The CHAIRMAN. I understand that, Doctor. I think the whole thing comes to this: If we increase the national debt for any purpose, of course the taxpayers have to pay it ultimately.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. Then, does it not come down to the proposition that these funds should be used to reduce the general debt so as to keep in balance the increase in debt which is represented by the bonds issued to the social security trustees?

Mr. ALTMAYER. I say that they are being used to reduce the debt in the hands of private investors. There is no question about that.

Senator MILLIKIN. If that is being done—

Mr. ALTMAYER. It is being done.

Senator MILLIKIN. Then the prescription is being met.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. To the extent it is not being done, then you have to pay twice. Is that correct?

Mr. ALTMAYER. Not for social security. If you assume that Congress is going to spend more because of the receipts, then Congress has taken on a larger obligation, but not related to social security.

Senator MILLIKIN. I think it is a sound assumption, Doctor.

Mr. ALTMAYER. I don't think so. I don't think that Congress has thought once about how much came in for contributions under social security insurance.

The CHAIRMAN. I think the Senator from Colorado meant it was a sound assumption that Congress was going to spend—period. [Laughter.]

Doctor, will you come back tomorrow?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. You will want to question him further?

Senator MILLIKIN. Yes, I want to question him some more on this subject, because I receive all kinds of correspondence on this.

The CHAIRMAN. We will be in recess, then, until 10 o'clock tomorrow morning. Thank you very much.

(Whereupon, at 12 o'clock noon the committee recessed until 10 a. m., Friday, January 20, 1950.)

SOCIAL SECURITY REVISION

FRIDAY, JANUARY 20, 1950

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Kerr, and Millikin.

Also present: Mrs. Elizabeth B. Springer, acting clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order.

Dr. Altmeyer, Senator Millikin was asking some questions of you; and since Senator Millikin may have to leave I think he might proceed now, if he is ready.

Senator MILLIKIN. Doctor, yesterday we were talking about the contribution of the self-employed under the recommendations which have been made; and during the course of the colloquy between us, I made some reference to the 1½ percent contribution as distinguished from the 2 percent contribution if the contributor contributed on the basis of a combined employer and employee. And I made some reference to the discount having the nature of a sop.

It was brought to my attention after the meeting that there may be some actuarial basis for the reduction, due to the fact that in theory at least the self-employed will retire at a later date on the average than those who are not self-employed. Do you think there is anything to that?

STATEMENT OF ARTHUR J. ALTMAYER, COMMISSIONER FOR SOCIAL SECURITY, SOCIAL SECURITY ADMINISTRATION, WASHINGTON, D. C.—Resumed

Mr. ALTMAYER. Yes. I think I should have brought that point out. I think that is true.

The CHAIRMAN. Let me understand, Senator Millikin, if I may.

You say the self-employed pay one and a half times?

Mr. ALTMAYER. The proposal is that they pay one and a half times the employee rate.

The CHAIRMAN. Well, one and a half times what?

Mr. ALTMAYER. The employee rate.

The CHAIRMAN. The employee rate. But what is the base on which that is calculated so far as the self-employed are concerned?

Mr. ALTMAYER. It would be calculated upon an approximation of the earned income of the self-employed as derived from the income-

tax return. The main exclusions would be rent and interest and capital gains from the income-tax return.

The CHAIRMAN. Roughly, an estimate of his earnings during that period. Is that right?

Mr. ALTMAYER. Yes, sir.

The CHAIRMAN. All right.

Excuse me, Senator, I did not understand what that was, and I wanted to find out.

Senator MILLIKIN. Does that theory of the self-employed remaining active longer than the non-self-employed have a fair relationship to the size of the discount, actuarially?

Mr. ALTMAYER. I do not think we have attempted to make any exact estimate, but I think it would be a very important element.

Senator MILLIKIN. Are there statistics that will confirm the fact that the self-employed do remain self-employed longer than the straight employee?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. Can we have something of that kind, if you have it?

Mr. ALTMAYER. Yes, sir.

(Mr. Altmeyer later submitted the following table:)

Information from the 1940 census indicates that in general the self-employed retire later in life than wage earners:

Distribution of male urban self-employed and male urban wage earners by age

	Urban self-employed	Urban wage earners
	Percent 100.0	Percent 100.0
Total.....		
Under 20.....	.8	4.1
20-24.....	3.2	12.7
25-29.....	7.3	18.0
30-34.....	10.5	14.1
35-44.....	25.8	21.9
45-54.....	30.3	17.8
55-59.....	9.9	8.7
60-64.....	7.5	3.7
65-74.....	7.4	2.7
75 and over.....	1.3	.3

While only 12 percent of wage earners are 55 or more and only 3 percent are 65 or more, 26 percent of the self-employed are 55 or over and nearly 9 percent of them are 65 or over.

Senator MILLIKIN. Now coming back to the double taxation charge, will you agree with me that while the Government is running on a deficit financing basis ultimately there will be something in the nature of a double taxation, not on the policy holder, not on the insured, except in his capacity as taxpayer, but on the taxpayer including the insured?

Mr. ALTMAYER. I think, Senator, whether we are operating on a deficit or a surplus makes no difference as regards this charge of double taxation, which I think you will agree, is incorrect. I think the point you are bringing out is this: That when the Government operates on a general deficit today, some day in the future the Government must levy additional taxes because of the deficit that occurred

today which required the borrowing of moneys based upon Federal obligations.

Senator MILLIKIN. And so, to bring that down to what we are talking about, to the extent that we issue bonds, or buy bonds in the market, to cover the contributions that are made in a period while we are operating on deficit financing, the taxpayer in the future will have to make good those bonds?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. Would you agree with me on this: That the present method of doing it does provide an interest increment to the system that might not be present if it were done on a pay-as-you-go basis, for example?

Mr. ALTMAYER. Yes, indeed.

Senator MILLIKIN. Will you agree with me on this: That to the extent that this money coming into the Treasury, these contributions coming into the Treasury, encourage extravagant spending, it is an unfortunate and a bad development?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Will you agree with me that to the extent that we use the contributions to reduce the public debt we obviate the double cost feature that we have been talking about?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Have any suggestions been made for improving the system, for example along the lines of requiring that the public debt be reduced by the amount of the contributions in a deficit financing period?

Mr. ALTMAYER. I do not think that the investment of these excess revenues under social security have any relationship to the problem of balancing the budget. That is to say, it is conceivable that in a period of deficit the Treasury could go and purchase existing obligations outstanding, purchase them in the open market, put them to the credit of the trust fund, but then at the very same time the Treasury would be obliged to issue other Treasury obligations and sell them on the open market in order to cover the deficit. So we would be back exactly where we started, but with costly mechanics that the Treasury had to engage in under such a proposal.

Senator MILLIKIN. So that under the circumstances which you have described, the trust fund merely becomes another purchasing source for bonds?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. In other words, the Government could sell them to the public at large, or it could sell them to the insurance fund in order to cover deficits?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. When it does sell them to the insurance fund in a deficit period, the taxpayer will have to pay in the future, assuming that the same amount of money is spent for general expenditures?

Mr. ALTMAYER. The general taxpayer will, yes, sir.

Senator MILLIKIN. And the general taxpayer, of course, includes the insured?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. And the wider the base, the wider the coverage, the closer we come to the point where the insured themselves will be paying double?

Mr. ALTMAYER. Again, you would have to define the word "double."

Senator MILLIKIN. But we both understand what we are talking about.

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. What phrase would you put upon it?

Mr. ALTMAYER. I wouldn't use the term "double" or "twice" or any such phrase, because I think it throws us off the track.

Senator MILLIKIN. Could this not be true: that in the end the taxpayer has to pay something which was supposed to have been paid by the insured contributor?

Mr. ALTMAYER. The taxpayer has to pay in the end for the undertakings by the Government in the year 1950 that were not financed out of current receipts. But the general taxpayer is not paying for social security, and the social security taxpayer is not paying for general purposes.

Senator MILLIKIN. Except insofar as the general purposes taxpayer is covered by the system. And the money paid in originally was paid for the system and for his protection, whether in a deficit position or a balanced budget position.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. But when this operation takes place during a period of deficit, the taxpayer, including the contributor, has to pay for the bonds that are either covered into the system or otherwise sold to the people?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Then that again, I think, comes down to more or less whether this system encourages extravagant spending, on the theory of "easy come, easy go."

Mr. ALTMAYER. Yes. Now, the countervailing argument to that, for what it is worth, is that to the extent that we collect today the premium necessary to pay the full cost of that system, to that extent we impress the potential beneficiaries of the system with what it is costing to provide these benefits. When we start with a small contribution rate of 1 percent and then move up to a higher rate which some future generation is going to pay, the argument may well be made that in legislating today regarding benefits we have failed to impress the public generally and the potential beneficiaries of the actual cost of providing those benefits.

Senator MILLIKIN. And is it not also argued that the existence of this tremendously large trust fund, if you want to call it that, which will grow rapidly much larger under the new rates, its very existence, may tempt to extravagance in the amount of benefits?

Mr. ALTMAYER. It may, yes.

Senator MILLIKIN. I think that is all I have to question you on in connection with that subject at the present time. I may want the privilege of talking further with you as the hearing progresses.

Mr. ALTMAYER. You might be interested in this figure to be inserted in connection with the discussion of this trust fund: that as of June 30, 1949, the total assets were \$11,310,000,000; and of those assets \$2,228,000,000 were invested in various public issues, and \$9,000,000,000 were invested in special issues bearing an average rate of interest. Then there was a relatively small balance of \$70,000,000 to take care of current.

The CHAIRMAN. The operating fund, so to speak?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. The Secretary of the Treasury, as one of the trustees, determines, as a matter of fact, the type of investment that will be made?

Mr. ALTMAYER. Yes.

Senator MILLIKIN. So that as Secretary of the Treasury he also has the opportunity to use the trust fund in general harmony with the Treasury fiscal policies?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. Whether good or bad. Correct?

Mr. ALTMAYER. Yes, sir.

Senator MILLIKIN. To put it in another way, to put it in a harsher way, the trust fund is not handled strictly as a trust fund, with a sole view to the benefit of the trust fund, but it might become a pawn for general Treasury fiscal policies. I do not ask you to accept the harsher description of it.

Why did the Secretary of the Treasury buy from the public rather than issue the special bond? I assume that the stated reason would be because the state of the market on bonds was such that at least an equal or a better rate of interest could be obtained by buying in that way, rather than by issuing special bonds. Is that correct?

Mr. ALTMAYER. I think that is one of the reasons.

Senator MILLIKIN. And do the facts show that that is correct?

Mr. ALTMAYER. I would think so, but I would have to check that.

Senator MILLIKIN. Well, I think it would be completely indefensible if it were not that way, and so I feel rather confident you would find it is that way.

Mr. ALTMAYER. I think so; yes.

Senator MILLIKIN. But it does give the Secretary of the Treasury a great opportunity to use a vast sum of money for controlling the bond market of the United States.

Mr. ALTMAYER. But I am sure, as you say, that the net result was that this fund is credited with at least the average rate of return on the Government obligations.

Senator MILLIKIN. And it gives, in connection with inflationary and deflationary problems so far as Treasury operations are concerned, an enormous pool of money to the Secretary of the Treasury which he can use for, let us say, stabilizing purpose in the bond market.

Mr. ALTMAYER. It is not as enormous proportionately as it would have been if the General Government debt were not the size that it is today. I recall very well, in a previous hearing before this committee, a question that Senator Vandenberg asked me. At that time, the Government debt was, as I recall, about \$20,000,000,000, and we had estimated that the reserve might grow as high as \$47,000,000,000. And the Senator asked me, "Well, now, what are you going to invest this fund in after you get beyond the \$20,000,000,000 and have bought up the entire outstanding Federal debt?" And I confess that I did not have a very good answer for that.

The CHAIRMAN. But the problem just solved itself; did it not?
[Laughter.]

Mr. ALTMAYER. The problem solved itself.

Senator MILLIKIN. What is the amount of interest now in the trust fund?

Mr. ALTMAYER. During the fiscal year 1949, the total income of this trust fund was \$1,924,000,000, of which \$1,694,000,000 came from the current contributions and \$230,000,000 came from interest on investments.

Senator MILLIKIN. So you are getting close, roughly, to \$2,000,000,000 of earned interest in the fund?

Mr. ALTMAYER. \$230,000,000 a year, this last figure was.

Senator MILLIKIN. But I am talking in terms of the total. How much money is there in the fund representing interest?

Mr. ALTMAYER. This table that I have does not give that. We would have to look that up and see. It has been running since 1937.

Senator MILLIKIN. It runs over \$200,000,000 a year at the present time?

Mr. ALTMAYER. That is right.

Senator MILLIKIN. It will run substantially larger under the new rate.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. And by this time it would be a very substantial figure.

The CHAIRMAN. It would be over a billion, I imagine.

Senator MILLIKIN. We frequently hear Treasury arguments as to the necessity for having enough revenue to make retirements of debt. What is the annual income from this system into the Treasury?

Mr. ALTMAYER. This old-age and survivors insurance?

Senator MILLIKIN. Yes.

Mr. ALTMAYER. That was \$1,900,000,000 some. But it will be more under the 1½ percent.

Senator MILLIKIN. So, roughly speaking, there is more than 2,300,000,000 available from this fund from current income that could be used for debt retirement. Is that correct?

Mr. ALTMAYER. About \$2,000,000,000 excess in current receipts.

Senator MILLIKIN. I think that is all at the present time.

The CHAIRMAN. So far as the social-security system is concerned, Doctor, it would make no difference if this sum was applied to the national debt? In other words, the system would not be concerned about that?

Mr. ALTMAYER. No, sir.

The CHAIRMAN. It might be a concern to the Secretary of the Treasury insofar as the management of the debt was concerned, but it would not be of concern insofar as the system is concerned.

Senator MILLIKIN. May I make one observation, Mr. Chairman? I think we have said this again and again in different ways. To the extent that these proceeds are used for reducing the national debt, you have a justification for a later obligation of the taxpayer to make good the reserve funds.

Mr. ALTMAYER. But I think we have to bear in mind that whether it is a period of deficit or surplus, so far as the General Treasury is concerned the effect of the investment of this fund in Treasury obligations always is to reduce the Government debt in the hands of the public.

Senator MILLIKIN. Well, but when you are in a deficit position and you are issuing bonds to cover your debt, you are increasing the public debt.

Mr. ALTMAYER. But you are reducing it by that much more than what it would have otherwise been reduced. That is to say, with a 5½ billion dollar deficit, if this fund did not purchase \$2,000,000,000 of that 5½ billion, then private investors would have to purchase.

Senator MILLIKIN. But I am talking now as to the deficit position. Whether you buy it from the public or not, whether you sell bonds to the public or whether you sell them to the trust fund, you have increased your indebtedness that much.

Mr. ALTMAYER. But you have reduced it in the hands of the public from what it would otherwise have been.

Senator MILLIKIN. Call it either way. It makes no difference. The end point is: When you are in a deficit position you are increasing your debt, whether that debt be held by the trust fund or whether it be held by the general public. But on the other hand, if you use your revenues from the system for reducing the public debt, you then in the future, when you have to cover the reserve fund with money, have brought yourself into balance.

Mr. ALTMAYER. Yes. But putting it in another way, 25 or 50 years from now, the general taxpayer, regardless of whether we have been operating on a surplus or deficit basis today, instead of being obliged to raise, let us say, a billion dollars to pay social-security benefits and also a billion dollars to pay interest on a certain amount of debt, will only have to raise \$1,000,000,000 instead of \$2,000,000,000, because of the investment of this trust fund in obligations that would otherwise have been in the hands of the general public.

Senator MILLIKIN. You have to pay, whether the bond is in the hands of the general public or in the hands of the trust fund. That part of it washes itself. The end point is whether you have needlessly added to your public debt.

Mr. ALTMAYER. Whether Congress has been more extravagant than what it otherwise would have been?

Senator MILLIKIN. Whether it is not tempted into extravagance, and whether the executive department is not tempted into extravagant proposals, because of this "easy come, easy go" money; which in fact escapes public attention. And I am not so sure that it does not escape the attention of many people in Congress and in the executive department. This source of income, I do not say by design, is something that has escaped public attention. And, as I pointed out a while ago, it has a very relevant bearing on claims which are made that we cannot reduce the public debt. You have over \$2,000,000,000 a year which could be used for that purpose if it were thought desirable.

Mr. ALTMAYER. Would you mind if I read into the record at this time a paragraph from the report of the Advisory Council on Social Security, which I think is quite pertinent?

Senator MILLIKIN. Please do so.

Mr. ALTMAYER. It is in the appendix, beginning on page 47 of that report. The paragraph reads:

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

would produce interest amounting to \$100,000,000 a year. This interest would, of course, have to be raised by taxation. But suppose there were no bonds in the trust fund. In that event, \$100,000,000 to cover the deficit in the old-age and survivors insurance system would have to be raised by taxation, and in addition another \$100,000,000 would have to be raised by taxation to pay interest on \$5,000,000,000 of Government bonds owned by someone else.

Senator MILLIKIN. Well, I think I conceded at the outset that there is an interest increment coming to the system.

Mr. ALTMAYER. That is right.

Senator MILLIKIN. As a result of these operations that we are talking about. But in the end the taxpayer has to pay that interest.

Mr. ALTMAYER. Yes. I did not mean to say that you did not understand this, but I do think some of the public do not understand it; and I can thoroughly appreciate why because it is very complex.

Senator MILLIKIN. Mr. Chairman, I did not have time to assemble my papers on it this morning, but may I ask the privilege of putting into the record later on a series of memos which I have on this subject, which discusses various features of it?

The CHAIRMAN. Yes.

(The material referred to will appear later in the hearings.)

The CHAIRMAN. Doctor, is there any other statement you wish to make at this time?

Mr. ALTMAYER. I think not. Thank you.

The CHAIRMAN. The next subject would be public assistance. Miss Hoey is Director of the Bureau of Public Assistance.

Miss Hoey, do you wish to be heard at this time? You may identify yourself for the record.

STATEMENT OF JANE M. HOEY, DIRECTOR, BUREAU OF PUBLIC ASSISTANCE, SOCIAL SECURITY ADMINISTRATION, FEDERAL SECURITY AGENCY, WASHINGTON, D. C.

Miss HOEY. I am Jane M. Hoey, the Director of the Bureau of Public Assistance, Social Security Administration, Federal Security Agency.

In his testimony Mr. Altmeyer expressed the conviction which we all share that great progress in social security would result if provisions such as those now written into H. R. 6000 were enacted into law. Those of us who are engaged in the administration of public assistance are keenly aware of the importance of strengthening the social-insurance programs. We believe that to a very great extent destitution can be prevented in the future if social-insurance program covered all employed persons for all common hazards and benefits were adequate in amount to meet average need.

In the social-security system in this country, public assistance is a residual program: that is, financial aid is provided only when individuals cannot secure the essentials of living, either through their own resources or the resources provided through other programs. After 14 years of experience in administering public assistance, we are convinced that this is the role that assistance should play. However, in order to fulfill this function properly, the assistance provisions of the Social Security Act should be extended and strengthened so that States may more adequately provide for all their needy people.

The groups now receiving old-age assistance, aid to dependent children, and aid to the blind are generally not employable. The

average age of persons receiving old-age assistance is now over 75. Only a limited number of blind persons receiving assistance are employable; many are old and many have more than one handicap. Aid to dependent children, at present, is limited to families in which a parent, usually the father, is either dead, physically or mentally incapacitated, or absent from the home. The purpose of this program is to make it possible for the mother to stay at home and care for her children. Although assistance case loads have been rising, as was demonstrated by the charts which Mr. Altmeyer gave you, the proportion of the population receiving assistance has not been rising at this same rate. For example, although in June 1949, 500,000 more old people were receiving old-age assistance than in 1942, the number of persons receiving old-age assistance per thousand persons 65 years of age and over was smaller than in 1942. Expanding assistance programs must be interpreted in the light of a growing population, higher living costs, increased urbanization of the population, and many other factors in our ever-changing economy.

A question was raised with Mr. Altmeyer as to what the Federal Security Agency is doing about the problem of an increasing aged population presenting a variety of needs. Since 1948 a committee representative of six units of the Agency has been at work analyzing and evaluating problems of the aging and the Federal and State programs designed to help them. The United States Public Health Service, the Office of Education, the Office of Vocational Rehabilitation, the Bureaus of Old-Age and Survivors Insurance and Public Assistance, and the Bureau of Employment Security, now in the Department of Labor, are participating in this work. Stimulation has been given to each of these agencies to focus attention on the aging, to develop research projects when facts are inadequate, and to provide, where possible, additional services for this group. Other Federal agencies are now being asked to participate so that an inter-departmental committee can be established. The Bureau of Public Assistance has been working for the last 3 years with representatives of national religious and fraternal organizations to see how resources of these organizations could be made available to recipients of old-age assistance and old-age and survivors insurance benefits.

I feel that this activity is of the greatest importance because our old people have suffered too long from the isolation and neglect resulting from the erroneous idea that their usefulness is past. Old people, as was demonstrated in the war years, have capacities for production. To refuse them opportunity to use those capacities is not only a waste of human resources that we can no longer afford, but is a cruel and inhuman policy we can no longer condone.

The National Social Welfare Assembly is now in the process of forming an organization on the aging in which national public and voluntary agencies will be represented. Through this organization resources can be pooled for study of problems of the aging and for effective action in developing services and facilities appropriate to the needs of the aged. The organization proposes to enlist the interest of employer and labor groups and others concerned.

Mr. Altmeyer indicated four or five major changes in H. R. 6000 which, we believe, would make this proposed legislation even more effective in strengthening the public assistance programs. I should

like to develop these suggested changes from the point of view of what they would mean to needy people.

Both the Advisory Council to the Senate Committee on Finance and the House Committee on Ways and Means considered the inadequacies of the present program for aiding dependent children. The present law limits the program to children under 18 years of age who are dependent because of the death, incapacity, or continued absence from home of a parent. Children in families which experience economic need but in which none of these factors are present also suffer acute privation and undergo destructive hardships. As a matter of fact, requiring that a parent be absent from the home before his children can receive assistance places a kind of financial premium on a broken home and exerts an influence exactly opposed to the purpose of the whole aid-to-dependent-children program; namely, to keep families together. We would therefore recommend that the definition of a dependent child be amended to include all children under the age of 18 living in families where there is economic need.

The CHAIRMAN. Would you pardon me, right there?

Miss HOEY. Yes, Senator.

The CHAIRMAN. Would not that program tend to produce more trouble than it would cure? If here is a family, intact, where the mother and the father are there, should not assistance be given so that they may take care of the family, rather than having somebody come in under the father and the mother and take care of the children because the economic condition of the family is not good?

Miss HOEY. Senator, the assistance payments are made directly to the parents for the children. That is the primary purpose of the assistance. It is to give it to parents and they spend it as they please for the care of the children. It is given for the children, but through the parents.

The CHAIRMAN. There you have another problem. Perhaps the same habits would lead to the wastage of those funds, unless they were safeguarded by the parents, who had failed in the first instance to provide.

Miss HOEY. We are talking largely about the unemployed parent who is not covered by unemployment insurance and has no other resources, where the children are in need. Now, if he deserts the family, or if it is a case of separation and nonsupport, they are eligible.

The CHAIRMAN. You are going to add to the benefits of the father and mother because there are dependent children in a home which does not have the capacity to meet the needs of that home?

Miss HOEY. Yes. That would be a temporary measure, of course, and there would be conditions set up, I am sure, by the States, by which the father would be referred to the Employment Service, so that he could get a job. Usually the stay of employable people on general assistance is for a very short period.

The CHAIRMAN. I am afraid that would greatly swell the rolls of the unemployed.

Senator KERR. May I ask a question?

The CHAIRMAN. Senator Kerr.

Senator KERR. You take the position that the present program encourages the breaking up of a home?

Miss HOEY. No; I do not; because I do not believe that men desert families merely because of the availability of a resource. I do say

that there is a temptation there, certainly, if a man knows that his children are without food and that he has no other resource and that he cannot get help otherwise; he certainly might consider leaving the family in order to get food for his children.

Senator KERR. How do you interpret the sentence which begins on the last line, page 3?

Miss HOEY. I said it would seem to; yes. It would seem to put a premium on a broken home.

Senator KERR. Would you read that sentence again?

Miss HOEY. Yes. I would be glad to.

As a matter of fact, requiring that a parent be absent from the home before his children can receive assistance places a kind of financial premium on a broken home and exerts an influence exactly opposed to the purpose of the whole aid to dependent children program; namely, to keep families together.

Senator KERR. Now, then, do I understand that you do not mean that?

Miss HOEY. Yes; I do mean that. I said that very carefully. It would seem to put a premium on that.

Senator KERR. It does not say "would seem to."

Miss HOEY. No. It says "places a kind of financial premium."

Senator KERR. Here is the thing that I wonder about, Mr. Chairman. If making funds available to dependent children is of such a tempting character that it causes a parent to leave home in order for his children to get it, and makes it so that he could get it whether he left home or not, would not that appeal to the same urge that was in him, or the same weakness that was in him?

Miss HOEY. Yes. The availability of the funds would allow him to remain with his family and get help.

Senator KERR. To the point where it would be easier for him to get aid that he could otherwise provide, instead of more difficult.

Miss HOEY. I am not sure that I get your point.

Senator KERR. Well, as it is now, the man who is unworthy has to get up and leave home in order for his children to get it. Are you telling us that you think it ought to be made so that he should be encouraged to stay at home, and that he should still be able to get it, whether it is a worthy case or not?

Miss HOEY. It is not a question of a worthy case; need is the factor to be determined. It seems to me that the agency must set up certain safeguards such as referral of a father to the Employment Service.

Senator KERR. Would it be easier to set up safeguards under that formula than under the present?

Miss HOEY. Well, the difficulty of finding the father who has deserted is a problem. H. R. 6000 calls for referral to a prosecuting authority of any father who has deserted his family.

The point that I was making is that there are children today who do not have enough to eat because we cannot give to the father who is unemployed but not covered by unemployment insurance any income until he can get another job. These are temporary short-time cases, not like the long-time cases where the father has died.

Senator KERR. Well, are you not in reality talking about another program entirely, rather than an expansion of the present program?

Miss HOEY. It is different, yes; quite different. It is a short-time program. If you had a general assistance category for any needy

person, you would not need this extension of aid to dependent children.

The CHAIRMAN. It looks to me like you are in the field of unemployment compensation.

Miss HOEY. I will cover that under the general assistance category later in this discussion. I will come back to the subject again if you like.

The CHAIRMAN. All right.

Miss HOEY. We are in agreement with the Advisory Council and H. R. 6000 that Federal participation in aid-to-dependent-children payments be placed on a more satisfactory basis. The present law provides Federal sharing in payments up to \$27 per month for one child in a family and \$18 for each child beyond the first. No specific provision is made for the needs of the mother or other relative caring for the child. In contrast, the Federal Government shares in a payment up to \$50 per month for each eligible aged or blind individual. For an aid-to-dependent-children family consisting of two dependent children, a mother, and an incapacitated father, the Federal maximum is \$45, an amount which would not even provide adequately for food alone, to say nothing of shelter, clothing, and other essentials. H. R. 6000 would include a maximum of \$27 for the mother in addition to the amounts allowed for the children. The Advisory Council's proposal is more liberal and more nearly meets the need—\$50 for each of two persons in a family and \$20 for each person beyond the second. The Council recommends that we provide as adequately for our children as for our old people.

In adding a fourth category for the permanently and totally disabled, H. R. 6000 provides for some of the needy persons who cannot now get assistance with Federal help. I believe that this category is too restrictive if assistance is to fulfill its residual function of providing for persons who are in want because they cannot work or do not qualify for insurance or other benefits. With the addition of such a limited category many needy persons would still remain uncovered, including those who are disabled, but not sufficiently so to come within a definition of permanent and total disability; older persons who cannot find work, even though they are under age 65; and unemployed workers and their families who are not covered by the unemployment-insurance system.

Under the State and local general assistance systems many persons in want cannot get help today and, of those who do, many receive only the most meager payments. If the system of unemployment insurance were extended and strengthened, the need for general assistance for persons who are employable would be minimized. While the majority of jobs in gainful employment are covered by State or the railroad unemployment-insurance laws, almost one-third of such jobs in an average month in the past fiscal year were excluded from coverage. Similarly, if the program of old-age and survivors insurance were extended to cover all employed workers both for retirement and permanent and total disability and adequate benefits were provided, the need for assistance would be greatly lessened. The people who fall between the boundaries of our numerous income maintenance systems and are in need should be able to receive assistance on a temporary or continuing basis if unnecessary suffering is to be avoided. We therefore concur in the Advisory Council's

recommendation for the enactment of a general assistance category for needy persons not now eligible for assistance under existing public assistance programs. We believe, however, that Federal participation in general assistance should be on the same basis as the Council recommended for aid to dependent children.

I wish to make it clear that I do not advocate that general assistance be used on any extensive scale in providing for unemployed persons in a period of prolonged unemployment. Extension of unemployment insurance and expansion of Federal public works would be more suitable ways of keeping unemployed persons from want.

Persons receiving assistance have more need for medical care on the average than does the population as a whole. Among recipients of assistance are old people, many of whom suffer from chronic diseases; blind persons, some of whom need treatment to improve or restore vision; incapacitated parents of dependent children who might be restored to productive life; and children who need preventive or remedial care. Among recipients of general assistance, illness is a primary cause of need.

We believe that, in general, health programs should be developed and operated by health agencies. However, when necessary medical care is not available to needy people, the public-assistance agencies should make possible the receipt of such care.

Under the present provisions of the Social Security Act, Federal financial participation is of limited help to the States in meeting the cost of medical care for the needy. The Federal maximums on individual monthly payments of \$50 in old-age assistance and aid to the blind and of \$27/18 in aid to dependent children make it impossible to meet both the need for medical care and for maintenance. Moreover, medical-care costs are usually irregular and cannot readily be budgeted like other items of need. Assistance agencies often find it desirable to make payments directly to medical practitioners, hospitals, or other suppliers of medical care for their services to recipients. Unless the State is prepared to assume the full cost of such payments, it cannot make them under the present Federal definition of assistance—money payments to recipients.

H. R. 6000 authorizes Federal participation in payments to suppliers of medical assistance, in addition to money payments to recipients, but limits the amount that may be spent for both types of payments for an individual to a monthly maximum of \$50 in the case of the aged, blind, and permanently and totally disabled. The amendment would be of substantial value only to the States making relatively low payments and in other States might well have the effect of reducing the amounts of money the recipients receive to meet their maintenance costs. We hope that H. R. 6000 will be amended somewhat along the lines recommended by the Senate Advisory Council with respect to medical care. The council advocated monthly maximums averaging \$6 per adult and \$3 per child, over and above the regular maximums. We are doubtful whether authorization for Federal sharing in vendor payments for medical care, without such additional provision for Federal matching funds, would be of any great advantage to the States.

Senator KERR. What do you mean by "vendor payments for medical care"?

Miss HOEY. The person who supplies it at the hospital; the doctor, the nurse, and so on.

Closely related to the provision in H. R. 6000 authorizing Federal participation in payments made directly to vendors of medical care is the provision authorizing Federal participation in assistance to needy persons living, as patients, in public medical institutions, except those in mental and tuberculosis hospitals. This provision will help States to bear the cost of assistance to needy persons who have to undergo prolonged treatment involving more or less permanent residence in medical institutions. State welfare agencies have indicated with increasing frequency in recent years the difficulties which they are experiencing in financing this relatively expensive kind of care, and, in addition, providing the necessary assistance to enable the individual to meet his continuing responsibilities and incidental maintenance expenses.

The exclusion of persons in mental and tuberculosis hospitals is not, of course, a discrimination against such individuals. Assistance would still be available to their families and dependents living in the community if they are needy. Tuberculosis and mental diseases are public health problems involving extended and costly treatment, and availability of services should not be limited by the application of a means test. A program which is not primarily addressed to maintenance of needy patients is required in these fields. Federal aid to institutions caring for such patients made available by the United States Public Health Service would seem a more appropriate method of help to States.

The provision in H. R. 6000 that a State plan must provide for a State authority responsible for establishing and maintaining standards for the institutions covered is of great importance. It is unfortunately true that all States do not now have agencies authorized to establish and maintain standards for many of the public and private institutions in the State. Recent disasters indicate clearly the necessity for the maintenance of standards to protect the health and safety of residents of institutions.

With regard to residence requirements, the Social Security Act now provides that a State plan for old-age assistance or aid to the blind may not require, as a condition of eligibility, residence in a State for more than 5 years out of the last 9 years and 1 year immediately preceding application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than 1 year old, birth in the State and residence by the mother in the State for 1 year preceding birth.

Mobility of population is an essential characteristic of a free-enterprise society. In this country, people move when and where better opportunities for livelihood are offered. The economic development of expanding communities depends on the migration of workers. Restrictions on the freedom of people to move in order to better their situation are not in accord with the purpose of the public-assistance program in encouraging people to become self-supporting or otherwise improve their condition. Many States already have more liberal residence requirements than the maximum permitted under the Social Security Act. H. R. 6000 reduces the maximum residence requirement for aid to the blind to 1 year, effective July 1, 1951, and applies the same maximum and effective date to the proposed title for aid to

the permanently and totally disabled. The bill makes no change, however, with regard to old-age assistance and aid to dependent children.

The Senate Advisory Council on Social Security recommended that--

Federal funds should not be available for any public-assistance program in which the State imposes residence requirements as a condition of eligibility for assistance, except that States should be allowed to impose a 1-year residence requirement for old-age assistance.

The Council points out that residence laws interfere with the mobility of population and impose an unwarranted hardship on needy people. With respect to old-age assistance, the Council believes that States with a favorable climate to which older people move need protection to keep the cost of the program down and thus they should be permitted to impose a 1-year residence requirement.

By its very nature the problem of residence is interstate in character and therefore of national concern. With Federal funds constituting a substantial portion of the cost of the public-assistance program, it seems only right and proper that needy persons who are otherwise eligible not be deprived of public assistance because of State residence requirements. Moreover, residence requirements are expensive to administer, and produce little to justify the expense they entail. We believe, therefore, that H. R. 6000 could be further improved by the elimination of residence requirements in aid to dependent children, aid to the blind, and the proposed new category, and lowering the maximum residence requirement to 1 year for old-age assistance.

I am particularly gratified about the provision in H. R. 6000 extending the public-assistance programs to Puerto Rico and the Virgin Islands. We have been aware of the needs of the people in these islands for some time and have followed with interest their testimony before the congressional committees urging their inclusion in the public-assistance programs. We have counseled with the representatives of the public-assistance agencies of the Virgin Islands and Puerto Rico as they have moved to secure legislation and develop administrative machinery which would qualify them for Federal financial participation in their programs in the event that the act is extended to cover them.

Knowing the dire need of large numbers of families and individuals on the islands, I cannot agree with the provision in H. R. 6000 for Federal sharing in assistance costs in Puerto Rico and the Virgin Islands on a less liberal basis than in the States. It is, of course, doubtful whether either Puerto Rico or the Virgin Islands could avail themselves to the full extent of Federal participation available under maximums applicable in the States, because of their limited resources. This is true also of some of the States on the mainland that are not able to pay up to the maximum because they do not have enough money. To write into law lower and apparently discriminatory maximums and a less liberal share of Federal participation would seem to me unfortunate. At least in a few cases of extraordinary need, payments might be made up to the maximums applicable in the States. In such cases, the islands should not be penalized through loss of matching funds.

We are in general agreement with the Council's recommendation that financing of assistance should be on a basis whereby—

the Federal Government will pay a higher proportion of the total cost of assistance in the lower-income States than in those with high per capita income.

The formula in the present act provides a higher Federal share for States with low levels of payments than for those with higher levels. In general, the States with low average payments are the low-income States. The formulas in H. R. 6000 would generally give States proportionately more Federal funds than the formulas now in effect and would be of very substantial benefit to the States with low levels of payments. We believe, however, that the soundest type of formula is one relating the Federal share to the per capita income of the States, rather than to the level of the State's payments. Under such a formula, a State with low economic resources could increase its payments without a reduction in the Federal share.

Despite the great progress that has been made in the United States since the Social Security Act became law, degrading destitution still exists in some parts of the Nation for a considerable number of persons. I hope that the Senate will give consideration to suggestions for the alleviation, if not the elimination, of distress resulting from economic need. Extension and strengthening of the social insurance and public assistance programs would be an important step in this direction.

The CHAIRMAN. Thank you very, very much, Miss Hoey, for your appearance here. It may be that sometime during the course of these hearings we will request that you return.

Miss HOEY. I will be glad to.

The CHAIRMAN. Any questions, Senator?

Thank you very much.

Miss HOEY. Thank you.

The CHAIRMAN. Miss Lenroot?

STATEMENT OF MISS KATHARINE F. LENROOT, CHIEF, CHILDREN'S BUREAU, SOCIAL SECURITY ADMINISTRATION, FEDERAL SECURITY AGENCY, WASHINGTON, D. C.

Miss LENROOT. Mr. Chairman, I am Katharine F. Lenroot, Chief of the Children's Bureau, Social Security Administration, Federal Security Agency.

Fifteen years ago, in its report on the social-security bill, the Senate Committee on Finance stated that—

The heart of any program for social security must be the child.

It called attention to the fact that at that time child-care services existed in less than 5 percent of all counties whose population was less than 30,000, and stated that "such services are badly needed in all communities." It was the intention of title V, part 3 of the Social Security Act, which originally authorized an annual appropriation of \$1,500,000, to—

stimulate the development of these badly needed child-care services, especially in areas which are predominantly rural.¹

¹ 74th Cong. 1st sess., S. Rept. No. 628, pp. 16, 19.

In the 15 years that have elapsed since the Social Security Act became law great progress has been made in the development and extension of these services. Today about 20 percent of all counties in the United States have one or more full-time child-welfare workers paid from public funds. In 1946 this committee recommended, and the Congress approved, an increase in the annual amount authorized to \$3,500,000, the present annual appropriation. The report of the committee with reference to this amendment stated that—

additional funds are required to expand child-welfare services for dependent and neglected children and children in danger of becoming delinquent, including foster care, day care, detention and other temporary care for children as essential parts of a child-welfare program.²

In considering the need for further expansion of this child-welfare program, the House Committee on Ways and Means had before it testimony indicating both the progress that has been made and the great needs that still exist for services to children in their own homes or requiring care outside their own homes. The committee recommended the amendment of title V, part 3 of the Social Security Act by increasing the annual allotment for child welfare services from \$3,500,000 to \$7,000,000, by increasing the flat amount available annually to each State from \$20,000 to \$40,000, and by authorizing the use of Federal child welfare services funds for paying the cost of returning runaway children to their own communities in other States, when such return is in the interest of the child and the cost thereof cannot otherwise be met. These provisions are incorporated in the bill now before you, section 331, page 179. In his testimony before this committee, Mr. Altmeier recommended that Federal funds for aid to the States for programs of child welfare services be increased to \$12,000,000.

Before discussing the present situation in the United States in regard to child welfare and the need for an expanded program, I wish to point out some facts regarding recent increase in child population. Thanks to a high birth rate and a steadily falling death rate, the child population in the United States increased from 41,000,000 under 18 years of age in 1940 to 46,000,000 in 1948. This is the largest number of children our Nation has ever had. Children in 1948 made up about one-third of the Nation's 147,000,000 citizens. In 1948 there were 40 percent more children under 5 years than in 1940, and 21 percent more children aged 5 through 9 years.

This increase has been the subject of widespread public discussion in regard to pressures upon school facilities and services. It is not so well understood that this same population growth has meant a greatly increased demand for services from health and welfare agencies. Reports from State public welfare agencies indicate that between 1945 and 1948 the number of children under 1 year of age receiving public child-welfare services increased 52 percent, and the number under 6 years of age increased 26 percent. Part of this increase was due to greater resources for child welfare, but the much larger increase in the youngest age group, as compared with older groups, indicates that there was a much greater demand for service due to the larger number of children born.

² 79th Cong., 2d sess., S. Rept. No. 1862, p. 11.

PRESENT RESOURCES FOR SERVICE TO CHILDREN

Throughout our history private agencies have been pioneers in providing services for children, though some public agencies also have been able to advance in new fields of endeavor. Private agencies care for a substantial proportion of children now in foster homes or institutions. For many of these children public funds are being provided to meet part or all of their maintenance. The development of public child-welfare services has been in response to needs that could not be met otherwise. The large number of counties without child-care services in 1935 has already been pointed out. Since the passage of the Social Security Act the States, through the development and expansion of their own resources and with the aid of Federal funds, have made remarkable progress in their child-welfare programs. Every State now has a public-welfare department which carries responsibility for child welfare. Through the work of these State agencies a firm foundation for further development has been laid. Prior to 1935, only 26 States had within their State public welfare agencies, divisions responsible for providing or supervising services to children on a State-wide basis. Now all States have such divisions. Prior to 1935 only 12 States had provisions for county child-welfare programs. Today every State has provided for local services to children in at least some of the local subdivisions in each State.

The passage of the Social Security Act and the development of child-welfare programs since that time have been a great stimulus to the States to improve State legislation for the care and protection of children. State laws on such subjects as adoption, illegitimacy, and juvenile courts have been strengthened. Standards for child-care work have been developed or improved with the participation of persons from both public and private agencies. There has been much greater recognition of responsibility of the State and local communities to serve children, and increased funds have been made available for these services.

Of great importance has been the increase in the number of persons qualified to give services to children. The States have developed highly successful programs for the training of child-welfare personnel.

CHILDREN NEEDING HELP TODAY

The services carried on by the States with Federal help under title V, part 3, of the Social Security Act are directed toward orphaned, destitute, neglected and uncared for children, children born out of wedlock, and children who are in danger of becoming delinquent or who present special behavior problems.

Children placed for adoption.—One of the most important ways of providing for children who have been permanently deprived of the care and protection of their natural parents, is through adoption. Under proper safeguards there is no aspect of child welfare work that gives greater promise of success. Unfortunately thousands of children among the 75,000 who, it is estimated, are placed for adoption each year, are subjected to the hazards of placement by irresponsible persons or are exploited through what is known as the "black market" in babies. During the past year the Children's Bureau has received

a number of reports tolling of cases in which adoption was a cash transaction for profits. One of the important objectives of the child-welfare program in the States is to provide legal and social service that will safeguard the rights and promote the welfare of the child, the natural parents, and the adoptive parents.

Unfortunately in many parts of the country child-welfare workers are not available to give this help. In the annual report of the Georgia Department of Public Welfare for 1947-48, it is stated that the Department and the licensed child-placing agencies placed a total of 123 children in prospective adoptive homes during the fiscal year--- exercising in these placements every care possible to give the child and the adoptive parents the protection of the State and of sound placing practices.

On the other hand the Georgia report states:

One hundred and twenty-four children and upward were placed by unauthorized persons, haphazardly in most cases, without benefit of knowledge as to the kind of child being placed, whether such child was normal in mind or body, without knowledge of his suitability to the home in which he was placed, and without plan of following through to see whether or not he would and could be legally adopted.

The Georgia department noted that many happy adoptions resulted from these unauthorized placements, but also many tragic situations, and that the State and county departments of public welfare should be able to offer service of this kind.

Children in their own homes needing special service. Teachers, police officials, juvenile-court judges, clergymen, and other persons having responsibilities for service to people frequently encounter children needing the kind of help that a child-welfare worker can give. Many of these children, with such help, could remain under the care of their own parents, when otherwise they would have to be cared for in foster homes or institutions. Among such children are those with physical and mental handicaps, children who are truant from school, and children who are troublesome in the community.

Children needing care in foster-family homes.--- Information reported recently by the States concerning their child-welfare needs indicates serious shortages in resources for foster-family care, chiefly in boarding homes. During the calendar year 1949 some 22 States reported that they had to curtail their foster-home programs because of inadequate funds. Colorado, for example, reported need for temporary care in boarding homes for babies born out of wedlock, pending development of a plan for them. Kentucky reports that they have accepted no new children for boarding care since last July and that they have funds to provide for only 100 children a year. In Arkansas, because of high prices and increased demands, intake of children for boarding care has had to be limited and provision for clothing of children curtailed. Alabama has reported continuous inadequate provision for board payments and for clothing and medical care for children in foster homes. In West Virginia it is reported that in large urban areas where living costs are high, the average board rate paid by the agency is \$24 per month, thus making it imperative that inferior boarding homes be accepted, and because of the shortage of money not even these are available for all children who need boarding care.

Children needing temporary care.---In many communities throughout the country there is lack of facilities for temporary care of infants or

older children. In Colorado, for example, the State department of public welfare reports:

In Denver the Denver General Hospital is being used by the Humane Society when neglected infants or toddlers are brought to their attention. This is necessary because there is no receiving home where infants may be placed. The detention home is sometimes used in Denver for the temporary care of dependent children because of a lack of receiving-home facilities. In several of the counties outside of Denver, the sheriff's office has used a jail for the placement of a dependent child coming to his attention at night.

Children of working mothers.—Working mothers in practically every State are confronted with the problem of the care and supervision of their children during the hours when they are at work. Many of them need the help of the child-welfare worker in finding and supervising homes which will care for the children during the daytime, or in arranging for day-nursery care. For many children the solution to this problem requires the cooperative efforts of nursery and elementary schools.

Homemaker service.—A relatively new development is the organization of "homemaker service" for the purpose of making it possible for children to remain in their own homes during periods of illness of the mother or other conditions affecting the care of children. The homemaker is a mature woman who is skilled in home management and in caring for children. She is available to go into the home when the mother is absent or ill for a temporary period and sometimes for longer intervals. It is apparent from the experience of the States that have been experimenting with this service, including North Carolina, New York, Ohio, Pennsylvania, Minnesota, and others, that not only does it help to keep the home together for the child but that public funds are often conserved by making foster care unnecessary for a family of children. Several States have reported the need for the establishment or extension of this service.

Delinquent children.—While the total number of children being referred to the courts because of juvenile delinquency has declined since its wartime peak, it is still above prewar levels, numbering approximately 275,000 in 1948. Many thousands of others who committed delinquent acts were handled by the police or social agencies without referral to the courts.

Concern for this problem has been very great during the war and postwar years. It is a complicated problem which has to be dealt with on many fronts. In few communities have adequate programs and services been worked out. One of the most serious situations affecting thousands of children is the lack of suitable facilities for detention care. It is estimated that at least 50,000 and perhaps 100,000 juveniles are confined in city and county jails each year. In 1946 over 30 States reported juveniles detained in jails. Recently the National Probation and Parole Association was asked to make a survey of the needs of youth in West Virginia. Its report included an estimate that over 2,000 children under 18 years of age were being or had been detained in jails during the year, and that detention facilities were inadequate. In Iowa in 1947 the division of child welfare of the State department of social welfare made a survey of the extent to which county jails had been used to detain children during that year. Of the 75 counties studied, 90 percent had used jails for detention of juveniles.

Approximately 75,000 children each year are placed on probation by the courts. According to the most recent Directory of Probation

Officers published by the National Probation and Parole Association in 1947, only 1,461 counties or 47 percent have juvenile probation service. Of course in some of these counties which are rural in character, and which are without service, some services may be available to the court from the welfare department. The following statement is included in the directory referred to above:

Complete organization and uniformity of desirable standards are still lacking in most of the States. The number of active cases handled by a single probation officer and the percentage of untrained probation workers are too high to expect the best results. There is much evidence of the need for more and better qualified probation officers if delinquency and crime are to be successfully combated.

Over 20,000 children per year are committed to public training schools for delinquents. Many of these institutions are without specialized social, psychiatric, psychological, and recreational services. When these are lacking or inadequate, the institution program can be little more than custodial and cannot fulfill its function of giving the child his chance to learn how to live with others.

The State department of public welfare in Indiana recently reported in relation to the training schools:

These State institutions are expected to care for children who have presented the most serious problems of behavior in the community. Yet neither the boys' school nor the girls' school have the professional facilities for meeting the problems of such children.

In the hearings before the House Ways and Means Committee on the legislation now before you, Mr. Russell W. Ballard, now director of Hull House and formerly superintendent of a State training school said:

Beginning in 1941 I spent two of the busiest and most frustrating and the saddest years of my life as the superintendent of the Illinois State Training School for Delinquent Boys near St. Charles, Ill. There were 676 boys, ages 9 to 20. Many of them were the same kind of boys who never had a chance, that I had known back in the local community. I saw other older boys, who were abusive, would not respond to treatment, and who were sent to prison with my sanction for committing serious offenses within the institution or while on escape. I saw boys who had done everything asked of them by the institution yet remained overlong because they had no homes or relatives to whom they could go. We might have called them the boys whom nobody wants. There were boys who were so socially ill they had to be constantly supervised to keep them from committing suicide. One of the boys I know succeeded. What kind of boys? Eighty-five percent from broken homes.

A variety of agencies, such as probation departments, training schools, child-guidance clinics, and other public and private welfare agencies, are providing care and services for delinquent children. Far too often these agencies have worked independently of each other. In many communities ways and means have not been devised to enable these agencies to share their knowledge and skill, and to work together as a coordinated interdependent team.

A large number of juvenile court judges, training school superintendents, and heads of other agencies working with delinquent children have expressed grave concern regarding the unmet needs of delinquent children in this country. Present requests for service from those agencies far exceed the resources available to meet them.

Runaway children.—The problem of caring for runaway and other nonresident children has been a matter of concern for many years. The National Council of Juvenile Court Judges has gone on record for a number of years as favoring Federal legislation which would pro-

vide funds to aid in returning these children to their own communities. A number of State welfare departments have indicated the need for assistance in dealing with this problem. We do not know its exact size. We do know, however, that about 25,000 runaway children are dealt with by juvenile courts each year.

WHAT IS BEING DONE BY PUBLIC AGENCIES

Reference has already been made to the importance of the work of private agencies in the child-welfare field. With important exceptions, their activities are largely concentrated in urban areas. I shall discuss later the cooperation that is essential between agencies working under governmental auspices and agencies operating under voluntary auspices. In this section I shall review briefly what is being done through the development of public child-welfare services.

On June 30, 1949, there were 3,831 State and local employees devoting full time to the public child welfare programs in this country. Of this number, 2,898 were child welfare case workers engaged in the direct provision of services in local communities to children who were dependent, neglected, or delinquent. Only 783 of these nearly 3,000 full-time child welfare case workers were paid in whole or in part from Federal child welfare service funds. The remainder—2,115—were paid entirely from State and local funds.

It has already been stated that about one-fifth of the counties in the United States have at least one full-time case worker paid from public funds for child welfare. Half of these case workers serving local areas were located in 60 counties having cities of 100,000 or more. However, taking only the case workers paid from Federal funds, 87 percent were in counties having no large cities. In counties not having a full-time child welfare worker there was either no public child welfare service available or such service had to be shared with other counties, or given by workers having other duties.

It is estimated on the basis of reports to the Children's Bureau that approximately 245,000 children were receiving service from public welfare agencies, as of September 30, 1949. Of these, 40 percent were in the homes of parents or relatives, 42 percent in foster family homes, 14 percent in institutions, and 4 percent living elsewhere.

The extent of the child welfare program reaches far beyond the giving of local service. Some of the Federal funds are used to strengthen the services of the child welfare divisions of the State department of public welfare. Almost every State uses Federal funds for district child welfare consultants or supervisors to provide help to the counties. By developing this consultation service on a State-wide basis, the State agencies are able to assist in extending and strengthening child welfare services in all counties throughout the State, with emphasis given to the development of services in rural areas.

Many States are using Federal funds for special child welfare staff, such as adoption consultants, institution consultants, and consultants in other areas of foster care, for example, foster-family care, and day care. These are staff members, serving for the most part on a State-wide basis, with special emphasis on rural areas.

Because of the shortage of trained social workers throughout the country almost all States make provision for workers to obtain train-

ing at a graduate school of social work. This has been an important factor in the increase in child welfare personnel, particularly in rural areas.

Many of the States have developed special services to institutions or other child-caring agencies. Such programs have been especially valuable in relation to training schools for juvenile delinquents. In seven States in 1949 provision was made for the employment of workers for training schools, usually giving full-time service. Services given to training schools include help in training cottage parents and case-workers. Child welfare workers in local communities give service to delinquent children in cooperation with courts, police, training schools, and other agencies.

A small amount of Federal funds is used for special projects, such as providing temporary or shelter care in foster family homes for children for whom no other resources for care were available, and homemaker service which has already been described. Only about 100 children at any one time have been provided for throughout the entire country through the special projects for foster family care.

Title V, part 3, of the Social Security Act, the authority under which this program was developed, provides Federal funds in the amount of \$3,500,000 a year --

for the purpose of enabling the United States, through the Administrator, to cooperate with State public welfare agencies in establishing, extending, and strengthening, especially in predominantly rural areas, public welfare services (hereinafter in this section referred to as "child welfare services") for the protection and care of homeless, neglected, and dependent children, and children in danger of becoming delinquent.

The funds are allotted by the Administrator for use by cooperating State public welfare agencies--

on the basis of plans developed jointly by the State agency and the Administrator.

Each State receives a flat allotment of \$20,000, and the remainder on the basis of rural population. The amount so allotted is expended--

for payment of part of the cost of district, county, or other local child welfare services in areas predominantly rural, and for developing State services for the encouragement and assistance of adequate methods of community child welfare organization in areas predominantly rural and other areas of special need.

In the development of State plans careful review is made of the need for services of various kinds and the availability of existing public and private resources. Areas of special need are defined as areas other than predominantly rural having an unusual identifiable need for special services to children.

In the fiscal year ending June 30, 1949, the States spent \$3,752,-800.16 from Federal child welfare service funds. It will be noted that this exceeds the amount of the annual appropriation by reason of the fact that unexpended balances may be carried over for a 2-year period. For the fiscal year 1950 over \$5,500,000 has been budgeted. It will be noted from these figures that the States are rapidly absorbing their unexpended balances. As these funds are exhausted the States will have to curtail their programs unless additional funds are forthcoming.

Of the more than \$3,700,000 expended in the fiscal year 1949, 41 percent was spent for State services, 10 percent for educational leave, 32 percent for services in rural areas, 16 percent for areas of special need,

and 1 percent for special projects. About two-thirds of the States spent Federal funds for services in areas of special need, and one-third spent no Federal funds for this purpose.

Federal funds in areas of special need are spent for services that encourage and assist in community child welfare organization and services to certain groups of children for whom no other resource is available. The projects in these areas are usually very small. In the fiscal year 1949 only 15 States budgeted more than \$15,000 for the entire State for areas of special need. Many of the areas of special need are relatively small communities. For example, 6 of the 11 areas of special need in Texas are in counties having no city as large as 50,000. Of the 8 areas of special need in Florida, 5 have no city of 50,000. In several States services provided through the use of Federal funds are set up primarily for children coming to the community from other parts of the State. For example, in Kansas City, Kans., Federal funds were used to provide convalescent care in boarding homes for children suffering from poliomyelitis who were under treatment at the University of Kansas Medical Center. Of course, these came from all parts of the State. In El Paso, Tex., funds are provided for unmarried mothers, many of whom come from other parts of the State, including rural areas.

HOW THE PROPOSED LEGISLATION WOULD HELP

The provisions of H. R. 6000 with reference to child welfare make no change in the present law except for doubling the amount of money authorized and the amount of the flat allotment to each State, and a special provision for return of run-away children. In other words the bill as it came from the House of Representatives authorized an annual appropriation of \$7,000,000 and a flat allotment to each State of \$40,000. There is no amount earmarked for run-away children, but each State needing such service would budget for it within its general allotment.

While the increase to \$7,000,000 would assist in extending the services provided, it represents only about \$1,500,000 more than the States are now budgeting under child welfare plans. It is for this reason, and because of the very great need for substantial expansion of the program, that the recommendation has been made for increasing the amount of the annual appropriation authorized to \$12,000,000.

Senator KERR. May I ask you a question?

Miss LENROOT. Yes, Senator.

Senator KERR. The first sentence there reads:

While the increase to \$7,000,000 would assist in extending the services provided, it represents only about \$1,500,000 more than the States are now budgeting under child welfare plans.

Does not the \$7,000,000 figure double the amount of the appropriation?

Miss LENROOT. It doubles the amount of the annual appropriation, Senator. But, as I explained, the law provides that unexpended balances for one year may be carried over for two additional years. Now, during the year there was great difficulty in obtaining child welfare workers for these programs, and the States accumulated unexpended balances, which they are now spending, because they can now get the workers. So that for the fiscal year 1950 they have

budgeted over \$5,500,000, of which \$3,500,000 is the annual appropriation and \$2,000,000 is the unexpended balance from previous years.

Senator KERR. Did they not participate in the cost of that program?

Miss LENROOT. The Social Security Act, Senator, provides that Federal funds pay part of the cost of service. There is no fixed ratio. Now, actually a great many of the States pay from State and local funds far more than the Federal Government expends.

Senator KERR. Well, is that not reflected in that amount of \$5,500,000?

Miss LENROOT. The \$5,500,000 refers only to Federal funds, Senator.

Senator KERR. That are budgeted?

Miss LENROOT. Yes. Then in addition the States have their own funds.

Senator KERR. Then you do not think that the addition of the \$1,500,000 amount from the Federal Government would bring about a proportionate amount from the States?

Miss LENROOT. It might bring about some increase. In some States, they are already spending much more than the Federal amount.

Senator KERR. If they are spending much more proportionately out of their own funds than they are getting from the Federal funds, would not an increase from the Federal funds bring about a proportionate increase in their funds, maybe?

Miss LENROOT. It might. Of course, there is no direct provision for matching in this section of the act.

Senator KERR. Could there be?

Miss LENROOT. If the Congress desired to insert such a provision.

Senator KERR. If many of the States are over 100 percent of the total matching funds, the fact that the requirement is not there has not kept the matching from being there.

Miss LENROOT. No; I think this has been a great stimulus to the States to do more for children. And I think it would be a stimulus. But I think on the basis of the information the States have given us there is a very great need for much greater expenditures.

Senator KERR. I can understand that, but I cannot understand how, if a certain amount produces a certain amount of matching money by the States, an increase of it would not bring about an increase of matching money.

Miss LENROOT. Well, supposing for the sake of conjecture that the States in the next year or so would spend another million and a half more from their own funds. That would still be far from adequate to deal with the situations that I have recited here.

Senator KERR. I think it should be presented on that basis then.

Miss LENROOT. I think if the committee wishes to consider some kind of matching formula I would have no objection to it.

The CHAIRMAN. Miss Lenroot, you spoke of the use of the detention homes and the jails for the children, for the detention of dependent children.

Miss LENROOT. Yes.

The CHAIRMAN. Suppose the appropriation of \$3,500,000 were now increased to \$12,000,000. I believe that is what you are recommending?

Miss LANSBURY. Yes.

The CHAIRMAN. Instead of merely doubling it?

Miss LANSBURY. Yes; Mr. Chairman.

The CHAIRMAN. What changes would then take place so far as that part of the program was concerned?

Miss LANSBURY. Some part of that money would undoubtedly be used for the provision of temporary care for these children, either in accommodating 6 or 8 or 12 or 15 children, or in foster giving temporary care.

The CHAIRMAN. Do you think it would get them out of the detention and out of the jails?

Miss LANSBURY. I think it would help very much, Senator, toward getting them out.

The CHAIRMAN. You do not think that the increase to \$12,000,000 would accomplish that, along with the other necessary things that you recommend?

Miss LANSBURY. It would only go a certain part of the way toward it. It would not, with that amount of money, in any complete sense, solve the problem of the detention of children in jails and detention homes.

On the basis of review of the situation in 44 States the following is an approximate distribution of the ways in which the additional amount of \$8,500,000 would probably be spent; that is, if we should go to \$12,000,000. It is understood, of course, that this distribution might be changed in the light of conditions at the time additional funds might be made available and further consideration of the needs; but this is a rough estimate:

For State services, \$1,275,000.

For local child-welfare services, \$3,145,000.

For educational leave; that is, for enabling workers to get training, \$680,000.

For special projects, such as homemaker service, foster-family care, temporary care, return of runaway children, \$3,315,000.

Other purposes, \$85,000.

The development of these additional services would assist in meeting the problems of juvenile delinquency—assist; they would not go all of the way by any means—through providing additional child-welfare workers and consultants, provision for training of personnel—including personnel engaged in juvenile delinquency work—and through foster-family care, detention care and other special projects. It would, however, be possible to meet only a portion of the need in the field of juvenile delinquency, as well as in other fields. It is probable, for example, that only a small amount within this total could be assigned for special work in improving standards of care in institutions for juvenile delinquents.

In making these recommendations I wish to make it clear that I believe that all child-welfare work should rest on the philosophy which recognizes the vital importance of voluntary effort as well as the appropriate role of public agencies. Both public and private agencies represent essential aspects of our society. The development of public welfare services should take into full account the importance of stimulating and encouraging both public and private effort, and relationships of cooperation and mutual assistance should be fostered.

Specifically, the following policies seem to us essential in the further development of public child-welfare services:

1. Federal policy should be developed after full consideration by a national advisory committee on which public and private agencies concerned with child welfare, as well as professional and citizens groups, are represented.

2. State plans involving the use of Federal aid should provide for the development of similarly constituted advisory committees.

3. Provisions of such State plans relating to extension of public child-welfare services into new areas or new types of services, or expansion of existing programs, should show that review has been made of the local situation and has indicated needs that cannot be met through present resources of public and private agencies.

In addition, I wish to make the following points, as representing my philosophy:

1. To the extent required to provide needed services, expansion of the services of both public and private agencies and adaptation of their programs as changing needs may require, should be aimed for.

2. Public funds should be administered through public agencies, which however may utilize the services of private agencies when appropriate to meet the particular needs of individual children for whom the public agency has responsibility. Payments to private agencies should be on a per capita, per diem basis related to the cost of care.

3. In providing for child-welfare services the needs of children for religious training in accordance with the faith of their parents should be fully safeguarded.

In conclusion may I repeat what I said to the Ways and Means Committee of the House of Representatives when discussing similar proposals:

The needs of children cannot be postponed. Their lives cannot be relived. Their needs must be met now if they are to become the kind of citizens who will be able to deal with the problems of the complex society in which we live—citizens who can assume their full share of responsibility for carrying on the principles which are the foundation of our democracy.

I cannot urge too strongly, Senators, that there be action by the present Congress in their behalf.

The CHAIRMAN. Any questions, Senator?

Senator KERR. No questions.

The CHAIRMAN. Thank you very much, Miss Lenroot, for your appearance here. We may, during the hearings, call you back.

If there are no other witnesses scheduled for the morning, the committee will recess until 10 o'clock Monday, at which time the representatives from the States will be heard as to their welfare problems.

(Thereupon, at 11:45 a. m., the committee recessed until Monday, January 23, 1950, at 10 a. m.)